Financial Accountability System Resource Guide, Update 20

Module 3: Special Supplement—Nonprofit Charter School Chart of Accounts

Texas Education Agency
2026

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Table of Contents

TABLE OF CONTENTS 2

OVERVIEW OF ACCOUNT CODES 5

3.1. Accounting Code Structure and Definitions 6

3.2 Net Assets Account Codes 8

3.2.1 Unavailable or Reserved Fund Codes 33

3.3 Function Codes 34

3.3.1 Unavailable or Reserved Function Codes 65

3.4 Object Codes 65

3.4.1 Asset Object Codes 66

3.4.2 Liability Object Codes 75

3.4.3 Net Assets 81

3.4.4 Revenue Object Codes 82

3.4.5 Expenditure and Expense Object Codes 99

3.4.6 Gains/Net Assets Released from Restrictions 124

3.4.7 Losses/Net Assets Released from Restrictions 127

3.4.8 Unavailable or Reserved Object Codes 128

3.5 Local Option Codes 130

3.6 Organization Codes 132

3.6.1 Using Organization Codes 133

3.6.2 Campus Accounting and Coding 134

3.6.2.1 Compliance Monitoring—Organization Codes 135

3.6.3 Organization Codes No Longer in Use 139

3.7 Fiscal Year Codes 139

3.8 Program Intent Codes (PICs) 142

3.8.1 Program Intent Codes (PICs)—Basic Services and Enhanced Services 145

3.8.2 Program Intent Code (PICs)—Athletics and Related Activities 146

3.8.3 Program Intent Codes (PICs)—Undistributed 146

3.8.4 Program Intent Codes (PICs)—Compliance Monitoring 146

3.8.5 Unavailable or Reserved Program Intent Codes 160

APPENDIX B: ACCOUNT CODE MATRIXES AND ACCOUNTING SPREADSHEETS 161

B-1.0 Account Code Matrices 161

APPENDIX C: EXAMPLE ACCOUNTING ENTRIES 162

C.1.2 Operating Transfers 162

C.1.3 Reimbursements 162

C.1.4 Interfund Loans 163

C.2 Accounting for Accounts Payable and Cash Disbursements 164

C.3 Accounting for Federal Grants 165

C.3.1 Federally Financed Grant Funded Through TEA 165

C.3.2 Closing a Federally Financed Grant Funded Through TEA 171

C.3.3 Accounting for E-Rate Discount 173

C.4 Accounting for Gifts and Bequests 174

C.4.1.1 Gift from a Private Benefactor 174

C.4.1.2 Unconditional Gift of Land 175

C.4.1.3 Private Donor Gift to Student Council 175

C.5 Accounting for Catastrophic Gains and Losses 175

C.6 Accounting for Payroll **177**

C.6.1 Accrual by Days Worked Per Month 177

C.6.1.1 Example 177

APPENDIX D: ASSISTANCE LISTINGS IDENTIFICATION NUMBERS **180**

GLOSSARY **181**

ACRONYMS **229**

BIBLIOGRAPHY **231**

Overview of Account Codes

Sections 12.104 and 12.111 of the Texas Education Code (TEC) require nonprofit charter school fiscal accounting systems to be compatible with the Texas Education Data Standards (TEDS) (as adapted for nonprofit charter school accounting in this special supplement). The system must conform with Generally Accepted Accounting Principles (GAAP). These sections of the TEC further require financial information be sufficient to enable the state board of education to monitor the funding process, and to determine educational system costs by nonprofit charter school, campus and program.

The TEC, §12.111, requires each nonprofit charter school to have an annual independent audit. The annual audit must include the performance of certain audit procedures for the purpose of reviewing the accuracy of the fiscal information provided by the nonprofit charter school through the TSDS PEIMS. The audit procedures are to be adequate to detect material errors in the nonprofit charter school's fiscal data to be reported through the TSDS PEIMS for the fiscal period under audit.

A major purpose of the following accounting code structure is to establish guidelines for a nonprofit charter school fiscal accounting system that is compatible with the TSDS PEIMS. Although certain codes within the overview may be used at local option, the sequence of the codes within the structure, and the net asset groups and classes and chart of accounts, are to be uniformly used by all nonprofit charter schools in accordance with generally accepted accounting principles. With the exception of the codes that may be used at local option, all charter schools must use the account code structure as described in this supplement. Failure to use the account code structure as discussed in this supplement should be disclosed as a noncompliance issue in the Schedule of Findings and Questioned Costs included with the annual financial and compliance report (AFR).

Applicability

This supplement discusses financial accounting and reporting requirements applicable to open-enrollment charter schools operated by:

- a private or independent institution of higher education as defined under the TEC, §61.003, or
- an organization that is exempt from taxation under Section 501(c)(3), Internal Revenue Code of 1986 (26 USC, §501(c)(3)).

The financial accounting and reporting requirements discussed in this supplement do not apply to an open-enrollment charter school operated by:

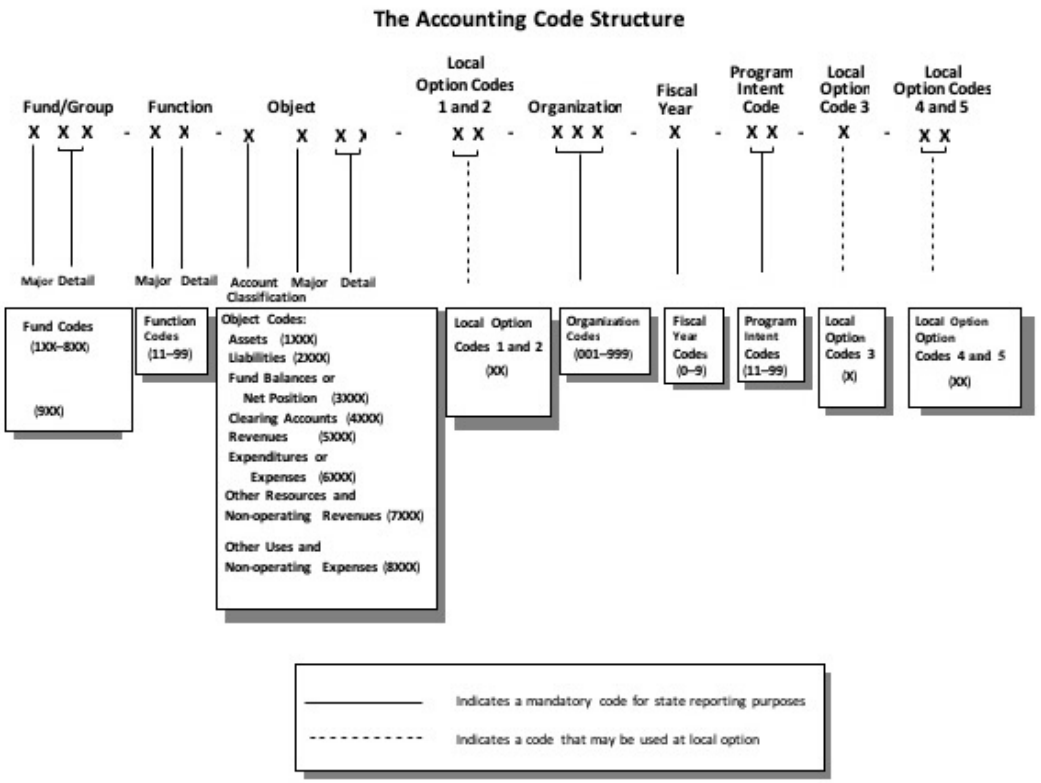
- an institution of higher education as defined in the TEC, §61.003, as any public technical institute, public junior college, public senior college or university, medical or dental unit, public state college, or other agency of higher education as defined in the section, or
- a governmental entity.

An open-enrollment charter school operated by an institution of higher education that is not private or independent or a governmental entity must adhere to the financial accounting and reporting requirements discussed in Module 1 of the FASRG.

3.1. Accounting Code Structure and Definitions

Exhibit 3.1 illustrates the structure of the accounting code system.

Exhibit 3.1 Accounting Code Structure



Fund Code

A required three-digit code used for all financial transactions to identify the fund group and specific fund. The first digit identifies the fund group, and the second and third digits identify

the fund. The fund code is also used to designate the long-term account groups for recording long-term debt and capital assets.

Example:

Code 211 applies to a special revenue fund. The "**2**" denotes the special revenue fund group, and the "**11**" denotes the fund for the Every Student Succeeds Act (ESSA), Title I, Part A—Improving Basic Programs.

Function Code

A required two-digit code used for a cost to identify the purpose of the transaction. The first digit identifies the major class of functions, and the second digit identifies the specific function within the class.

Example:

Code 33 applies to the function "health service." The first "**3**" denotes support services—student (pupil), and the second "**3**" denotes health services.

Object Code

A required four-digit code that identifies the purpose of an account, a transaction, or a source. The first of the four digits identifies the type of account or transaction, the second digit identifies the highest level of classification, and the third and fourth digits provide further subclassifications.

Example:

Code 5711 could apply to money received for current-year taxes. The "**5**" denotes revenue, the "**7**" denotes local and intermediate sources, the first "**1**" denotes revenue from local real- and personal-property taxes, and the final "**1**" denotes current-year levy.

Local Option Codes 1 through 5

Optional codes that a nonprofit charter school may use in multiple ways and combinations; for example, as a single-digit code, a two-digit code, or a three-digit code, etc.

Organization Code

A required three-digit code that identifies the organization, for example, high school, middle school, elementary school, superintendent's office, etc. An organization code does not necessarily correspond with a physical location. The activity, not the location, defines the organization. A campus is an example of an organization. The Texas Education Directory Customized Reports and Data Files (AskTED) specifies codes for each charter school and campus.

Example:

Expenditures for a high school might be classified as 001. This code is a campus organization code that is defined in AskTED for that high school.

Fiscal Year Code

A required single-digit code that identifies the fiscal year of a transaction or the beginning fiscal year of a grant project (a federally funded project that is accounted for as special revenue funds). The code for a particular fiscal year is the last digit of that fiscal year (for example, "**7**" is the fiscal year code for a fiscal year that begins in 2026 and ends in 2027 [fiscal year 2027]). The project period may vary according to the grant.

A project code combined with a fund code uniquely identifies transactions for a specific grant for the entire 15-month project period. Some project periods have only 14 months, and in a few instances, other project periods may apply.

Example:

A nonprofit charter school received a grant that began on July 1, 2026, and a nonprofit charter school's fiscal year starts September 1, 2026, and ends August 31, 2027; a nonprofit charter school accounts for 15 months of the grant expenditures with fiscal year code **7** (fiscal year 2027) for the duration of the 15-month project.

Program Intent Code (PIC)

A two-digit code used to designate the intent of a program provided to students. Program intent codes (PICs) account for the cost of instruction and other services that are directed toward a particular need of a specific set of students. The intent (the need of the student group toward which the instructional or other service is directed) determines the PIC, not the demographic makeup of the students served.

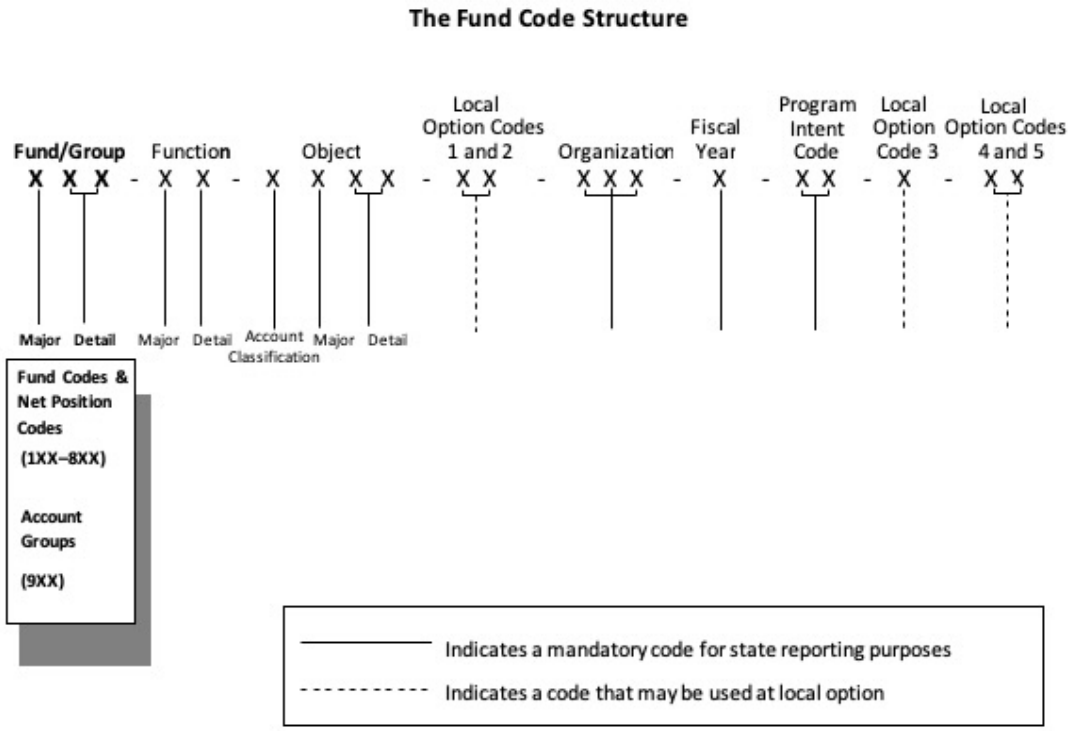
Example:

PIC **11** designates basic educational services, such as a physics class taught at the basic level.

3.2 Net Assets Account Codes

Nonprofit charter school accounting systems are organized and operated on a net asset class basis. A net asset class is an accounting entity with a self-balancing set of accounts recording financial resources and liabilities. A nonprofit charter school designates the net asset class's financial resources for a distinct purpose. The net asset class's purpose can be established by the state or federal government as well as the nonprofit charter school.

Exhibit 3.2 Fund Code Structure



The three digit code designates the net asset class if the charter school does not participate in grant projects or any federal program accounted for under account codes 200-499. If the charter school does participate in any grant project or federal program, then the three digit account code is used to identify the revenues and expenses restricted to the specific uses under the applicable state and federal law, rules, and regulations. This means that when expenses are incurred for grants accounted for under the With Donor Restrictions net asset class, then the charter school will not utilize the object code net assets released from temporary restrictions for general ledger and the TSDS PEIMS reporting purposes. Instead, the expense will be recorded and maintained in the general ledger with the appropriate specific or generic grant account code in the 200-499 range. This accounting treatment is required in order to provide information to oversight entities. Oversight entities are required to ensure separate detailed accountability is maintained in order to be able to determine charter schools' compliance with applicable state and federal rules and regulations. The object code net assets released from temporary restrictions will be utilized in annual financial statements.

Nonprofit charter schools should establish and maintain those net asset classes and grant accounting required by law and sound financial administration. Only the minimum number of net asset classes consistent with legal and operating requirements should be established since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration. This is particularly important in the area of grant administration because all grants must have separate accountability for revenues and expenses.

The ℛ by a code indicates that the code is required for reporting purposes (TSDS PEIMS and/or AFR) if such codes are applicable to the nonprofit charter school.

100 NET ASSETS WITHOUT DONOR RESTRICTIONS GROUP

Net assets without donor restrictions group for Texas nonprofit charter schools account for the acquisition, use, and balances of expendable financial resources and related liabilities as required by law or rule.

The net assets without donor restrictions group has budgetary control that is used to show transactions resulting from operations of ongoing organizations and activities from a variety of revenue sources for which net assets are controlled by and retained for the use of the local education agency. The net assets without donor restrictions group utilizes the full accrual basis of accounting.

To maintain separate revenue and expense accounts to assure the integrity of specific revenue purposes when required by law or rule, the unrestricted net asset class is to employ the classifications defined below.

ℛ 101 Food Service

This classification is to be used by the nonprofit charter school for a food service program, under certain circumstances.

Food service is considered a part of the without donor restrictions net assets class if it meets the following criteria:

- no user fees are charged; i.e., students are not charged for meals, and
- participation in the National School Lunch Program (NSLP) is not a factor.

Whether the nonprofit charter school participates or not, the unrestricted net asset class subsidizes food service for all amounts required in excess of the NSLP reimbursements

The net asset amount of food service may not exceed three months of food service operations, and such balances are to be used exclusively for allowable child nutrition program purposes. (Assistance Listings numbers [ALN] [formerly, the Catalog of Federal Domestic Assistance, or CFDA program numbers] 10.553, breakfast; 10.555, lunch) (Note: See net asset code 240, which is an alternative method of accounting for Food Service, depending on the guidelines established by the nonprofit charter school.)

The Summer Food Service Program funded by the U.S. Department of Agriculture (USDA) (ALN 10.559) is not to be classified in this net asset class, but rather in the with donor restrictions net asset class code 242.

161–198 **Locally Defined Classifications (Convert to Net Asset Class 199 for TSDS PEIMS)**

These codes are used, at the option of the nonprofit charter school, to further classify specific revenues and related expenditures for local requirements. For the TSDS PEIMS reporting, charter schools must convert these codes to Net Asset Class 199.

ℛ199 **Without Donor Restrictions Net Assets Class**

This classification must be used to account for those net assets the local governing board designates. The local governing board has wide discretion in their use as provided by law. Net assets with donor restrictions are accounted for using the net asset code category With Donor Restrictions net assets class codes 201-499. Any locally defined codes that are used at the local option for unrestricted net assets are to be converted to Net Asset Class 199 for the TSDS PEIMS reporting.

(See net asset code 420

and 429. All state aid not required to be reported under net asset codes 380-418 must be reported under net asset codes 420 and 429, as applicable.)

200, 300, 400 NET ASSETS WITH DONOR RESTRICTIONS GROUP

Net Assets With Donor Restrictions group and individual classes are used to account for the proceeds of specific revenue sources that are legally and with donor restrictions to expenses for specified purposes.

Every Student Succeeds Act (ESSA) was signed into law in 2015, replaced The No Child Left Behind Act of 2001 (NCLB Act), and reauthorized the longstanding Elementary and Secondary Education Act (ESEA). Title programs with fund codes are authorized under ESSA.

Net assets with donor restrictions codes are grouped in the following categories:

Codes	Category and Description
201–289	**Net Assets With Donor Restrictions: Federal Programs** This group of codes is used to account for federally funded With Donor Restrictions net asset classes. Each federal fund has a number assigned in the Assistance Listings. The applicable ALN is shown at the end of each fund code's definition.
381-429	**Net Assets With Donor Restrictions: State Funded** This group of codes is used to account for state-funded With Donor Restrictions net asset classes.
461-499	**Net Assets With Donor Restrictions Net Assets: Locally Funded** This group of codes is used to account for used to account for With Donor Restrictions net asset classes from local sources.

201-289 NET ASSETS WITH DONOR RESTRICTIONS GROUP: FEDERAL PROGRAMS

Federal programs that are used by nonprofit charter schools and education service centers are designated by Net Assets Class codes 201 through 289. Most, but not all, of these revenues must be applied for through a Standard Application System (SAS).

ℛ203 Child Care Development Block Grant

This fund classification is used to account for funds granted under Title XX of the Social Security Act.[1] (ALN 93.575)

ℛ205 Head Start

This fund classification is used to account for funds granted for the Head Start Program. (ALN 93.600)

[1] Social Security Act, Title XX

ℛ206 **McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B—Education for Homeless Children and Youth (Title I, Part A, and Every Student Succeeds Act, Title IX, Part A)**

This code is used to account for funds granted for activities such as coordination and collaboration with local agencies to provide comprehensive services to homeless children and youths, and a variety of staff development and supplemental services, including in-service training, counseling, psychological services, and tutoring. (ALN 84.196)

ℛ209 **Energy Conservation for Institutional Buildings**

This fund classification code is used to account for funds granted for energy conservation by the U.S. Department of Energy. (ALN 81.052)

ℛ211 **Title I, Part A—Improving Basic Programs Operated by Local Education Agencies, and Title 1, Part D; Subpart 2—LEA programs with locally operated correctional facilities**

This fund classification is used to account for funds to provide opportunities for children to acquire the knowledge and skills to meet the state's student performance standards. (ALN 84.010A)

This code is also used for Title I, Part D, Subpart 2—LEA programs with locally operated correctional facilities, and Title I—School Improvement Program.

ℛ212 **Title I, Part C—Education of Migratory Children**

This fund classification is used to account for funds granted for programs benefiting children of migrant agriculture or agriculture-related workers and children of migrant fishermen. (ALN 84.011)

ℛ214 **Title IV, Part A—Student Support and Academic Enrichment**

This code is used to account for funds granted to increase the capacity of school systems, campuses, and communities to:

- provide all students with access to a well-rounded education,
- improve school conditions for student learning, and
- improve the use of technology in order to improve the academic achievement and digital literacy of all students.

(ALN 84.424A)

ℛ218 Title IV, Part F, Subpart 4—Jacob K. Javits Gifted and Talented Students Education Act of 2001

This fund classification is used to account for funds granted to carry out programs to meet the educational needs of gifted and talented students, including training of personnel in education for gifted and talented students and using gifted and talented services, materials, and methods for all students. (ALN 84.206A)

ℛ220 Adult Basic Education (ABE)—Federal

This fund classification is used to account for funds granted to provide or support programs for education and literacy services to adults who are beyond the age of compulsory school attendance and:

- do not have a high school diploma; or
- lack sufficient mastery of basic educational skills to function effectively in society; or
- are unable to speak, read, or write the English language; and
- are not enrolled in school.

Educational services include:

- basic skills (reading, writing, speaking, and mathematics),
- English as a second language, and
- secondary-level competencies for acquisition of a high school diploma or equivalent.

If a nonprofit charter school receives funding provided under more than one section, it may be required to maintain separate accountability and may do so by using one of the locally defined codes. (ALN 84.002)

ℛ222 National and Community Service Trust Act—Learn and Serve America

This fund classification is used to account for funds allocated to enable students to apply classroom learning to real-life experiences. (ALN 94.004) (Corporation for National and Community Services)

ℛ223 Temporary Assistance for Needy Families (TANF)

This fund classification is used to account for funds granted to provide education services to undereducated adult recipients of cash assistance under Temporary Assistance for Needy Families (TANF). Recipients of

benefits must participate in adult basic education or job training programs as a condition of eligibility. Educational services include:

- basic educational skills (reading, writing, speaking, and mathematics),
- English as a second language, and
- secondary level competencies for acquisition of a high school diploma or its equivalent.

(ALN 93.558)

ℛ224 IDEA—Part B, Formula

This fund classification is used to account for funds granted to operate educational programs for children with disabilities. This code includes capacity building and improvement (sliver) subgrants. (ALN 84.027)

ℛ225 IDEA—Part B, Preschool

This fund classification is used to account for funds granted for preschool children with disabilities. (ALN 84.173)

ℛ226 IDEA—Part B, Discretionary

This fund classification is used to account for funds used to support a regional education service center (ESC) special education component and also:

- targeted support to LEAs,
- regional day school programs for the deaf,
- private residential placements,
- priority projects, and
- other emerging needs.

(ALN 84.027)

ℛ227 IDEA—Part B, Deaf

This fund classification is used to account for funds granted to operate educational programs for children with disabilities. This net asset code includes capacity building and improvement (sliver) deaf subgrants. (ALN 84.027)

ℛ228 IDEA—Part B, Preschool Deaf

This fund classification is used to account for funds granted for preschool children with disabilities. (ALN 84.173)

ℛ229 IDEA—Part D, Deafblind

This fund classification is used to account for federal grant funds for the Texas Deafblind Project for Children Who Are Deafblind. (ALN 84.326C; (ALN 84.025)

ℛ230 IDEA—Part D, Personnel Training

This fund classification is used to account for funds granted for programs related to the training and preparation of school personnel who provide educational services to students with disabilities. (ALN 84.029)

ℛ236 Substance Abuse Prevention and Treatment Block Grant

This fund classification is used to account for funds granted through the Texas Department of State Health Services for intervention services for young people up to age 18. (ALN 93.959)

ℛ238 Substance Abuse Prevention and Treatment Block Grant—Females

This fund classification is used to account for funds granted through the Texas Department of State Health Services for intervention services for females under the age of 18. (ALN 93.959)

ℛ239 Substance Abuse Prevention and Treatment Block Grant—Prevention

This fund classification is used to account for funds granted through the Texas Department of State Health Services for prevention services for young people. (ALN 93.959)

ℛ 240 School Breakfast Program and National School Lunch Program

This fund classification is to be used for programs using federal reimbursement revenues originating from the USDA. The Food Service Fund is considered a

Net Assets With Donor Restrictions Class if it meets the following criteria:

- User fees are charged to supplement the NSLP reimbursement—i.e., students are charged for meals.
- The Unrestricted Net Assets Class subsidizes the Food Service Fund for all amounts required in excess of the NSLP reimbursements and user fees.
- The nonprofit charter school does not intend for the Food Service Fund to be self-sustaining.

This fund may have a net asset not to exceed three months of food service operations, and such balances are to be used exclusively for allowable child nutrition program purposes. (10.553, breakfast; 10.555, lunch; 10.555 Commodities)

ℛ242 Summer Feeding Program, Texas Department of Agriculture (TDA)

This fund classification code is used to account for funds received from the Texas Department of Agriculture for meals provided to the community based on the average number of daily participants. This fund should be used regardless of whether a charter school's National School Breakfast Program and National School Lunch Program are accounted for in the Without Donor Restrictions Net Assets Class (code 101) or a With Donor Restrictions Net Assets Class (code 240). (ALN10.559)

ℛ244 Career and Technical Education—Basic Grant

This fund classification code is used to account for funds granted to provide career and technical education (CTE) and to develop new and/or improve existing CTE programs for paid and unpaid employment. Full participation in the basic grant is from members of special populations:

- at a limited number of campuses (sites) or
- in a limited number of program areas.

(ALN 84.048)

ℛ245 Career and Technical Education—Single Parent

This fund classification code is used to account for funds granted to provide marketable skills through programs, services, and activities (including dependent care and transportation) for single parents, displaced homemakers, or single pregnant women. (ALN 84.048A)

ℛ246 Career and Technical Education—Sex Equity

This fund classification code is used to account for funds granted for programs, services (including preparatory services, support services, and career guidance and counseling), and activities to eliminate sex bias and stereotyping in CTE. (ALN 84.048A)

ℛ247 Career and Technical Education—Curriculum Development

This fund classification code is used to account for funds granted to develop, disseminate, and field test curriculum, especially curriculum that integrates vocational and academic methods and provides a coherent sequence of courses through which academic and occupational skills may be measured. (ALN 84.048A)

ℛ248 Career and Technical Education—Professional Development

This fund classification code is used to account for funds used for CTE teachers and academic teachers who are working with students in CTE. The personnel included are educators and counselors who work in:

- corrections and
- community-based organizations.

Services include in-service and preservice training of teachers in state-of-the-art programs and techniques, such as integration of vocational and academic curriculum, with emphasis on training minority teachers. (ALN 84.048A)

ℛ250 Career and Technical Education—Apprenticeship

This fund classification code is used to account for funds granted for worksite programs such as:

- cooperative training
- internships
- joint programs
- services and activities with community-based organizations, work study, and apprenticeship programs

(ALN 84.048A)

ℛ251 Career and Technical Education—Quality Work Force

This fund classification code is used to account for funds granted to operate a quality workforce planning committee (partnership between educators and employers). (ALN 84.048A)

ℛ253 IDEA, Part C, Early Intervention (Deaf)

This fund classification code is used to account for funds granted to help local regional day school for the deaf programs and the Texas School for the Deaf provide direct services to infants and toddlers who are hearing impaired, ages birth through two years. The services are provided by trained, certified teachers. (ALN 84.181A)

ℛ255 Title II, Part A—Supporting Effective Instruction

This fund classification code is used to account for funds used to:

- increase student achievement consistent with the challenging state academic standards,
- improve the quality and effectiveness of teachers, principals, and other school leaders,
- increase the number of teachers, principals, and other school leaders who are effective in improving student academic achievement in schools, and
- provide low-income and minority students greater access to effective teachers, principals, and other school leaders.

(ALN 84.367A)

ℛ258 Charter School Program

This fund classification code is used to account for funds granted to public charter schools for the planning, program design, and initial implementation of charter schools, and to support the growth of high-quality charter schools. (ALN 84.282)

ℛ259 Matching Funds for Library Purchases

This fund classification code is used to account for federal matching funds received by the charter school to purchase books and other library materials that are catalogued and circulated from a central source in each school building. The Texas Education Agency (TEA) provides a 30 percent match for each dollar expended, not to exceed one dollar per student

enrolled, in each year of the biennium. (ALN 84.999) State Consolidated Administrative Funds

ℛ263 Title III, Part A—English Language Acquisition and Language Enhancement

This fund classification code is used to account for funds granted to improve the education of children with limited English proficiency by helping the children learn English and meet challenging academic achievement standards. (ALN 84.365A)

ℛ264 Community Service Grant Program

This fund classification code is used to account for funds granted to carry out programs under which students expelled or suspended from school are required to perform community service. (ALN 84.184C)

ℛ265 Title IV, Part B—21st Century Community Learning Centers

This fund classification code is used to account for funds granted to community learning centers to provide academic enrichment and other services to students and literacy-related educational services for their families. (ALN 84.287)

ℛ266 Elementary and Secondary School Emergency Relief (ESSER) Funds—Coronavirus Aid, Relief, and Economic Security (CARES) Act

This fund classification code is used to account for federal stimulus ESSER (Elementary and Secondary School Emergency Relief) funds granted to LEAs through the CARES Act that support a charter school's ability to operate and instruct its students during the COVID-19 pandemic. (ALN 84.425D) (Education Stabilization Fund)

ℛ267 Improving Academic Achievement (Grants for State Assessments and Related Activities)

This fund classification code is used to account for funds granted to improve educational achievement through:

- developing and administering state standards and assessments and
- providing professional development aligned with state standards and assessments.

(ALN 84.369)

ℛ268 Improving Academic Achievement (Grants for Enhanced Assessment Instruments)

This fund classification code is used to account for funds granted to improve educational achievement through:

- developing and administering state standards and assessments and
- providing professional development aligned with state standards and assessments.

(ALN 84.368)

ℛ269 Title V, Part B, Subpart 1—The Small, Rural School Achievement Program

This code is used to account for funds awarded directly to rural charter schools from the U.S. Department of Education to enable those charter schools to carry out authorized activities under specified Federal programs.

(ALN 84.358A)

ℛ270 Title V, Part B, Subpart 2—Rural and Low-Income School Grant Program

This fund classification code is used to account for funds allocated to rural school systems to address the unique needs of rural charter schools. (ALN 84.358B)

ℛ271 Workforce Investment Act Youth Activities

This fund classification code is used to account for funds allocated to local education agencies to help low income youths at least age 14 but younger than 22 to acquire the educational and occupational skills, training, and support needed to achieve success and transition to careers and productive adulthood. (ALN 17.259) (U.S. Department of Labor)

ℛ272 Medicaid Administrative Claiming Program—MAC

This code is used to account for funds allocated to local education agencies to reimburse eligible administrative costs for activities that implement the Medicaid state plan. Expenditures attributed to the required matching amount are recorded in the general fund and accounted for using a local option account code, as needed, for local monitoring of compliance with federal matching requirements. (ALN 93.778)

ℛ274 GEAR UP

This fund classification code is used to account for funds granted through Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). The funds are used to provide services and support to charter schools with a high percentage of low-income minority students to ensure that students:

- are academically prepared for higher education,
- graduate from high school, and
- have access to higher education opportunities.

(ALN 84.334S)

ℛ275 School Dropout Prevention

This fund classification is used to account for funds granted to:

- provide school dropout prevention and reentry programs and
- raise academic achievement levels to ensure that all children attain their highest academic potential.

(ALN 84.360A)

ℛ276 Title I School Improvement Program (SIP) Academy Grant

Every Student Succeeds Act of 2015 (ESSA)[2], which reauthorized Elementary and Secondary Education Act (ESEA), replaced the No Child Left Behind Act of 2001 (NCLB Act) and authorizes funds to help TEA and LEAs address the needs of campuses in improvement, corrective action, and restructuring in order to improve student achievement. In addition, a portion of School Improvement Program funds must be used to leverage change and improve technical assistance provided through TEA's and charter schools' targeting activities toward measurable outcomes as required by the U.S. Department of Education. Expected results from the use of these grants include:

- improving student proficiency,
- increasing the number of campuses that make adequate yearly progress, and
- using data to inform decisions and create a system of continuous feedback and improvement.

[2] ESSA Title I — Every Student Succeeds Act (ESSA)

(ALN 84.377A) This grant has been named the "SIP Academy" grant in Texas by the state Title I Committee of Practitioners.

ℛ278 American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER) Fund – Homeless Children and Youth (ARP-HCY)

This code is used to account for federal stimulus ESSER funds granted to LEAs through the American Rescue Plan Act to identify homeless children and youth, provide homeless children and youth with wraparound services to address the challenges of COVID-19, and enable homeless children and youth to attend school and fully participate in school activities.

(ALN 84.425W) (Education Stabilization Fund)

ℛ279 Texas COVID Learning Acceleration Supports (TCLAS)—State ESSER III Funds

This code is used to account for funds granted for targeted supports to assist LEAs to accelerate student learning due to learning loss caused by the COVID-19 pandemic. Examples of how the funds may be used to assist LEAs in learning acceleration and support areas are:

- strategic planning and performance management
- instructional materials that are rigorous and high-quality that make up ground and master grade level Texas Essential Knowledge and Skills (TEKS)
- teacher pipelines that support teachers to deliver excellence in the classroom
- expanded instructional time for students in most need, including expanding instructional time in the summer and with targeted tutoring
- innovative school models to incorporate all of the learning acceleration framework

This grant is funded by the American Rescue Plan Act. (ALN 84.425U)

ℛ280 American Rescue Plan (ARP) Act—Homeless II—Education for Homeless Children and Youth Program

This code is used to account for federal stimulus funds granted to LEAs through the ARP Act to identify and provide homeless children and youth with services in light of the challenges of COVID-19, and to enable

homeless children and youth to attend school and participate fully in school activities.

(ALN 84.425W) (ESSER III)

ℛ281 Elementary and Secondary School Emergency Relief Fund II (ESSER II) of the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

This code is used to account for federal stimulus ESSER II funds granted to LEAs through the CRRSA Act to support LEAs' ability to operate, instruct its students, address learning loss, prepare schools for reopening, test, repair, and upgrade projects to improve air quality in school buildings during the coronavirus pandemic.

(ALN 84.425D) (Education Stabilization Fund)

ℛ282 Elementary and Secondary School Emergency Relief Fund III (ESSER III) of the American Rescue Plan Act of 2021

This code is used to account for federal stimulus ESSER III funds granted to LEAs through the American Rescue Plan Act to address learning loss and the disproportionate impact of the coronavirus on certain student subgroups, identify and provide homeless children and youth with services in light of challenges of the coronavirus, and enable homeless children and youth to attend school and participate fully in school activities.

(ALN 84.425D) (Education Stabilization Fund)

ℛ283 Supplemental ESSER (ESSER-SUPP)

This code is used to account for federal discretionary COVID-19 funding from state discretionary ESSER III funds under the American Rescue Plan Act of 2021 to pay for unreimbursed costs due to the coronavirus disease (COVID-19) pandemic and intensive educational supports for students not performing satisfactorily for the 2021–2022 and 2022–2023 school years.

(ALN 84.425U) (ARP ESSER Fund)

ℛ284 **IDEA—Part B, Formula—American Rescue Plan (ARP) Act**

This code is used to account for federal stimulus funds granted under the ARP Act to operate educational programs for children with disabilities.

(ALN 84.027X) (ARP)

ℛ285 **IDEA—Part B, Preschool—American Rescue Plan (ARP) Act**

This code is used to account for federal stimulus funds granted under the ARP Act for preschool children with disabilities.

(ALN 84.173X) (ARP)

288 **Federally Funded Special Revenue Fund—Locally Defined**

Nonprofit charter schools have the option to use this fund classification to classify federally funded special revenue funds not specifically defined elsewhere. For the TSDS PEIMS reporting, these codes are converted to code 289.

ℛ289 **Federally Funded Special Revenue Funds**

This fund classification is used to account for federally funded special revenue funds that have not been specified above. Any locally defined codes that are used at the local option are converted to code 289 for the TSDS PEIMS reporting.

381–429 NET ASSETS WITH DONOR RESTRICTIONS GROUP: STATE-FUNDED PROGRAMS

Codes 381 through 429 are used to account for state program funds.

ℛ381 **Adult Basic Education (ABE)—State**

This fund classification code is used to account for funds granted to provide or support programs for adult education and literacy services to adults age 16 and above who do not have a high school diploma and are out of school. These funds can be used for the same purposes as federal funds for adult education.

ℛ382 **Temporary Assistance for Needy Families (TANF)—State**

This fund classification code is used to account for funds granted to provide education services to undereducated adult recipients of cash assistance

under TANF. Recipients of benefits are required to participate in adult basic education or job training programs as a condition of eligibility. Educational services include basic educational skills (reading, writing, speaking, and mathematics), English as Second Language instruction, and secondary-level competencies for acquisition of a high school diploma or its equivalent.[3]

ℛ383 Professional Staff Development

This code is used to account for funds used to provide preservice and staff development training in technology and innovative teaching practices for teachers and administrators. LEAs may serve as a fiscal agent for establishing a center for professional development under the direction of an institution of higher education or may receive funds directly to provide training and staff development in technology and innovative teaching practices.[4]

ℛ384 Texas After-School Initiative

This fund classification code is used to account for funds granted to implement quality after-school programs serving students of middle school age.

ℛ385 State Supplemental Visually Impaired (SSVI)

This fund classification code is used to account for state supplemental visually impaired funds received through the ESC or a district fiscal agent of a shared services arrangement.

ℛ386 Regional Day School for the Deaf

This fund classification code is used to account for funds allocated for the staff and activities of a regional day school program for the deaf (RDSPD). These funds are not to be used to pay salaries of teachers

- with a teaching assignment, other than deaf students in the RDSPD and
- of American Sign Language as a foreign language at the junior high or high school level because this is a course for regular education credit

[3] Texas Education Code (TEC), §29.252
[4] TEC, §21.047

ℛ387 Quality Work Force Planning—State

This fund classification code is used to account for funds for the benefit of a quality workforce planning committee.

ℛ388 Innovative Education Grants

This fund classification code is used to account for grants awarded to campuses for innovative programs. These grants are funded by the Public Education Development Fund.

ℛ390 Early Childhood Limited English Proficient (LEP) Summer Program

This fund classification code is used to account for funds for summer school programs for LEP students, but only if a bilingual program is part of the standard curriculum. Moneys may be used to fund both required summer school and voluntary summer school for LEP students.[5]

ℛ391 Year-Round Schools Incentive

This fund classification code is used to account for noncompetitive awards for year-round schools.

ℛ392 Noneducational Community-Based Support

This fund classification code is used to account for funds to provide noneducational community-based support services to students with disabilities who would remain in or have to be placed in residential facilities for educational reasons without these services. The support services may include transportation, respite for the parents, case management, social work, in-home family support, and other items.[6]

ℛ393 Texas Successful Schools Program

This fund classification code is used to account for grant moneys a nonprofit charter school applied for after receiving notice from TEA of eligibility based on criteria for the Academic Excellence Indicator System (AEIS).[7]

[5] TEC, §29.060
[6] TEC, §29.013
[7] TEC, §39.261

ℛ395 Comprehensive Developmental Guidance Program on Elementary Campuses for Students in At-Risk Situations

This fund classification code is used to account for funds granted for planning, implementing, and evaluating comprehensive, developmental guidance and counseling programs on elementary school campuses with high concentrations of students in at-risk situations. The objectives of this project are to:

- provide appropriate counseling and guidance for the changing social, emotional, and academic needs of students,
- provide direct services to students to help them manage academic and social needs, and
- support the efforts of teachers and parents in promoting the students' self-esteem, academic readiness, social and interpersonal sensitivity, and skills and awareness of academic and future career opportunities.[8]

ℛ396 Communities in Schools

This fund classification code is used to account for funds granted for an in-school multidisciplinary approach to decreasing the dropout rate in the nonprofit charter school by increasing each participant's chance of being successful in school.

ℛ397 Advanced Placement Incentives

This fund classification code is used to account for funds awarded to a nonprofit charter school under the Texas Advanced Placement Incentive Program.[9]

ℛ398 Children's Trust Fund of Texas

This fund classification code is used to account for funds granted by the private agency, Children's Trust Fund of Texas. This agency encourages community support and the use of volunteers within the program.

ℛ399 Investment Capital Funds or Campus Deregulation and Restructuring to Improve Student Achievement

This fund classification code is used to account for funds to help individual campuses implement practices and procedures consistent with school

[8] TEC, §33.005
[9] TEC, Chapter 28, Subchapter C, Advanced Placement Incentives

deregulation and restructuring. The purposes of these funds, provided through the investment capital fund, are to improve student achievement and increase parental involvement in the schools through staff development and training.[10]

ℛ402 Texas Ready to Read Program

This fund classification code is used to account for funds granted to enable preschool programs to provide scientific, research-based, prereading instruction, with the goal of improving prereading skills of three- and four-year-old students.

ℛ404 Student Success Initiative

This fund classification code is used to account for funds granted for teacher training and allocations to schools to implement scientific, research-based programs for students who have been identified as unlikely to achieve the third grade STAAR reading standard by the end of the third grade.

ℛ409 High School Completion and Success and Texas High School Project

This fund classification code is used to account for funds granted for programs to improve high school graduation rates and postsecondary readiness.

ℛ410 State Instructional Materials Fund

This fund classification is used to account for funds awarded to nonprofit charter school under the instructional materials allotment. Instructional materials include textbooks, software, supplemental materials, media storage devices, online services, open-source materials, and other means of conveying information electronically.[11]

ℛ412 Public School Child Care Services

This code is used to account for funds awarded to nonprofit charter schools for child care services for school-age children.[12]

[10] TEC, §7.024
[11] TEC, §31.0211
[12] TEC, §33.902

ℛ414 Texas Reading Initiative and Texas Reading, Math, and Science Initiative

This fund classification code is used to account for funds granted to improve student achievement in reading, math, and science through the provision of materials, professional development, student instructional programs, and other related activities.

ℛ415 Kindergarten and Prekindergarten (pre-K) Grants

This fund classification code is used to account for funds granted to implement or expand a kindergarten or prekindergarten (pre-K) program beyond the required[13] program.

ℛ416 State Head Start

This fund classification code is used to account for funds granted to provide an educational component to federal Head Start programs or similar government-funded early childhood care and education programs.

ℛ419 Head Start—Ready to Read or Early Childhood School Readiness

This fund classification code is used to account for funds granted to preschool programs to provide scientific, research-based, prereading instruction for three- and four-year-old children.

ℛ420 Foundation School Program and other State Aid

House Bill 6, 77th Legislative Session, states that funds received by a charter holder after September 1, 2001, pursuant to the TEC, §12.106, as amended, are public funds held in trust by the charter holder for the benefit of the students of the charter school. This net asset class usually includes transactions as a result of revenues from taxes passed through by school districts, foundation entitlements, state and county available, and other Foundation School Program sources that are not identified on warrants for foundation entitlements. State aid required to be reported under net asset codes 381–419 must not be reported under this net asset code.

ℛ422 Matching Funds for Library Purchases

This fund classification code is used to account for matching funds a charter school receives for expenditures for books and other school library materials that are catalogued and circulated from a central source in each

[13] TEC, §29.153

school building. TEA provides a 30 percent match for each dollar expended, not to exceed one dollar expended per student enrolled, in each year of the biennium, to be used for purchasing library books and other library materials.

ℛ423 **School Safety Grants**

This code is used to account for funds granted for school safety programs. Programs accounted for in this fund include, but not limited to, School Safety Standards and Safe Cycle grants. Activities accounted for in this fund must be limited to those that support implementation of statewide school safety standards, including safety planning, training, infrastructure improvements, and compliance-related activities.[14]

ℛ424 **Learning Acceleration Support Opportunities (LASO)**

This code is used to account for funds awarded under the Learning Acceleration Support Opportunities (LASO) framework to support student learning acceleration initiatives, including tutoring, extended instructional time, and other learning acceleration strategies as defined in the grant award documentation.

ℛ425 **Parent-Directed Special Education Services**

This code is used to account for funds awarded for Parent-Directed Special Education Services and the funds must be used in compliance with the program requirements, including eligibility, allowable services and materials, administrative, and other requirements for the program.[15]

427 **State-Funded With Donor Restrictions Net Assets Class—Locally Defined**

This fund classification code is used to account for funds that are received from the state and that are not listed elsewhere. For the TSDS PEIMS reporting, convert this code to code 429.

ℛ429 **State-Funded Special Revenue Funds**

This fund classification code is used to account for state-funded special revenue funds not listed above. Any locally defined codes that are used at the local option must be converted to code 429 for the TSDS PEIMS reporting.

[14] 19 TAC §16.1031
[15] 19 TAC §102.1601

461–499 NET ASSETS WITH DONOR RESTRICTIONS GROUP: LOCAL PROGRAMS

Codes 461 through 499 must be used to account for local programs such as

- campus activity funds or
- grants from local businesses or organizations that require that the funds be expended for a specific purpose.

ℛ461 Campus Activity Funds

This fund classification code is used to account for transactions related to a principal's activity fund if the moneys generated are not subject to recall by the nonprofit charter school's board of trustees. Gross revenues from sales are recorded in revenue object code 5755. The cost of goods sold is recorded in function code 36, using the appropriate expenditure object code.

480–498 Locally Funded With Donor Restrictions Net Assets Class—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify locally funded special revenue funds not defined elsewhere, such as grants by corporations to specific campuses. For the TSDS PEIMS reporting, these funds convert to code 499.

ℛ499 Locally Funded With Donor Restrictions Net Assets Class

This fund classification code is used to account for locally funded special revenue funds not listed above. Any locally defined codes that are used at the local option must be converted to code 499 for the TSDS PEIMS reporting.

800 NET ASSETS WITH DONOR RESTRICTIONS (PERMANENTLY RESTRICTED) GROUP

This group of net asset classes is used to account for assets held by a nonprofit charter school in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and/or other funds.

These net asset classes are accounted for on the full accrual basis of accounting. Examples of permanently restricted net assets are gifts, donations, or bequests received from individuals and/or organizations for permanently restricted specific purposes for which the principal and earned interest or revenue may be used (such as endowments for library support, building programs, and purchase of equipment).

801-805 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by the nonprofit charter school.

806-829 With Donor Restrictions (Permanently Restricted) Net Assets Class—Locally Defined

These net asset classifications are used to account for locally defined permanently restricted net asset classes. These fund classifications codes must not be reported through the TSDS PEIMS.

3.2.1 Unavailable or Reserved Fund Codes

The following table lists codes that are unavailable or reserved for future state definition. When a code is no longer being used, it is placed in "unavailable" status for 10 years to prevent it from being used with two different meanings. After it has been unavailable for 10 years, its status is changed to "reserved for future state definition," which means that it may be assigned to a new use as the need arises.

Category of Funds	Unavailable	Reserved for Future State Definition
100–600, Unrestricted Net Assets Funds		
100, Unrestricted Net Assets		
		102–160
200, 300, 400, With Donor Restrictions Net Asset Funds		
201–289, With Donor Restrictions Net Assets: Federal Programs		
	204 207, 208 213 237 243 249 252 256 261–262 273 277 286 287	201 202 207 210 215-217 219 221 231-235 241 254 257 260

Category of Funds	Unavailable	Reserved for Future State Definition
291–379, Special Revenue: Shared Services Arrangements: Federally Funded		
		290-379
381–429, With Donor Restrictions Net Assets: State-Funded Programs		
	389 394 401 411 413 417 418 421 426 428	400 403 405–408
431–459, Special Revenue: Shared Services Arrangements—State Funded or Locally Funded		
		430-459
461–499, With Donor Restrictions Net Assets: Local Programs		
		462–479

3.3 Function Codes

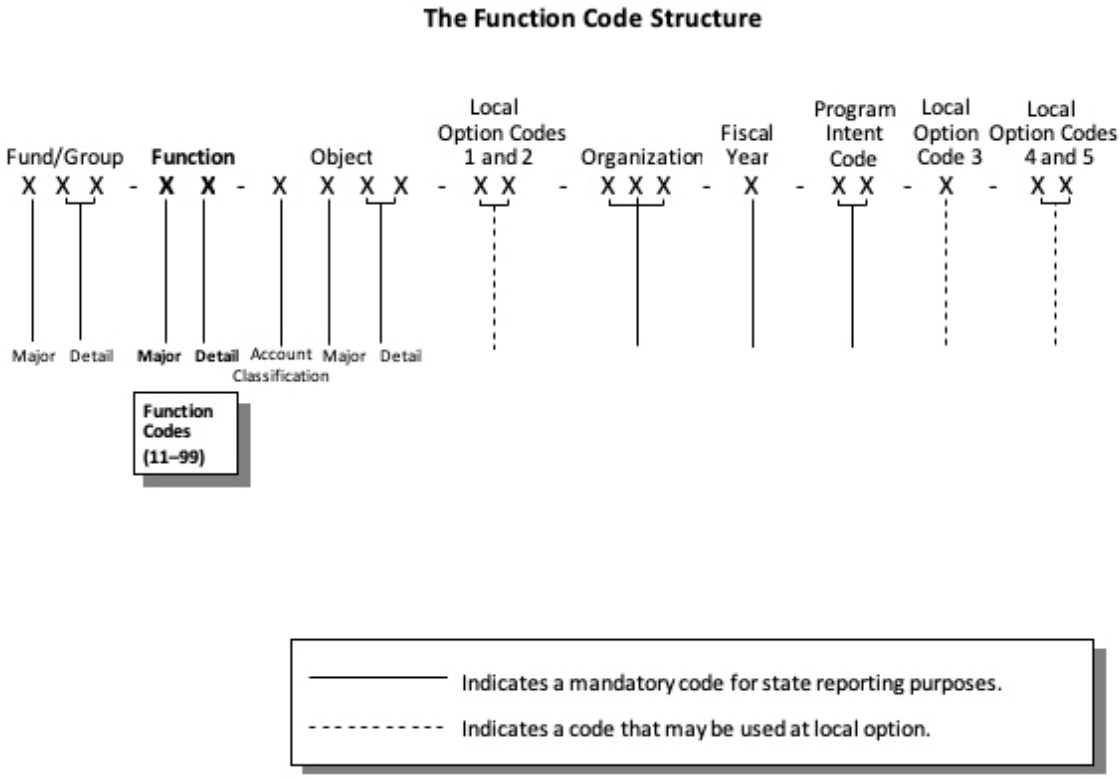
A function represents a general operational area in a nonprofit charter school It includes a group of related activities. Most nonprofit charter schools use all functions in educating students or organizing the resources to educate students. For example, to provide an appropriate environment for learning, a nonprofit charter school transports students to school, teaches them, feeds them, and provides them with health services. Each of these activities is a function.

An ℛ by a function indicates that the function is required for reporting purposes (TSDS PEIMS, AFR, or both) if a nonprofit charter school used that function.

Note: "Costs" means "expenditures" or "expenses" in this module. The terms "district improvement plan" and "campus improvement plan" are used throughout this module to refer to instructional plans required by open-enrollment charter schools.

Exhibit 3.3 illustrates the position of the function codes in the accounting code system.

Exhibit 3.3 Function Code Structure



Function codes are grouped in the following major areas according to related activities:

10 Instruction and Instruction-Related Services

20 Instructional and School Leadership

30 Student Support Services

40 Administrative Support Services

50 Support Services

60 Ancillary Services

70 Debt Service

80 Fund Raising

Each of these major areas includes specific function codes.

Organization Codes and PICs
Certain costs must be accounted for by organization code and PIC. See the organization code section and the PIC section for information about which costs must be accounted for with these codes.

Nonprofit charter schools are encouraged to also use appropriate program intent and organization codes for all other costs that are directly attributable to a specific program intent, organization, or both. However, nonprofit charters should weigh the benefits to charter school management against the effort required to allocate costs before allocating costs that are not required to be allocated.

If a nonprofit charter school does not use specific PICs for costs that do not require them, it must use PIC 99 (Undistributed) for those costs. If a nonprofit charter school does not use specific organization codes for costs that do not require them, it must use organization code 999 (Undistributed) or organization code 998 (Unallocated, Local Option) for those costs.

10 INSTRUCTION AND INSTRUCTION-RELATED SERVICES

This function code series is for costs for services that:

- provide direct interaction between staff members and students to achieve student learning or
- provide staff members with the appropriate materials for development to achieve student learning.

ℛ11 Instruction

This code is for costs for activities that deal directly with instruction (the interaction between teachers and students). Instruction may be provided to students in a school classroom or in another location, such as a home or hospital, and in other learning situations. It may be provided through face-to-face interaction or through an approved medium such as television, radio, telephone, telecommunications, multimedia, or correspondence. This code includes costs for direct classroom instruction, other instruction, and activities that enhance or direct the delivery of instruction to students.

Function Code 11 - Costs to Include:	Function Code 11 - Costs to Exclude (correct function code appears in parentheses):
• salaries for the following: ○ classroom teachers ○ teacher aides ○ classroom assistants	• salaries for the following: ○ department heads (function code 13)

Function Code 11 - Costs to Include:	Function Code 11 - Costs to Exclude (correct function code appears in parentheses):
○ graders ○ employees working in the classroom on a dedicated basis ○ adult basic education teachers ○ substitute teachers ○ substitute teachers who provide instruction while instructional staff members attend staff development or in-service training ○ teachers who deliver instruction through telecommunications, television, satellite, etc. ○ school bus aides for special education ○ teachers for computer labs used for instruction ○ webmasters in an instructional setting ○ technology coordinators for instructional networks ○ network managers for instructional networks • instruction, including that part of the regular school day that is for teaching physical education courses for credit and during which athletic activities or athletic practices occur • distance learning • classes taught to students by regional education service centers • adult basic education	○ curriculum writers (function code 13) ○ program directors (function code 21) ○ school leadership, such as principals and assistant principals, and their staffs (function code 23) ○ network managers for noninstructional networks (function code 53) ○ webmasters (excluding costs attributable to instructional settings) (function code 53) ○ management information services (MIS) directors (function code 53) ○ information technology developers, programmers, testers, or systems analysts (excluding costs attributable to instructional settings) (function code 53) • curriculum development (function code 13) • information technology networks; electronic equipment, including personal computers, servers, and mainframes; hardware; and software, including student and general administrative software, that are used for multiple functions, including license fees and maintenance for these hardware and software (function code 53)

Function Code 11 - Costs to Include:	Function Code 11 - Costs to Exclude (correct function code appears in parentheses):
• special education instructional and related services, including speech, occupational, and physical therapy • health instruction • food used to instruct students on food preparation • field trips • encyclopedias and other reference books in the classroom • instructional materials • upkeep and repairs to instructional materials and equipment in the classroom • band instruments purchased by the charter school or donated by band boosters or other groups • networks, software, licensing fees, maintenance, supplies, and staffs for computers used for instruction • testing materials for tests developed and administered by teachers • instructional supplies, including, but not limited to, classroom supplies, grade books, grade book software, report cards, and student handbooks • graduation • pre- or post-employment physicals or drug testing for personnel classified with this function code	• security for technology networks, data, or systems (excluding costs attributable to instructional settings) (function code 53) • supplies and services for maintaining buildings and grounds, including utilities (function code 51) • testing materials for standardized tests (function code 31) • band uniforms (function code 36) • property insurance on band instruments, uniforms, and equipment (function code 51) • additional costs associated with serving as a coach; athletic director; band director; sponsor for a University Interscholastic League speech, debate, or science competition; class sponsor; or student organization sponsor. These costs include those for additional days of employment, reduction of class load or length of day, etc. (function code 36)

Function Code 11 - Costs to Include:	Function Code 11 - Costs to Exclude (correct function code appears in parentheses):
• purchase of vehicles for instructional purposes, including driver's education • insurance for driver's education vehicles • after-hours tutorials and enrichment • tuition paid by the nonprofit charter school for students to attend college during the regular school day	

ℛ12 Instructional Resources and Media Services

This code is for direct costs for resource centers and direct costs for establishing and maintaining libraries and other major facilities dealing with educational resources and media.

Function Code 12 - Costs to Include:	Function Code 12 - Costs to Exclude (correct function code appears in parentheses):

• salaries for the following:
  ○ librarians and library aides
  ○ staff members who work in a media, resource, or audiovisual center; television studio; or similar work-study area
  ○ substitute library staff members who work in the library while library staff members attend staff development or in-service training
  ○ studio crews that record educational programs or program segments for broadcast
	• salaries for the following:
	  ○ staff members who conduct in-service training on the use of technology (function code 13)
	  ○ network managers for noninstructional networks (function code 53)
	  ○ network managers for instructional networks (function code 11)
	  ○ technology coordinators for instructional networks (function code 11)

Function Code 12 - Costs to Include:	Function Code 12 - Costs to Exclude (correct function code appears in parentheses):
• selecting, preparing, cataloging, and circulating books and other printed materials • planning the use of the library by students and by teachers and other members of the instructional staff • building individuals' ability to use library books and materials • selecting, preparing, maintaining, and making available to the instructional staff equipment, films, transparencies, tapes, television programs, software, media storage devices, other media, and similar materials • planning, programming, writing, and presenting educational programs or program segments for broadcast • books, films, videocassettes, media storage devices, and other media that are maintained by a resource center or library • library system software and software licenses, including stand-alone and networked software • supplies for binding and repairing books or other media contained in the library or resource center • upkeep of and repairs to library or resource center media, materials, and equipment • media and living science services provided by a regional education service center	• encyclopedias and other reference books in the classroom (function code 11) • supplies and services for maintaining buildings and grounds, including utilities (function code 51) • instructional materials (function code 11) • instructional supplies (function code 11) • additional costs associated with serving as a coach; athletic director; band director; sponsor for a University Interscholastic League speech, debate, or science competition; class sponsor; or student organization sponsor. These costs include those for additional days of employment, reduction of class load or length of day, etc. (function code 36)

Function Code 12 - Costs to Include:	Function Code 12 - Costs to Exclude (correct function code appears in parentheses):
• pre- and post-employment physicals or drug testing for personnel classified with this function code • purchase of vehicles for instructional-resources and media purposes	

ℛ13 Curriculum Development and Instructional-Staff Development

This code is for direct costs for services to help instructional staff members plan, develop, and evaluate the process of providing learning experiences for students. These services include in-service training and other staff development for the nonprofit charter school's instructional staff members or members of instruction-related staffs (function codes 11, 12, and 13). This code is also for costs related to researching, developing, and modifying instruction.

Function Code 13 - Costs to Include:	Function Code 13 - Costs to Exclude (correct function code appears in parentheses):
• salaries for the following: ○ staff members who research, develop, and modify instructional methods, techniques, and procedures ○ staff members who prepare or conduct in-service training or staff development for instructional staff members and members of instruction-related staffs (includes training on the use of technology) ○ curriculum coordinators (not responsible for supervising instructional-staff members)	• salaries for the following: ○ technology coordinators for instructional networks (function code 11) ○ substitute teachers who provide instruction while instructional-staff members attend staff development or in-service training (function code 11) ○ substitute library staff members who work in the library while library staff members attend staff development or in-service training (function code 12)

Function Code 13 - Costs to Include:	Function Code 13 - Costs to Exclude (correct function code appears in parentheses):
○ subject area or grade level department heads and related support staffs ○ assistant or deputy superintendents for curriculum ○ department heads and curriculum writers • curriculum development • fees for outside consultants conducting in-service training or staff development for instructional staff members and members of instruction-related staffs • travel and travel-related costs for instructional staff members and members of instruction-related staffs to attend in-service training or staff development • tuition and fees paid by the charter school for instructional staff members to attend an institution of higher education for additional hours of credit • supplies, materials, and equipment for curriculum development or in-service training • upkeep of and repairs to equipment used for curriculum development or in-service training • paid sabbaticals for instructional staff members • staff development or in-service training provided by a regional education service center	○ assistant or deputy superintendents for instruction (function code 21) ○ instructional supervisors (function code 21) • salaries of instructional and library staff members for the period when they attend in-service training or staff development (function code 11 or 12, as applicable) • supplies and services for maintaining buildings and grounds, including utilities (function code 51) • in-service training or staff development for staff members who are not classified with function code 11, 12, or 13 (applicable function code) • additional costs associated with serving as a coach; athletic director; band director; sponsor for a University Interscholastic League speech, debate, or science competition; class sponsor; or student organization sponsor. These costs include those for additional days of employment, reduction of class load or length of day, etc. (function code 36)

Function Code 13 - Costs to Include:	Function Code 13 - Costs to Exclude (correct function code appears in parentheses):
• pre- or post-employment physicals or drug testing for personnel classified with this function code • purchase of vehicles for instructional staff development or curriculum development	

20 INSTRUCTIONAL AND SCHOOL LEADERSHIP

This function code series is for costs related to managing, directing, supervising, and leading staff members who provide instruction or instruction-related services. This function code series is also for costs related to the general management and leadership of a school campus.

ℛ 21 Instructional Leadership

This code is for direct costs for managing, directing, supervising, and leading staff members who provide instruction or instruction-related services.

Function Code 21 - Costs to Include:	Function Code 21 - Costs to Exclude (correct function code appears in parentheses):
• salaries for the following: ○ instructional supervisors ○ coordinators or directors for special populations or educational programs (Title I, special education, CTE, etc.) and related support staffs ○ assistant or deputy superintendents for instruction, instructional supervisors, or program directors or administrators for instruction	• salaries for the following: ○ principals, assistant principals, and related staffs (function code 23) ○ staff members who perform accounting, personnel, or other administrative functions (function code 41) ○ staff members who provide staff development and in-service training (function code 13) ○ assistant or deputy superintendents for curriculum (function code 13)

Function Code 21 - Costs to Include:	Function Code 21 - Costs to Exclude (correct function code appears in parentheses):
• upkeep of and repairs to materials and equipment related to instructional leadership • pre- or post-employment physicals or drug testing for personnel classified with this function code • purchase of vehicles for instructional leadership purposes	○ curriculum coordinators who are not responsible for supervising instructional staff (function code 13) • supplies and services for maintaining buildings and grounds, including utilities (function code 51) • additional costs associated with serving as a coach; athletic director; band director; sponsor for a University Interscholastic League speech, debate, or science competition; class sponsor; or student organization sponsor. These costs include those for additional days of employment, reduction of class load or length of day, etc. (function code 36)

ℛ23 School Leadership

This code is for costs for managing a school campus. Managing a campus includes the activities performed by the principal, assistant principals, and other assistants while they do the following:

- supervise all operations of the campus
- evaluate staff members of the campus
- assign duties to staff members who maintain student records for the campus

Function Code 23 - Costs to Include:	Function Code 23 - Costs to Exclude (correct function code appears in parentheses):
• salaries for the following: ○ principals, assistant principals, and related staffs	• salaries for staff members who compile the superintendent's annual report (function code 41)

Function Code 23 - Costs to Include:	Function Code 23 - Costs to Exclude (correct function code appears in parentheses):
○ staff members who record, compile, and report student attendance data, including enrollment records ○ campus staff members who maintain a principal's activity fund or student activity fund • teacher appraisal (even if appraisals are conducted by a teacher peer group) • upkeep of and repairs to equipment related to school leadership • electronic devices, including personal computers, that are used exclusively by the school leadership staff, whether the computers are networked or stand-alone • purchase of vehicles for school leadership purposes • pre- or post-employment physicals or drug testing for personnel classified with this function code • design of campus improvement plans	• electronic devices, personal computers, servers, or mainframe computers that are used for multiple functions, for example, general administration and school leadership (function code 53) • supplies and services for maintaining buildings and grounds, including utilities (function code 51) • additional costs associated with serving as a coach; athletic director; band director; sponsor for a University Interscholastic League speech, debate, or science competition; class sponsor; or student organization sponsor. These costs include those for additional days of employment, reduction of class load or length of day, etc. (function code 36)

30 STUDENT SUPPORT SERVICES

This function code series is for costs that directly support students.

ℛ31 Guidance, Counseling, and Evaluation Services

This code is for direct costs for assessing students' abilities, aptitudes, and interests; counseling students about career and educational opportunities; and helping students set realistic goals. These costs include the costs of providing psychological services, educational

counseling, and occupational counseling; identifying individual characteristics; and testing and evaluating students.

Function Code 31 - Costs to Include:	Function Code 31 - Costs to Exclude (correct function code appears in parentheses):

• salaries for the following:
  ○ counselors and related staffs, including CTE or occupational counselors
  ○ staff members who evaluate student performance using assessment instruments
  ○ psychologists
  ○ psychiatrists
  ○ diagnosticians
  ○ assistant or deputy superintendents for guidance and counseling
• mental health screening
• student appraisal services
• maintaining information on a student's home and family background, standardized test results, and school performance
• maintaining information on each student's course of study
• placement services
• testing materials for standardized tests
• contracted testing services for standardized tests
• student or parent counseling
• upkeep of and repairs to equipment related to guidance and counseling services
	• supplies and services for maintaining buildings and grounds, including utilities (function code 51)
	• costs for providing physical health services to students (function code 33)
	• testing materials for student tests developed and administered by teachers (function code 11)

Function Code 31 - Costs to Include:	Function Code 31 - Costs to Exclude (correct function code appears in parentheses):
• purchase of vehicles for guidance, counseling, and evaluation personnel • supplies for guidance, counseling, and evaluation services • pre- or post-employment physicals or drug testing for personnel classified with this function code	

ℛ32 Social Work Services

This code is for direct costs that are exclusively for activities such as the following:

- investigating and diagnosing student social needs arising out of the home, school, or community
- providing casework and group work services for the child, parent, or both
- interpreting the social needs of students for other staff members
- promoting change in an individual student's circumstances related to his or her social needs, including providing referrals to and interacting with other governmental agencies

Function Code 32 - Costs to Include:	Function Code 32 - Costs to Exclude (correct function code appears in parentheses):

• salaries for the following:
  ○ social workers
  ○ truancy or attendance officers
  ○ staff members who transfer records of migrant students
  ○ assistant or deputy superintendents for social services
	• salaries for the following:
	  ○ staff members who record, compile, and report student attendance data (function code 23)
	  ○ staff members who record and compile the superintendent's report on attendance (function code 41)

Function Code 32 - Costs to Include:	Function Code 32 - Costs to Exclude (correct function code appears in parentheses):
• purchase of vehicles for social work services • upkeep of and repairs to materials and equipment related to social work services • supplies for social work services • pre- or post-employment physicals or drug testing for personnel classified with this function code	○ liaisons or coordinators for parent education and involvement (function code 61) • supplies and services for maintaining buildings and grounds, including utilities (function code 51) • additional costs associated with serving as a coach; athletic director; band director; sponsor for a University Interscholastic League speech, debate, or science competition; class sponsor; or student organization sponsor. These costs include those for additional days of employment, reduction of class load or length of day, etc. (function code 36)

ℛ33 Health Services

This code is for direct costs that are exclusively for providing physical health services to students or for direct costs for inoculations for staff members. Physical health services include medical, dental, and nursing services.

Function Code 33 - Costs to Include:	Function Code 33 - Costs to Exclude (correct function code appears in parentheses):
• salaries for the following:	• medical and health supplies to be used for athletics (function code 36, PIC 91) • instruction in health (function code 11)

Function Code 33 - Costs to Include:	Function Code 33 - Costs to Exclude (correct function code appears in parentheses):
○ school physicians (including ophthalmologists), dentists, optometrists, physician's assistants, nurses, and nurse's aides who maintain the health of students or provide health services to students ○ industrial nurses • contracted medical services, including doctor visits, dentist visits, vision services, and nurse services • inoculations for staff members and students • medical and health supplies for the use of students to assist in health care • Medicaid administrative expenditures • physical health services, screenings, and referrals for students • upkeep of and repairs to materials and equipment related to health services • pre- or post-employment physicals or drug testing for personnel classified with this function code • purchase of vehicles for health services	• speech, health, physical, and occupational therapy to assist special education students in the learning process (function code 11) • supplies and services for maintaining buildings and grounds, including utilities (function code 51) • pre- or post-employment physicals or drug testing for personnel classified with other function codes (applicable function code) • physical examinations for purposes of athletics (function code 36)

ℛ34 Student Transportation

This code is for costs incurred in transporting students to and from school. It is also for costs that are exclusively for student transportation that is related to CTE services, special education services, or other special program services.

A nonprofit charter school must record costs for regular bus routes to and from school, or for bus passes for transportation to and from school, using PIC 99 (Undistributed) and organization code 999 (Undistributed) or 998 (Unallocated, Local Option).

A nonprofit charter school must record costs that are exclusively for transportation of students related to CTE services, special education services, or other special educational services using the applicable PIC.

Function Code 34 - Costs to Include:	**Function Code 34 - Costs to Exclude (correct function code appears in parentheses):**

• salaries for the following:
  ○ transportation supervisors and directors, bus drivers, and bus maintenance personnel
  ○ assistant or deputy superintendents for transportation
• transportation specifically for students who participate in special programs as defined in the PICs, for example, special education (services to students with disabilities), CTE, etc. (Applicable PIC must be used.)
• Expenditures/expenses for regular bus routes to and from school for **eligible regular program students**
• fuel, tires, etc., for buses
• contracted repair of buses
• bus driver training and certification
• fleet insurance for buses
• surety bonds for bus drivers
• bus passes
• pre- or post-employment physicals or drug testing for personnel classified with this function code
	• field trips (function code 11)
	• trips for members of student organizations, for example, Future Farmers of America, National Honor Society, etc. (function code 36)
	• additional costs associated with serving as a coach; athletic director; band director; sponsor for a University Interscholastic League speech, debate, or science competition; class sponsor; or student organization sponsor. These costs include those for additional days of employment, reduction of class load or length of day, etc. (function code 36)
	• financing costs and interest on school bus loans and right-of-use leases (function code 71)
	• vehicles other than those used for student transportation (applicable function code)

Function Code 34 - Costs to Include:	Function Code 34 - Costs to Exclude (correct function code appears in parentheses):
• initial purchase of school buses	

ℛ35 Food Services

This code is for direct costs that are exclusively for supervising or maintaining a food service operation. These costs include those for food, labor, and other goods and services needed to prepare, transport, and store food for students and staff members.

Function Code 35 - Costs to Include:	Function Code 35 - Costs to Exclude (correct function code appears in parentheses):

• salaries for the following:
  ○ food service supervisors or directors and related staffs
  ○ cooks
  ○ snack bar staff members
• Summer Food Service Program
• food
• nonfood items such as plates, silverware, and napkins that are essential to providing food services to students
• commodities
• vehicles for transporting food from central locations to satellite locations and related costs
• food service equipment (Contact the Food and Nutrition Division at the Texas Department of Agriculture [http://www.squaremeals.org/About/ContactFoodandNutrition.aspx] to find out which equipment is eligible under the food service program.)
	• food used to instruct students on food preparation (function code 11)
	• supplies and services for maintaining buildings and grounds, including utilities (function code 51)
	• concession stands at athletic events (function code 36)
	• snacks, food, and drinks for resale in an activity fund (function code 36)

Function Code 35 - Costs to Include:	Function Code 35 - Costs to Exclude (correct function code appears in parentheses):
• pre- or post-employment physicals or drug testing for personnel classified with this function code • vehicles used for food services	

ℛ36 Extracurricular Activities

This code is for costs for school-sponsored activities outside of the school day (extracurricular activities). These activities are generally ones designed to motivate students and provide them with enjoyment and skill improvement. The activities may be competitive or noncompetitive.

Extracurricular activities include athletics and other activities that normally involve competition between schools (and frequently involve offsetting gate receipts or fees), such as football, baseball, volleyball, track, and tennis. They include related activities, such as drill team, pep squad, and cheerleading. They also include University Interscholastic League (UIL) competition, such as one-act plays, speech, or debate; band; Future Farmers of America (FFA); National Honor Society; and similar activities.

If a nonprofit charter school has activity funds, it must classify the goods purchased for resale with this function code and record the gross sale of goods with revenue object code 5755 (Results from Enterprising Activities, Activity Funds, and Clearing Accounts).

Function Code 36 - Costs to Include:	Function Code 36 - Costs to Exclude (correct function code appears in parentheses):

• salaries for the following:
  ○ athletic directors, assistants, and trainers (PIC 91)
  ○ game officials (PIC 91)
  ○ gatekeepers, timers, and scorekeepers at athletic
	• instruction, including that part of the regular school day that is for teaching physical education courses for credit and during which athletic activities or athletic practices occur (function code 11)
	• supplies and services for maintaining buildings and

Function Code 36 - Costs to Include:	Function Code 36 - Costs to Exclude (correct function code appears in parentheses):
events (PIC 91) • athletic salary supplements paid exclusively for coaching, directing, or sponsoring extracurricular athletics, drill team, pep squad, or cheerleading (PIC 91) • insurance to cover student injuries that occur while students participate in athletics (PIC 91) • physical examinations for purposes of athletics (PIC 91) • medical and health supplies to be used for athletics (PIC 91) • athletic supplies and equipment, including uniforms (PIC 91) • travel for coaches, trainers, sponsors, and students, including meals and lodging (PIC 91) • travel for band directors, sponsors of debate and other activities, and student participants in extracurricular activities, including meals and lodging for student competition and extracurricular activities (PIC 99) • trips for members of student organizations, for example, FFA, National Honor Society, etc.	grounds, including utilities (function code 51) • property insurance for band uniforms, instruments, and other equipment (function code 51) • band instruments purchased by the nonprofit charter school or donated by band boosters or other groups (function code 11) • security for extracurricular events (function code 52) • property insurance for athletic uniforms and equipment (function code 51)

Function Code 36 - Costs to Include:	Function Code 36 - Costs to Exclude (correct function code appears in parentheses):
• membership fees and dues for coaches (PIC 91) • additional costs associated with serving as a coach; athletic director; band director; sponsor for a UIL speech, debate, or science competition; class sponsor; or student organization sponsor. These costs include those for additional days of employment, reduction of class load or length of day, etc. (PIC 91 or 99) • band uniforms (PIC 99) • items (snacks, food, drinks, pencils, pens, paper, etc.) for resale in an activity fund (PIC 99) • concession stands at athletic events • pre- or post-employment physicals or drug testing for personnel classified with this function code • vehicles for extracurricular purposes	

40 ADMINISTRATIVE SUPPORT SERVICES

This function code series is for costs related to the overall general administrative support services of a nonprofit charter school.

ℛ41 General Administration

This code is for costs to manage or govern a nonprofit charter school as an overall entity, including some activities that do not apply directly and exclusively to specific functions. General administration costs are indirect costs that apply to other expenditure functions of a nonprofit charter school.

For all costs that a nonprofit charter school records with function code 41, a nonprofit charter school must use:

- PIC 99 and
- the organization codes in the 700 organization code group. (The organization codes in that group may not be used with any other function code, other than specific costs in function code 53 [Data Processing] that relate to the functions of the business office.)

Function Code 41 - Costs to Include:	**Function Code 41 - Costs to Exclude (correct function code appears in parentheses):**

• salaries for the following:
  ○ staff members who perform accounting, personnel, or other administrative functions
  ○ staff members who compile the superintendent's annual report
• costs for the board of trustees, including travel, training, and legal fees
• portion of superintendent's salary associated with performing administrative duties directly related to the superintendency
	• portion of superintendent's salary associated with other functions, such as instruction, campus leadership, and support services (applicable function code)
	• building and property insurance (function code 51)
	• supplies and services for maintaining buildings and grounds, including utilities (function code 51)
	• salaries and other costs related to a warehouse operation (function code 51)

Function Code 41 - Costs to Include:	Function Code 41 - Costs to Exclude (correct function code appears in parentheses):

• other salaries and costs related to the office of the superintendent
• salaries and other costs related to the following:
  ○ budgeting, accounting, and fiscal affairs, including payroll and internal auditing costs, property accounting (capital assets and fixed assets), inventory, and purchasing
  ○ human resources (personnel services)
  ○ the instructional materials custodian
  ○ support services for aggregating attendance reports to the superintendent's report on attendance and for compiling that report
  ○ legal and risk management issues, including analysis of tax value limitation agreements
  ○ planning and research
  ○ community and public relations
• electronic devices, including personal computers and stand-alone or networked computers, used primarily by function code 41 personnel for administrative purposes
• vehicles (including acquisition, maintenance, and supplies) for administrative personnel
• insurance for administrative automobiles
	• information technology networks; electronic equipment, including personal computers, servers, and mainframes; hardware; and software, including student and general administrative software, that are used for multiple functions, including license fees and maintenance for these hardware and software (function code 53)
	• management information services (MIS) directors (function code 53)

Function Code 41 - Costs to Include:	Function Code 41 - Costs to Exclude (correct function code appears in parentheses):
• surety bonds for administrative personnel • costs related to records management • liability insurance for the board of trustees and administrative personnel • design of the charter school improvement plan • pre- and post-employment physicals or drug testing for personnel classified with this function code • amounts paid for monitors, conservators, or management teams required by TEA • normal legal and election costs of the charter school	

50 SUPPORT SERVICES[16]

This function code series is for costs for non-student-based charter school support services, that is, support services that do not directly support students. See the 30 function code series for information on costs for student support services.

ℛ51 Facilities Maintenance and Operations

This code is for costs to maintain and operate the physical facilities, including costs for keeping the facilities and grounds open, clean, comfortable, insured, and in an effective working condition and state of repair. This code is also for costs associated with warehousing items and receiving services.

[16] Before September 1, 2005, this series was titled "Support Services: Non-student-based."

Function Code 51 - Costs to Include:	Function Code 51 - Costs to Exclude (correct function code appears in parentheses):
• salaries for supervisors, directors, and assistant or deputy superintendents for facilities maintenance and operations • salaries and other costs related to a warehouse operation • custodian services • building and appliance maintenance • equipment for maintenance and operation of facilities • property and casualty insurance • premiums for blanket casualty insurance for physical facilities, including food service operations • building and property insurance • property insurance for band instruments, uniforms, and equipment • property insurance for athletic uniforms and equipment • property insurance for other equipment • vehicles purchased for facilities maintenance and operations • supplies and contracted maintenance for vehicles used for facilities maintenance and operations, including food service operations • utilities for the entire nonprofit charter school, including for food service operations	• security and monitoring (function code 52)

Function Code 51 - Costs to Include:	Function Code 51 - Costs to Exclude (correct function code appears in parentheses):
• supplies and services for maintaining buildings and grounds • pre- and post-employment physicals or drug testing for personnel classified with this function code • security systems that are part of a smoke detector system	

ℛ52 Security and Monitoring Services

This code is for costs for activities to keep the surroundings of students and staff members safe, whether students and staff members are in transit to or from school, on a campus, or at a school-sponsored event at another location.

Function Code 52 - Costs to Include:	Function Code 52 - Costs to Exclude (correct function code appears in parentheses):

• salaries for the following:
  ○ security guards
  ○ hall monitors for security purposes
  ○ school bus security monitors
  ○ school crossing guards
  ○ campus police
• security and monitoring
• security at school-sponsored events, including extracurricular events
• communication devices for personnel classified with this function code
• vehicles used for security and monitoring
	• salaries for the following:
	  ○ truancy or attendance officers (function code 32)
	  ○ social workers (function code 32)
	  ○ liaisons or coordinators for parent education and involvement (function code 61)
	  ○ school bus aides for special education (function code 11)
	• security systems that are part of a smoke detector system (function code 51)

Function Code 52 - Costs to Include:	Function Code 52 - Costs to Exclude (correct function code appears in parentheses):
• supplies, equipment, and contracted services for the safekeeping of students and staff members, including metal detectors, drug dogs, surveillance devices, etc. • emergency management • pre- and post-employment physicals or drug testing for personnel classified with this function code	

ℛ53 Data Processing Services

This code is for costs for data processing services, whether in-house or contracted.

For data processing costs associated with business office functions, such as accounting and payroll, nonprofit charter schools must use organization code 750.

Function Code 53 - Costs to Include:	Function Code 53 - Costs to Exclude (correct function code appears in parentheses):
• salaries for the following: ○ network managers for noninstructional networks ○ management information services (MIS) directors ○ webmasters (excluding costs attributable to instructional settings) ○ information technology developers, programmers, testers, and systems analysts (excluding costs attributable to instructional settings)	• salaries for the following: ○ technology coordinators for instructional networks (function code 11) ○ webmasters in instructional settings (function code 11) ○ staff members who prepare or conduct in-service training or staff development for instructional and instruction-related staffs (includes instructional technology) (function code 13)

Function Code 53 - Costs to Include:	Function Code 53 - Costs to Exclude (correct function code appears in parentheses):

• information technology networks; hardware; and software, including student and general administrative software, that are used for multiple functions, including license fees, development, and maintenance for these hardware and software
• networked or stand-alone mainframes, servers, computers, or other electronic equipment that is used for multiple functions
• applications such as the following:
  ○ student information systems
  ○ financial accounting systems
  ○ human resources or personnel systems
• management of facilities that house computers, servers, or network equipment
• computer processing
• systems development
• analysis of workflows, processes, and requirements
• coding, testing, debugging, and documentation
• systems integration
• design of applications supporting information technology infrastructure
• interfacing costs associated with general types of technical assistance to data users
	• stand-alone or networked electronic devices used by a specific functional area (applicable function code)
	• peripheral devices, including monitors and printers (applicable function code)
	• networks, software, licensing fees, maintenance, supplies, and staffs, including computer lab teachers, for computers used for instruction (function code 11)
	• library system software and software licenses, including stand-alone and networked applications (function code 12)
	• supplies and services for maintaining buildings and grounds, including utilities (function code 51)

Function Code 53 - Costs to Include:	Function Code 53 - Costs to Exclude (correct function code appears in parentheses):
• security for technology networks, data, or systems (excluding costs attributable to instructional settings) • vehicles used by personnel classified with this function code • pre- and post-employment physicals or drug testing for personnel classified with this function code	

60 ANCILLARY SERVICES

This function code series is for costs for nonprofit charter school support services that supplement the operation of the nonprofit charter school.

ℛ61 Community Services

This code is for costs of activities other than regular public education and adult basic education services. These activities include services to the whole community or some segment of the community, such as providing resources to nonpublic schools or institutions of higher education and any proprietary services for outside entities in the community.

Function Code 61 - Costs to Include:	Function Code 61 - Costs to Exclude (correct function code appears in parentheses):

• salaries for the following:
  ○ liaisons or coordinators for parent education and involvement
  ○ staff members providing child care for teachers or working parents
  ○ individuals providing child care for teen parents attending school
	• supplies and services for maintaining buildings and grounds, including utilities (function code 51)
	• Summer Food Service Program (function code 35)
	• after-hours tutorials and enrichment (function code 11)
	• adult basic education (function code 11)

Function Code 61 - Costs to Include:	Function Code 61 - Costs to Exclude (correct function code appears in parentheses):
• salaries and related costs for community recreation services, such as the operation of a school library, swimming pool, or playground for the public • parenting programs • parental involvement programs • parental and education services for adults other than adult basic education • child care for teen parents attending school • after-hours babysitting and after-school daycare • salaries and related costs for amnesty programs • salaries and related costs for civic centers • salaries and related costs for public health programs • salaries and related costs for conducting meetings with parental advisory committees • vehicles used by personnel classified with this function code • pre- and post-employment physicals or drug testing for personnel classified with this function code	

70 DEBT SERVICE

This function code series is for costs for the payment of debt interest and related debt service costs.

ℛ71 Debt Service

This code is for costs to pay the following:

- interest on debt and
- related debt service costs

For costs classified with this function code, nonprofit charter schools must use PIC 99 (Undistributed) and either organization code 999 (Undistributed) or organization code 998 (Unallocated, Local Option).

Function 71 - Costs to Include:	Function 71 - Costs to Exclude (correct function code appears in parentheses):

• interest on:
  ○ bonds
  ○ right-of-use finance leases
  ○ long-term debt
  ○ school bus loans that exceed one year in duration
  ○ short-term debt
• debt-service costs and fees
	• principal payments (record initial liability and repayment as a credit and debit to liability account)

80 FUND RAISING

This function code series is for costs associated with fund raising activities.

ℛ81 Fund Raising

This code is for costs associated with fund raising activities, including activities involved in attracting gifts from individuals, and/or corporate gifts and grants, such as tax-deductible contributions.

Function Code 81 - Costs to Include:	Function Code 81 - Costs to Exclude (correct function code appears in parentheses):
• travel • advertising • payroll of staff involved in fund raising	

3.3.1 Unavailable or Reserved Function Codes

The following table lists codes that are unavailable or reserved for future state definition. When a code is no longer being used, it is placed in "unavailable" status for 10 years to prevent its being used with two different meanings. After it has been unavailable for 10 years, its status is changed to "reserved for future state definition," which means that it may be assigned to a new use as the need arises.

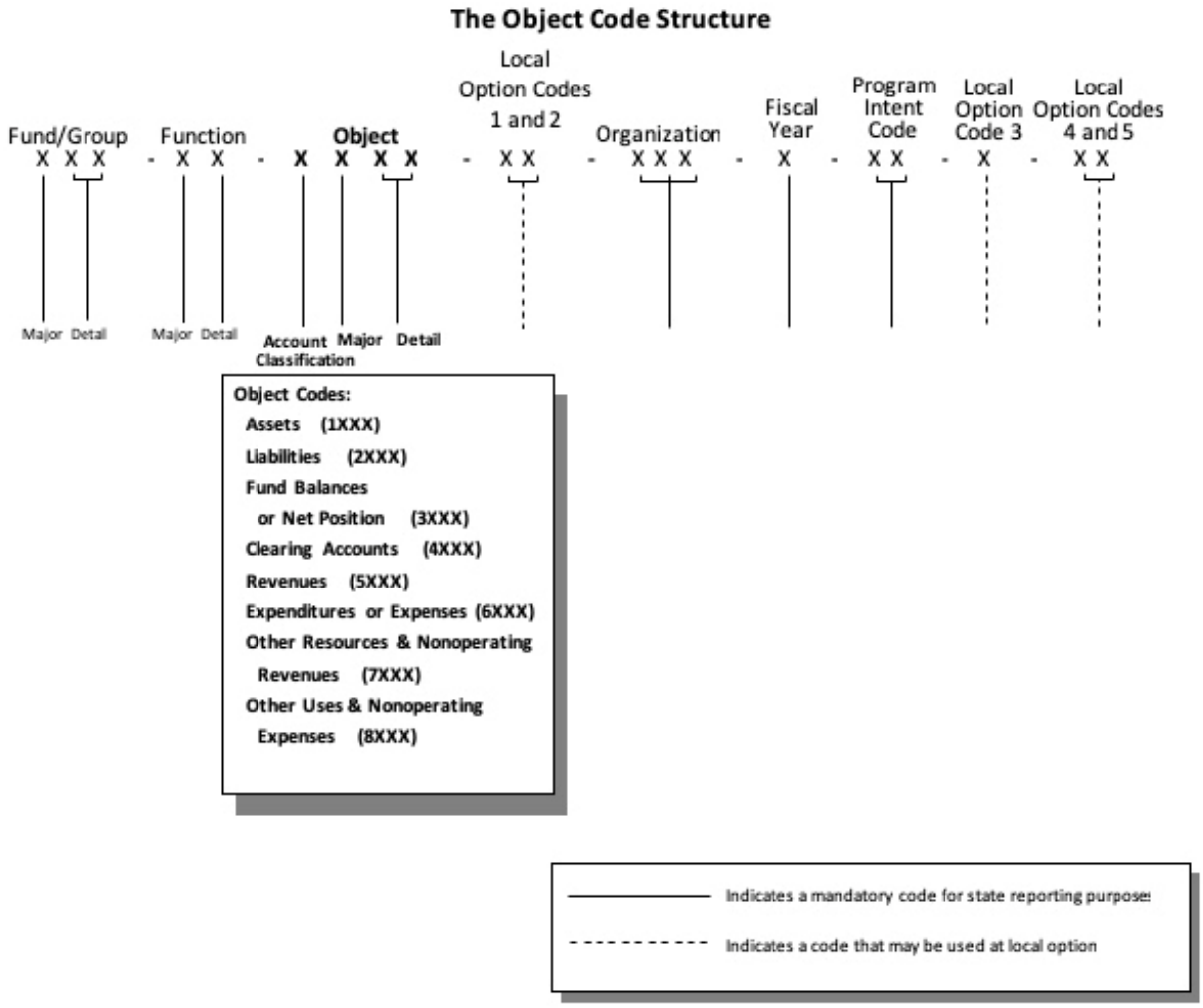
Category of Funds	Unavailable	Reserved for Future State Definition
Function Codes		
		14-19 22 24-29 37-39 42-49 54-59 63-69 72-79 82-89

3.4 Object Codes

An object code is a required four-digit code that identifies the purpose of an account, a transaction, or a source. Object codes are grouped into eight categories.

Exhibit 3.4 illustrates the position of the object codes in the accounting code system.

Exhibit 3.4 Object Code Structure



The ℛ by a code indicates that the code is required for the following reporting purposes if the code applies to a nonprofit charter school:

- TSDS PEIMS
- AFR

3.4.1 Asset Object Codes

An asset is a probable future economic benefit obtained or controlled by nonprofit charter schools as a result of a past transaction or event.

An asset object code is a four-digit code that comprises the sixth through ninth digits in the code structure described in the Accounting Code Structure and Definitions. These codes begin with the digit "**1,**" which distinguishes them from other types of object codes.

A nonprofit charter school may choose to account for transactions at a more detailed level than the level indicated.

1000 ASSETS AND OTHER DEBITS

Assets are recorded as debits in three categories:

- current assets
- fixed assets
- restricted assets

1100 CASH AND CASH EQUIVALENTS

Cash includes currency on hand and in demand deposits with banks or other financial institutions. Cash equivalents are short-term, highly liquid investments (such as CDs or treasury bills) that can readily be converted to cash and are near their maturity.

Cash and cash equivalents of nonprofit charter schools are recorded in accounts using the 1110 series of codes.

1101–1109 Cash and Cash Equivalents (These codes are converted to object code 1110 for financial statement purposes)

Nonprofit charter schools may choose to use codes in this series to maintain separate accounts for various types of cash and cash equivalents. Accounts for cash and cash equivalents include the following:

- Cash in Banks—This account is debited with all cash receipts, the corresponding entry being a credit to an account for receivables, revenues, inflows of resources (revenues), nonoperating revenues, or other uses. Credits to this account arise from disbursements or return of checks previously deposited.
- Cash in Office—This account is debited on the last day of the fiscal year with any receipts attributable to the fiscal year then ending because a lack of time prevented the receipts from being processed and deposited before the end of the fiscal year. This account is cleared on the first day of the new fiscal year.
- Payroll Bank Account—This account is debited with the amount of the net payroll (gross payroll less employee deductions) or the gross payroll depending on which method of payroll accounting your charter school chooses. Credits to this account arise from issuing payroll checks.

- Imprest Funds or Petty Cash—This account represents the amount of cash and evidence of cash disbursements that are held on an imprest basis (petty cash).
- Short-term investments—This account represents an investment that matures in 12 months or less.

ℛ1110 Cash and Cash Equivalents

This code is used to record a nonprofit charter school's cash on deposit and cash on hand as well as cash equivalents. A nonprofit charter school may choose to use the preceding codes (1101–1109) to identify separately different cash and cash equivalents.

ℛ1120 Investments – Current

This code is used to record all securities that a nonprofit charter school expects to hold for less than one year and that generate revenue in the form of interest or dividends. This account includes certain items (for example, most certificates of deposit) that are classified as deposits in the notes to the financial statements to disclose custodial credit risk.

See code 1910 for long-term investments.

1200–1290 RECEIVABLES

The codes in this series are used for:

- receivables due for outlays made and
- expected receipts.

The credit entry is made to

- a revenue account,
- an allowance for uncollectible taxes, or
- a net asset.

When money is received, the appropriate receivable account is credited, and a cash account is debited. The series includes the following accounts.

ℛ1210 Property Taxes to Be Passed Through School Districts

This code is used to debit an earned receivable amount of property taxes to be passed through school districts.

ℛ1220 Contributions Receivable

This code is used to record contributions receivable.

ℛ1230 Allowance for Uncollectible Receivables (Credit)

This code is used to record a credit against receivables and contributions receivable.

1241–1249 Due from Other Governments

The codes in this series are used to record amounts receivable from other governmental entities.

ℛ1241 Due from State

This code is used to record amounts earned or allocated to a nonprofit charter school from state sources (including federal funds received from state sources) that exceed amounts received during the fiscal year.

ℛ1242 Due from Federal Agencies

This code is used to record amounts that:

- were earned by a nonprofit charter school under a federal financial assistance program and
- exceed cash receipts during the fiscal year.

ℛ1243 Due from Other Governmental Entities

This code is used to record amounts receivable from other governmental entities, including counties, councils of government, cities, and other nonprofit charter schools.

ℛ1250 Accrued Interest

This code is used to record the amount of interest earned and measurable through month-end or fiscal year-end on all interest-bearing cash accounts and investments outstanding at that date.

ℛ1290 Other Receivables

This code is used to record all other accounts receivable not specifically identified above, such as amounts due from the following:

- employees
- external sources (other than from other governments)
- rents
- fees
- self-insurance recoveries

1300 INVENTORIES

This code is used to record inventories of supplies and materials for nonprofit charter schools.

The 1300 series of codes includes the value, at cost, of stored noncapital goods on hand that will be charged as expenditures or expenses when issued for use (consumption method of accounting for inventory items). Inventories are sometimes controlled through a central location.

ℛ1310 Inventories—Supplies and Materials

This code is used to record inventories of supplies and materials for nonprofit charter schools.

1400 OTHER CURRENT ASSETS

The 1400 series of codes are used to debit accounts with any items that are properly chargeable to the operations of future periods, the corresponding entry being a credit to cash, a liability account, or—in the case of an adjustment—an expenditure account.

Credits to these accounts arise from journal entries recording period charges, the corresponding entry being a debit to an expenditure or expense account.

ℛ1410 Deferred Expenses

This code is used to record certain disbursements that may need to be made in one period but are more accurately reflected in part as an expenditure or expense of the next fiscal year. The credit entry is made to cash. This entry is reversed in a subsequent fiscal period with a credit entry to this account and a debit entry to the appropriate expenditure or expense account.

This code should not be used to record debt issuance costs because debt issuance costs related to a note are no longer considered assets.[17]

[17] Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 835-30 states that debt issuance costs should be presented on the balance sheet or statement of financial position, as applicable, as a direct deduction from the face amount of that note and not be classified as a deferred charge or deferred credit.

ℛ1490 Other Current Assets

This code is used to record all other current assets not specifically identified above.

1500 LAND, BUILDINGS, AND EQUIPMENT

This series of codes is used to record the value of land, buildings, furniture, and equipment. Nonprofit charter schools record fixed assets at cost or estimated cost at the time of acquisition. If fixed assets are donated to the nonprofit charter school, they are recorded at estimated fair market value at the time of acquisition.

ℛ1510 Land Purchase and Improvements

This code is used to record the value of land that is owned outright, whether purchased or donated. Included in the value of land are capital improvements other than buildings, acquisition costs, and other costs necessary to alter the land for its intended purpose.

ℛ1520 Buildings and Improvements

This code is used to record the value of buildings that are owned outright, whether purchased, constructed, or donated. Included in the value of buildings are capital improvements, permanently attached furniture and equipment, and any costs incurred in acquisition.

1530–1539 Furniture and Equipment

The codes in this series are used to record the value of furniture and equipment meeting the following capital outlay criteria:

- $10,000 cost per unit or more and
- a useful life of more than one year

These assets are owned outright, whether purchased or donated. Included in the cost or estimated fair market value are any costs incurred in acquisition, such as expenditures or expenses for freight and installation and other costs necessary to render the item operable.

℟1531 Vehicles

℟1539 Furniture and Equipment

1540–1549 Fixed Assets—Nonprofit Charter School Defined

This code is used at the discretion of a nonprofit charter school if the school's policy requires the capitalization of items that individually or, as a group,

- are less than the $10,000 criterion identified in the 1530 series of accounts, or
- meet local criteria for grouped assets.

These assets are owned outright, whether purchased or donated. Included in the cost or estimated fair market value are any costs incurred in acquisition, such as expenditures or expenses for freight and installation, and other costs necessary to render the item operable.

℟1541 Vehicles

℟1549 Furniture and Equipment

1550–1559 Right-of-Use Assets

The codes in this series are used to record long-term (one year or more) right-of-use lease assets as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Update on Leases (Topic 842). A lease is a contract, or part of a contract, that conveys the right to use the identified property, plant, or equipment for a period of time in exchange for consideration. See FASRG 2.2.7.3 Accounting for Leases, for guidance on the classification and accounting for different types of leases.

ℛ1551 Right-of-Use Lease Assets—Financing Lease for Buildings

ℛ1552 Right-of-Use Lease Assets—Financing Lease for Vehicles

ℛ1553 Right-of-Use Lease Assets—Financing Lease for Furniture and Equipment

ℛ1554 Right-of-Use Lease Assets—Operating Lease for Buildings

ℛ1555 Right-of-Use Lease Assets—Operating Lease for Vehicles

ℛ1559 Right-of-Use Lease Assets—Operating Lease for Furniture and Equipment

1560 Library Books and Media

The 1560 code series is used to record the value of library books and media. Library books and media, such as CDs, DVDs, software, subscriptions, and videos, may be recorded in a fixed assets system as a block of items purchased; however, the library should maintain an acquisition ledger that records the detailed cost of each book or media item.

ℛ1569 Library Books and Media

1570 Accumulated Depreciation

Accumulated depreciation is the sum of depreciation expenses for the current and past years for existing depreciable assets, as a corresponding asset account. Full accrual financial statements have major line items to present both depreciable assets and less accumulated depreciation. When a depreciable fixed asset is disposed of, its corresponding accumulated depreciation is removed as well.

ℛ1571 Accumulated Depreciation—Buildings

ℛ1572 Accumulated Depreciation—Vehicles

ℛ1573 Accumulated Depreciation—Furniture and Equipment

ℛ1574 Accumulated Depreciation—Library Books and Media

ℛ1576 Accumulated Depreciation—Right-of-Use Lease Assets

ℛ1577 Accumulated Depreciation—Infrastructure

ℛ1578 Accumulated Depreciation—Art, Collections, and Historical Treasures

ℛ1580 Construction in Progress

This code is used to record expenses or expenditures as they are incurred. The appropriate fund is debited with the value of the construction that has been accepted by your charter school and for which a contractor has been or will be paid. When the construction is complete, this account is credited, and the appropriate asset account is debited for the cost of the asset.

1590 Other Capital Assets—Infrastructure, Art, Historical Treasures, and Collections

The codes in this series are used to record the value of infrastructure assets, art, historical treasures, collections, and similar assets. Capital assets of nonprofit charter schools are recorded at cost or estimated cost at the time of acquisition. If infrastructure assets, art, collections, or historical treasures are donated, these assets are recorded at estimated fair market value at the time of acquisition or donation.

ℛ1591	**Infrastructure Assets—Roads**
ℛ1592	**Infrastructure Assets—Drainage Systems**
ℛ1593	**Infrastructure Assets—Water Systems**
ℛ1594	**Infrastructure Assets—Sewer Systems**
ℛ1595	**Infrastructure Assets—Lighting Systems**
ℛ1596	**Infrastructure Assets—Other**
ℛ1597	**Infrastructure Assets—Network or Subsystems of a Network**
ℛ1598	**Art and Collections**
ℛ1599	**Historical Treasures**

1900 OTHER ASSETS

The codes in this series are used to account for other assets not specified above.

ℛ1910 Long-Term Investments

This code is used to account for long-term investments, which are investments that are expected to be held for more than a year or the current operating cycle, whichever is longer.

See object code 1110, Cash and Cash Equivalents.

ℛ1990 Other Assets

This code is used to account for other assets not specified in the 1100–1800 series of codes or object code 1910 above.

3.4.2 Liability Object Codes

A liability is an amount a nonprofit charter school is obligated to pay to persons or groups outside the charter school.

A liability object code is a four-digit code that comprises the sixth through ninth digits in the code structure described in the Accounting Code Structure and Definitions. These codes begin with the digit "2," which distinguishes them from other types of object codes.

A nonprofit charter school may choose to account for transactions at a more detailed level than the level indicated.

2000 LIABILITIES

Liabilities are recorded as credits in two broad categories:

- current liabilities
- long-term debts

2100 CURRENT LIABILITIES

A current liability is one that is due now or is expected to be due within one year.

ℛ2110 Accounts Payable

This code is used for credit entries for actual liabilities for goods and services received, with the debit entry being to an expenditure account.

The following types of payables are Included in this account:

- Trade payable—amounts due to outside entities, such as vendors, resulting from goods or services received that have not been paid at the end of an accounting period.
- Judgments payable—amounts currently due to claimants or plaintiffs as a result of self-insurance claims, settlements, court judgments, etc.

2120 BONDS AND LOANS PAYABLE—CURRENT YEAR

For information on bonds and loans payable, see FASRG Module 1 section 1.2.6, Debt.

ℛ2121 Bonds Payable—Current Year

This code is used to record amounts due for current bond coupons or other bond principal payments.

ℛ2122 Loans Payable—Current Year

This code is used to record amounts due for the current year on notes, warrants, or other evidence of nonbonded indebtedness

ℛ2123 Other Liabilities—Current

This code is used to record amounts due (recognized as accrued current liabilities) within one year for miscellaneous liabilities, including the following:

- compensated absences

- workers' compensation
- self-funded insurance
- legal claims and judgments
- certain pension plan liabilities
- other current liabilities (debt to be repaid within 12 months)

2130 RIGHT-OF-USE LEASE PAYABLES—CURRENT YEAR

ℛ2130 Right-of-Use Finance Lease Payable—Current Year

This code is used to record amounts due as a result of a right-of-use finance lease agreement.

ℛ2131 Right-of-Use Operating Lease Payable—Current Year

This code is used to record amounts due as a result of a right-of-use operating lease agreement.

2140 INTEREST PAYABLE

These codes are used to credit accounts as interest becomes currently payable. The corresponding entries are debits to the respective interest expense accounts (series 6520, Interest Expenditures or Expenses).

ℛ2142 Loan Interest Payable

ℛ2143 Right-of-Use Finance Lease Interest Payable

ℛ2144 Right-of-Use Operating Lease Interest Payable

2150 PAYROLL DEDUCTIONS AND WITHHOLDINGS

These codes are used when the net payroll check is issued to an employee, appropriate accounts are credited to cash, and appropriate accounts are debited.

ℛ2151 Federal Income Taxes

ℛ2152 FICA and Medicare Taxes

ℛ2153 Group Health and Life Insurance

ℛ2154 Financial Institution—Payments to Financial Institutions for Deposit into Employee-designated Accounts

ℛ2155 Teacher Retirement

ℛ2159 Other

ℛ2160 Accrued Wages Payable

This code is used to record amounts earned by employees, but not yet paid.

2180 DUE TO OTHER GOVERNMENTS

These codes are used to record amounts owed to other governmental entities.

ℛ2181 Due to State

ℛ2182 Due to Federal Agencies

ℛ2183 Due to Other Governments

This code is used to record amounts owed to governmental entities, including counties, councils of government, and cities.

2200 ACCRUED EXPENDITURES OR EXPENSES

ℛ2210 Accrued Expenditures or Expenses

This code is used to record other liabilities or obligations incurred in the current period that are payable with current financial resources and are not appropriately recorded under another account, such as accounts payable. The corresponding entry is to the appropriate expenditure or expense account. The accrued expenditures or expenses account is debited when the expense is paid.

2300 UNAVAILABLE REVENUE

ℛ2310 Deferred Revenue

This code is used to credit an account for the amount of receipts not properly recognized at the time as revenues. An example is a cash advance for a federally funded grant that is not recognized as revenue until such time that an expense is made or a required activity occurs.

Object Code 2310—Unavailable Revenue to Include:	Object Code 2310—Unavailable Revenue to Exclude:
• cash advance for a federally funded grant, not yet expended • preseason football ticket sales • prepayment of long-term vendor contracts	• all receipts recognized as revenues

2400 PAYABLE FROM RESTRICTED ASSETS

These codes are used to record liabilities that relate to restricted assets. Liabilities from restricted assets generally are the result of operations from permanently restricted net assets class. An example is a payment due as a result of a scholarship grant.

ℛ2430 Accrued Interest

ℛ2440 Other

2500 BONDS AND LOANS PAYABLE—LONG-TERM

ℛ2510 Bonds Payable—Long-Term

This code is used to record amounts of outstanding bonded indebtedness to be retired in future accounting periods.

ℛ2511 Deferred Gain or Loss on Defeasance of Bonds

This code is used to record deferred gain or loss in connection with the defeasance of bonds for government charter schools.[18]

[18] Debt defeasance is satisfying or voiding a debt without it being repaid. Debt defeasance can be:

- legal, in which a debt is satisfied according to legal requirements in the debt instrument, or

ℛ2512 Accumulated Accretion on Capital Appreciation Bonds (CABs)

This code is used to record the accumulated interest on each individual CAB. These bonds are a form of zero coupon bonds and do not require periodic interest payments. The bonds are issued at a significant discount of the face value. At the maturity of a CAB, the accreted amount of interest for the CAB plus the discounted value recorded (amount for which the bond was issued) for the CAB debt will equal the face value of the debt instrument.

ℛ2516 Premium and Discount on Issuance of Bonds

This code is used to record amounts to be amortized as debt premium or discount or both in connection with the issuance of debt.

ℛ2520 Loans Payable—Long-Term

This code is used to record the liability for long-term loans. As installments become currently payable, this code is used to record a debit, and object code 2122, Loans Payable—Current Year, is used to record a credit.

2530 OTHER LONG-TERM DEBT PAYABLE

ℛ2531 Right-of-Use Finance Lease Payable—Long-Term

This code is used to record an amount due in future accounting periods as the result of a right-of-use finance lease agreement. The amount recorded initially for a finance lease is the present value of the future lease payments.

ℛ2532 Vested Vacation Benefits Payable

This code is used to record vested vacation benefits. As the benefits accumulate, this account is credited for amounts that will not be liquidated during the current fiscal year upon the retirement or resignation of personnel.

ℛ2533 Right-of-Use Operating Lease Payable—Long-Term

This code is used to record an amount due in future accounting periods as the result of a right-of-use operating lease agreement. The amount

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- in-substance, in which a nonprofit charter school places funds in an irrevocable trust to be used to repay all interest and principal on a debt.

recorded initially for an operating lease is the present value of the future lease payments.

3.4.3 Net Assets

A fund balance or net position represents the difference between the assets and liabilities of a fund.

A fund balance or net position code is a four-digit object code that comprises the sixth through ninth digits in the code structure described in the Accounting Code Structure and Definitions. These codes begin with the digit "3," which distinguishes them from other types of object codes.

A nonprofit charter school may choose to account for transactions at a more detailed level than the level indicated.

3000 **NET ASSETS**

Net assets are presented as two classes of net assets for nonprofit charter schools.[19]

- Net Assets With Donor Restrictions
- Net Assets Without Donor Restrictions

3400–3600 **NET ASSETS**

3400 **NET ASSETS WITH DONOR RESTRICTIONS (PERMANENTLY RESTRICTED)**

These codes are used to record permanently restricted net assets. Permanently restricted assets equal assets less liabilities of the permanently restricted net assets group.

Note: Nonprofit charter schools may record net assets with donor restrictions further as permanently restricted, if applicable, but are not required to report net assets in more than two classes: with donor restrictions and without donor restrictions.

ℛ **3490** **Permanently Restricted Net Assets**

This code is used to record permanently restricted net assets.

[19] ASU-2016-14 amends the requirements for not-for-profit entities to present on the face of the statement of financial position amounts two classes of net assets at the end of the period (With Donor Restrictions and Without Donor Restrictions).

Note: Nonprofit charter schools may record net assets with donor restrictions further as permanently restricted, if applicable, but are not required to report net assets in more than two classes: with donor restrictions and without donor restrictions.

3500 NET ASSETS WITH DONOR RESTRICTIONS

These codes are used to record net assets with donor restrictions. Net assets with donor restrictions equal assets less liabilities of the net assets with donor restrictions group.

ℛ3590 Net Assets with Donor Restrictions

This code is used to record net assets with donor restrictions.

3600 NET ASSETS WITHOUT DONOR RESTRICTIONS

These codes are used to record net assets without donor restrictions. The net assets without donor restrictions amount is currently available to finance any legal expense of the nonprofit charter school.

ℛ3600 Net Assets without Donor Restrictions

The unrestricted net asset amount is currently available to finance any legal expense of the nonprofit charter school.

3.4.4 Revenue Object Codes

Revenue is an increase in a nonprofit charter school's current financial resources.

A revenue object code is a four-digit code that comprises the sixth through ninth digits in the code structure described in the Accounting Code Structure and Definitions. These codes begin with the digit "5," which distinguishes them from other types of object codes.

A nonprofit charter school's accounting records must reflect revenue at the most detailed level (four digits) for purposes of

- accounting and
- TSDS PEIMS reporting:
  - actual data and
  - budget data.

If a nonprofit charter school needs to use codes in addition to the mandatory codes for managerial purposes, it should use the optional codes provided for local use in the code structure.

5000 REVENUE ACCOUNTS

These codes are used for accounts that summarize estimated (budgeted) and actual (realized) revenues.

5700–5900 REVENUES

Revenues are credited in the accounting period in which they become available and measurable**.**

5700 REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

5710 Local Real and Personal Property Taxes Passed Through By School Districts

All revenues from local real and personal property taxes passed through school districts to a nonprofit charter school are to be recorded in this code class.

5711-5715 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by a nonprofit charter school.

5716–5718 Local Property Taxes Passed Through By School Districts—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify tax revenues not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5719.

ℛ5719 Local Property Taxes Passed Through By School Districts

This code is used to classify revenues realized as a result of collecting tax revenues passed through by school districts to a nonprofit charter school.

Note: Any locally defined codes that a nonprofit charter uses must be converted to object code 5719 for the TSDS PEIMS reporting.

5720 **Local Revenues Realized as a Result of Services Rendered to Other Schools**

5721-5726 **Reserved for Future State Definition**

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5727–5728 **Local Revenues Resulting from Services Rendered to Other Schools—Locally Defined**

These codes are used, at the option of a nonprofit charter school, to classify revenues resulting from services rendered to other schools not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5729.

℟**5729** **Local Revenues Resulting from Services Rendered to Other Schools**

This code is used to classify revenues realized from services rendered to other schools not specified above. Examples include:

- printing
- transportation
- maintenance

Note: Any locally defined codes that a nonprofit charter school uses must be converted to object code 5729 for the TSDS PEIMS reporting.

Object Code 5729 Revenue to Include:	Object Code 5729 Revenue to Exclude:
• revenue for services to other charter schools or districts, such as transportation, maintenance services, and printing • tuition from other charter schools or districts • revenue received from other charter schools or districts as registration fees for staff development	• tuition from local sources (object code 5739) • sales of instructional materials and technological equipment to other entities[21]

[21] TEC, §31.105, Sale or Disposal of Instructional Materials and Technological Equipment

Object Code 5729 Revenue to Include:	Object Code 5729 Revenue to Exclude:
• tuition paid from one charter school or district to another, resulting in entire grades of students being transferred to provide grade levels not taught by the sending charter school or district • tuition paid for an enhanced service for specific students not offered by the sending charter school or district • tuition paid for students being transferred under the Public Education Grant Program[20]	

5730 TUITION AND FEES

5730-5739 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by a nonprofit charter school.

5740 OTHER REVENUES FROM LOCAL SOURCES

ℛ5741 Earnings from Net Assets with Donor Restrictions (Permanently Restricted) and Endowments

This code is used to classify revenues realized as a result of earnings from local permanently restricted net assets and endowments, including net earnings from rentals and leases of property purchased from, or set aside as, part of the permanently restricted net assets.

Object Code 5741 Revenue to Include:	Object Code 5741 Revenue to Exclude:
• earnings from permanent school funds and endowments	• all other revenues

[20] TEC, §29.201, Parental Choice

ℛ5742 Earnings from Temporary Deposits and Investments

This code is used to classify revenues realized as a result of earnings from deposits and investments. Market losses are reflected as a debit entry to 5742 and gains as a credit entry to 5742.

Object Code 5742 Revenue to Include:	Object Code 5742 Revenue to Exclude:

• interest from:
  ○ U.S. government agency securities
  ○ commercial paper
  ○ sweep accounts
  ○ certificates of deposit
  ○ Texas local governments (Texas municipalities)
  ○ investment pools
	• earnings from local permanent funds and endowments (object code 5741)

ℛ5743 Rent

This code is used to classify revenues realized from rental of facilities or other property.

Object Code 5743 Revenue to Include:	Object Code 5743 Revenue to Exclude:
• rent of a stadium, activity center, gym, school, or other district-owned or charter school-owned facility	• ticket sales to athletic events (object code 5752) • revenue from extracurricular activities other than athletics (object code 5753)

ℛ5744 Revenue from Foundations, Other Nonprofit Organizations, Gifts, and Bequests

This code is used to classify revenue from foundations, other nonprofit organizations, gifts, and bequests received from philanthropic or private organizations or individuals. Contributed services and items are recorded at market value at the time of donation.

Object Code 5744 Revenue to Include:	Object Code 5744 Revenue to Exclude:
• donations of cash or the value of items donated	• state and federal grants (object code 58XX or 59XX)

5746-5747 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5748 Other Revenues from Local Sources—Locally Defined

This code is used, at the option of a nonprofit charter school, to classify revenues realized from local sources not defined elsewhere.

Note: For the TSDS PEIMS reporting, this code is converted to object code 5749.

ℛ5749 Other Revenues from Local Sources

This code is used to classify other revenues realized from local sources not specified above.

Note: Any locally defined codes that a nonprofit charter school uses must be converted to object code 5749 for the TSDS PEIMS reporting.

Object Code 5749 Revenue to Include:	Object Code 5749 Revenue to Exclude:
• miscellaneous revenue not identified in other revenue coding 57XX. For example: ○ library fines ○ revenue from sale of materials requested under open records ○ sale of instructional materials and technological equipment ○ revenue from copy machines usage ○ concession sales not specifically attributable to athletics (in accordance with local policy)	• concession sales specifically attributable to athletics (in accordance with local policy; object code 5752)

5750 REVENUES FROM COCURRICULAR, ENTERPRISING SERVICES, OR ACTIVITIES

ℛ5751 Food Service Activity

This code is used to classify revenues realized from food service activities, including payments for meals from students and adults.

This code does not include revenues realized from participation in the national school lunch and breakfast programs or USDA commodities, which are classified with the following object codes:

- 5921, School Breakfast Program
- 5922, National School Lunch Program
- 5923, USDA Commodities

Object Code 5751 Revenue to Include:	Object Code 5751 Revenue to Exclude:

• full price payments for student and adult meals including:
  ○ sale of milk
  ○ catering fees
  ○ reduced meal prices paid by students
  ○ sale of a la carte items
	• federal School Breakfast Program (object code 5921)
	• National School Lunch Program (object code 5922)
	• Department of Agriculture (USDA) Commodities (object code 5923)

ℛ5752 Athletic Activities

This code is used to classify revenues realized from athletic activities, including admission and gate receipts.

Object Code 5752 Revenue to Include:	Object Code 5752 Revenue to Exclude:
• ticket sales to athletic events • concession sales specifically attributable to athletics (in accordance with local policy)	• rental of a stadium, activity center, gym, or other athletic facility (object code 5743) • concession sales not specifically attributable to athletics (in accordance with local policy; object code 5749)

ℛ5753 Extracurricular Activities Other than Athletics

This code is used to classify revenues realized from extracurricular activities other than athletics.

Object Code 5753 Revenue to Include:	Object Code 5753 Revenue to Exclude:
• ticket sales or entry fees for extracurricular events where recorded by the charter school rather than by a student activity fund, according to local policy	• ticket sales to athletic events or athletic event gate receipts (object code 5752)

5754 Reserved for Future State Definition

This code is reserved for future state designation and is not to be used by nonprofit charter schools.

ℛ5755 Enterprising Services Revenue

This code is used to classify gross revenues realized from vending machines, school stores, soda machines, etc., not related to the regular food service program. Items purchased for resale are classified in the appropriate expenditure object code in function code 36, Extracurricular Activities.

5756 Reserved for Future State Definition

This code is reserved for future state designation and is not to be used by nonprofit charter schools.

5757–5758 Cocurricular, Enterprising Services, or Activities—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify revenues realized from cocurricular or enterprising services or activities not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5759.

ℛ5759 Cocurricular, Enterprising Services, or Activities

This code is used to classify revenues realized from cocurricular, enterprising services, or activities not defined elsewhere.

Note: Any locally defined codes that a nonprofit charter school uses must be converted to object code 5759 for the TSDS PEIMS reporting.

5760 REVENUES FROM INTERMEDIATE SOURCES

5761–5765 Revenues from Intermediate Sources—Locally Defined

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5766–5768 Revenues from Intermediate Sources—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify revenues realized from intermediate sources not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5769.

ℛ5769 Miscellaneous Revenues from Intermediate Sources

This code is used to classify revenues realized from administrative units or political subdivisions (for example, counties, municipalities, utility districts, etc.), excluding state and federal governmental entities.

Note: Any locally defined codes that a nonprofit charter school uses must be converted to object code 5769 for the TSDS PEIMS reporting.

Object Code 5769 Revenue to Include:	Object Code 5769 Revenue to Exclude:
• revenue from the city, county, or other non-school district local government or administrative unit	• revenue from other school districts (object code 5729) • revenue from state government entity (object code 58XX) • revenue from federal governmental entities (object code 59XX)

5770–5799 Revenues from Intermediate Sources—Locally Defined

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5800 STATE PROGRAM REVENUES

5810 Per Capita and Foundation School Program (FSP) Revenues

This code is used to classify revenues realized from TEA, allocated on the basis of state law relating to the Foundation School Program (FSP) Act.

ℛ 5811 Per Capita Apportionment

This code is used to classify revenues realized from the state Available School Fund (ASF).

Object Code 5811 Revenue to Include:	Object Code 5811 Revenue to Exclude:
• ASF revenues	• state instructional materials allotment (object code 5829) • Foundation School Fund revenues (object code 5812) • Public Education Grant (object code 5812) • Optional Extended Year (object code 5812) • State Supplemental Visually Impaired or Regional Day School for the Deaf (object code 5812)

ℛ 5812 FSP Entitlements

This code is used to classify revenues realized for public schools participating in, and eligible for, benefits under the FSP Act.

Object Code 5812 Revenue to Include:	Object Code 5812 Revenue to Exclude:
• Foundation School Fund Chapter 48 revenues • Optional Extended Year • State Supplemental Visually Impaired or Regional Day School for the Deaf • Public Education Grant	• state instructional materials allotment (object code 5829) • ASF revenues (object code 5811) • federal revenue passed through a state agency (object code 5939)

ℛ5813 FSP Act Incentive Aid

This code is used to classify revenues realized to assist eligible nonprofit charter school under the Incentive Aid Payments[22] program.

5814-5816 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5817–5818 FSP Act Revenues—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify revenues realized from the foundation fund not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5819.

ℛ5819 Other FSP Act Revenues

This code is used to classify revenues realized from the FSP not specified above.

Note: Any locally defined codes that a nondistrict charter school uses must be converted to object code 5819 for the TSDS PEIMS reporting.

5820 State Program Revenues Distributed by Texas Education Agency

This code is used to classify revenues realized from TEA for state programs that may be funded through appropriations other than from the FSP.

5821-5825 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5826-5828 Revenues from Other State Programs—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify revenues realized from other state programs not defined elsewhere.

[22] TEC, Chapter 13, Subchapter G, Incentive Aid Payments

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5829, State Program Revenues Distributed by Texas Education Agency.

ℛ5829 State Program Revenues Distributed by Texas Education Agency

This code is used to classify revenues realized from TEA for programs not specified above.

Note: Any locally defined codes that a nonprofit charter school uses must be converted to object code 5829 for the TSDS PEIMS reporting.

Object Code 5829 Revenue to Include:	Object Code 5829 Revenue to Exclude:
• state instructional materials allotment • facilities grant • revenues realized from TEA for programs not specified above	• federal revenue passed through a state agency (object code 5939) • Available School Fund revenues (object code 5811) • the portion of a Chapter 49 receipt received from a Chapter 49 district that corresponds to the reduction in state aid of a Chapter 48 district (object code 5812) • Foundation School Fund Chapter 48 revenues (object code 5812) • Optional Extended Year (object code 5812) • State Supplemental Visually Impaired or Regional Day School for the Deaf (object code 5812) • Public Education Grant (object code 5812)

5830 State Revenues from State of Texas Government Agencies

This code is used to classify state revenues from state agencies other than TEA, including those directly from the Comptroller of Public Accounts for tax refunds.

ℛ5831 Teacher Retirement or TRS Care—On-Behalf Payments

This code is used to classify revenues from on-behalf payments of matching teacher retirement paid for active members of the charter school. A charter school contributes matching funds for personnel funded from federal sources and, if applicable, statutory minimum funds for qualifying personnel. The charter school also provides certain employer contributions for the retired teachers' health insurance plan (TRS Care). The state provides all other matching funds on behalf of members. The amount that the state provides in excess of charter school contributions is recorded here. An equal expenditure amount should be recorded using code 6144, Teacher Retirement—On-Behalf Payments.

5832-5835 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5836–5838 State Revenues from State of Texas Government Agencies (Other than the Texas Education Agency)—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify state revenues realized from other Texas government agencies not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5839, State Revenues from State of Texas Government Agencies (Other than the Texas Education Agency).

ℛ5839 State Revenues from State of Texas Government Agencies (Other than the Texas Education Agency)

This code is used to classify state revenues from Texas government agencies, other than TEA, not defined elsewhere.

Note: Any locally defined codes that a charter school uses must be converted to object code 5839 for the TSDS PEIMS reporting.

5840-5899 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5900 FEDERAL PROGRAM REVENUES

Federal program revenues are recognized after an allowable expenditure has been incurred. Each federal grant has a unique ALN that can be found listed with the fund definitions, except for the School Health and Related Services Program (see code 5931).

5910 Federal Revenues Distributed through Government Entities Other than State or Federal Agencies

This code is used to classify revenues realized from entities of the federal government passed through a city, education service center, council of government, etc., and not received directly from a state or federal agency.

5911-5915 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5916–5918 Federal Revenues Distributed through Government Entities Other than State or Federal Agencies—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify federal revenues realized from a government agency other than a state or federal agency not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5919, Federal Revenues Distributed through Government Entities Other than State or Federal Agencies.

ℛ 5919 Federal Revenues Distributed through Government Entities Other than State or Federal Agencies

This code is used to classify revenues realized for federal programs passed through another governmental entity, such as cities, education service centers, councils of government, etc.

Note: Any locally defined codes that a nonprofit charter school uses must be converted to object code 5919 for the TSDS PEIMS reporting.

5920 Federal Revenues Distributed by the Texas Education Agency

This code is used to classify revenues realized from entities of the federal government that are passed through TEA.

ℛ5921 School Breakfast Program

This code is used to classify revenues realized as the result of the federally funded breakfast program administered by the Texas Department of Agriculture. (ALN 10.553)

ℛ5922 National School Lunch Program

This code is used to classify revenues realized as a result of the federally funded lunch program administered by the Texas Department of Agriculture. (ALN 10.555)

Object Code 5922 Revenue to Include:	Object Code 5922 Revenue to Exclude:
• National School Lunch Program revenues	• revenues received for a Summer Feeding Program (object code 5939) • revenues from School Breakfast Program (object code 5921)

ℛ5923 United States Department of Agriculture (USDA) Commodities

This code is used to classify revenues realized from USDA commodities used in the school lunch program. Under the consumption method, revenues are realized when commodities are used, whereas under the purchase method, revenues are realized when commodities are received. Since actual cash is not received, a debit entry is made simultaneously either to:

- expenditure object code 6344, USDA Commodities (purchase method), or
- asset object code 1310, Inventories—Supplies and Materials (consumption method).

5924-5926 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5927–5928 Federal Revenues Distributed by the Texas Education Agency—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify federal revenues realized from TEA not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5929, Federal Revenues Distributed by the Texas Education Agency.

ℛ 5929 **Federal Revenues Distributed by the Texas Education Agency**

This code is used to classify revenues realized for federal programs passed through TEA and not defined elsewhere.

Note: Any locally defined codes that a charter school uses must be converted to object code 5929 for the TSDS PEIMS reporting.

5930 **Federal Revenues Distributed by Other State of Texas Government Agencies (Other than the Texas Education Agency)**

This code is used to classify revenues realized from entities of the federal government, passed through state agencies other than TEA.

ℛ 5931 **School Health and Related Services (SHARS)**

This code is used to account for funds received from the School Health and Related Services (SHARS) Program. Funds received represent reimbursements to the nonprofit charter school for school-based health services, which are provided to special education students enrolled in the Medicaid Program. These receipts are not considered "federal financial assistance" for inclusion in the Schedule of Federal Financial Assistance. In addition, the expenditures associated with SHARS reimbursements will be subtracted from special education expenditures for maintenance of effort purposes.

ℛ 5932 **Medicaid Administrative Claiming Program-MAC**

This code is used to account for funds received from the Texas Health and Human Services Commission (HHSC) that are awarded to reimburse charter schools for administrative activities they perform to help the state implement the Medicaid state plan (outreach, explaining various health programs, helping students and their families complete paperwork to become eligible for Medicaid and other federal programs, helping students secure doctor appointments, explaining the side effects of a medication, etc.). The reimbursement for charter schools is based on the overall charter school Medicaid eligibility, not on specific students. These receipts are considered "federal financial assistance" for inclusion in the Schedule of Federal Financial Assistance. (ALN 93.778)

5933-5935 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5936–5938 Federal Revenues Distributed by State of Texas Government Agencies (Other than the Texas Education Agency)—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify federal revenues realized from state government agencies other than TEA not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5939, Federal Revenues Distributed by State of Texas Government Agencies (Other than the Texas Education Agency).

℟5939 Federal Revenues Distributed by State of Texas Government Agencies (Other than the Texas Education Agency)

This code is used to classify revenues realized for federal programs passed through state agencies other than TEA not defined elsewhere.

Note: Any locally defined codes that a nonprofit charter school uses must be converted to object code 5939 for the TSDS PEIMS reporting.

5940 Federal Revenues Distributed Directly from the Federal Government

This code is used to classify revenues realized directly from agencies of the federal government.

5941-5945 Reserved for Future State Definition

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

5946–5948 Federal Revenues Distributed Directly from the Federal Government—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify revenues realized directly from federal agencies not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 5949, Federal Revenues Distributed Directly from the Federal Government.

ℛ5949 **Federal Revenues Distributed Directly from the Federal Government**

This code is used to classify revenues that are:

- realized for federal programs
- received directly from the federal government
- not otherwise listed above

Note: Any locally defined codes that a nonprofit charter school uses must be converted to object code 5949 for the TSDS PEIMS reporting.

5950-5999 **Reserved for Future State Definition**

These codes are reserved for future state designation and are not to be used by nonprofit charter schools.

3.4.5 Expenditure and Expense Object Codes

An **expense** is a decrease in net position resulting from a using up or an outflow of assets in the course of operating a nonprofit charter school.[23] Expenses are debited in the accounting period in which a measurable net asset liability is incurred.

An expenditure and expense object code is a four-digit code that comprises the sixth through ninth digits in the code structure described in the Accounting Code Structure and Definitions. These codes begin with the digit "6," which distinguishes them from other types of object codes.

An expenditure or expense object code identifies the nature and object of an account or a transaction.

Expenditures and expenses should be classified by the major object classes according to the types of items purchased or services obtained. Nonprofit charter school accounting records must reflect expenditures and expenses:

- at the most detailed level (four digits) for reporting (actual data) for:
  - accounting and
  - TSDS PEIMS; and
- to the second digit of detail (6100, 6200, etc.) for the TSDS PEIMS budget reporting.

If a nonprofit charter school needs to use codes in addition to the mandatory codes for managerial purposes, it should use the optional codes provided for local use.

The following table summarizes the major categories of operating expense object codes. See the following pages for the detailed codes for posting transactions.

[23] FASB Statement of Financial Accounting Concepts No. 6

Summary of Expenditure or Expense Object Codes	
6100	**Payroll Costs**
6110	Teachers and Other Professional Personnel
6120	Support Personnel
6130	Employee Allowances
6140	Employee Benefits
6200	**Professional and Contracted Services**
6210	Professional Services
6220	Tuition and Transfer Payments
6230	Education Service Center Services
6240	Contracted Maintenance and Repair Services
6250	Utilities
6260	Rentals—Operating Leases
6290	Miscellaneous Contracted Services
6300	**Supplies and Materials**
6310	Supplies and Materials for Maintenance and Operations
6320	Instructional Materials
6330	Testing Materials
6340	Food Service and Other Resale Items
6390	Supplies and Materials—General
6400	**Other Operating Expenses**
6410	Travel, Subsistence, and Stipends
6420	Insurance and Bonding Costs
6430	Election Costs
6440	Depreciation Expense
6490	Miscellaneous Operating Costs
6500	**Debt Service**
6520	Interest Expenditures or Expenses
6590	Other Debt Service Expenditures or Expenses

6000 EXPENDITURE AND EXPENSE OBJECT CODES

These codes are used to account for expenditures and expenses.

6100 PAYROLL COSTS

This major classification includes the gross salaries or wages and benefit costs for employee services. An employee is paid a salary or wage. A nonprofit charter school acts in a supervisory capacity over an employee and furnishes or approves the working area and usually the equipment and materials needed to perform a task or service. Although an employee may work with more than one supervisor before, during, or after the normal employment hours, if the services or tasks performed are at the general direction of a nonprofit charter school, the amount paid to that employee is considered a payroll cost.

6110–6119 Teachers and Other Professional Personnel

This series of codes is used to classify the salaries of teachers and other professional personnel. This includes any salary paid to a person who is considered by a nonprofit charter school to be a professional staff member. Substitute teachers or other professional personnel are also classified using this code.

ℛ6112 Salaries or Wages for Substitute Teachers and Other Professionals

This code is used to classify the gross salary and wage expenditures or expenses for substitute teachers and is primarily used with function code 11 (Instruction). Substitutes for other professionals should be coded to the same function code as the payroll record of the professional being replaced.

6116–6118 Salaries or Wages for Teachers and Other Professional Personnel—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify salaries or wages not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6119.

ℛ6119 Salaries or Wages—Teachers and Other Professional Personnel

This code is used to classify gross salary and wage expenditures or expenses for teachers and other professional exempt personnel as defined by the Fair Labor Standards Act.[24] This includes:

- gross salary and wage expenditures or expenses;

[24] Fair Labor Standards Act

- wages paid to employees for performing duties beyond the normal working day;
- amounts above the charter school's standard pay for additional certification requirements, such as a bilingual teacher; and
- amounts for additional responsibilities such as coaching, UIL sponsorship, yearbook sponsorship, band directing, tutoring, and department heads.

Note: Any local option codes that your charter school uses must be converted to object code 6119 for the TSDS PEIMS reporting.

6120 **Support Personnel**

This code is used to classify gross salary and wage expenditures or expenses for support personnel.

ℛ6121 **Extra Duty Pay or Overtime—Support Personnel**

This code is used to classify wages paid to support personnel for performing duties beyond the normal working day or for amounts above a nonprofit charter school's standard pay for additional qualifications.

ℛ6122 **Salaries or Wages for Substitute Support Personnel**

This code is used to classify the gross salary and wage expenditures or expenses for substitute support personnel and should be used with the function code being used for payroll record purposes.

6125–6128 **Salaries or Wages for Support Personnel—Locally Defined**

These codes are used, at the option of a nonprofit charter school, to classify salaries or wages not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6129.

ℛ6129 **Salaries or Wages for Support Personnel**

This code is used to classify salaries or wages for support personnel such as paraprofessional and support staff defined as nonexempt by the Fair Labor Standards Act.

Note: Any local option codes that your charter school uses must be converted to object code 6129 for the TSDS PEIMS reporting.

6130 Employee Allowances

This code is used to classify an employee allowance, which is an amount paid to an employee for which the employee is not required to render a detailed accounting.

ℛ6131 Contract Buyouts

This code is used to identify expenditures or expenses for employee contract buyouts. Such expenditures may include direct payments made by a nonprofit charter school as severance and any other benefits extended as part of a contract buyout agreement. Such costs should be recorded in the function codes in which the person was classified. These payments are subject to federal withholding, Social Security (if applicable), and Medicare (if applicable). These payments are not subject to the Teacher Retirement System of Texas (TRS).

6134–6138 Employee Allowances—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify employee allowances not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6139.

ℛ6139 Employee Allowances

This code is used to classify allowances paid to compensate employees for costs incurred for which the employee is not required to render a detailed accounting. Examples include the following.

Object Code 6139 Expenditures and Expenses to Include:	Object Code 6139 Expenditures and Expenses to Exclude:
• automobile allowances • housing allowances • cell phone allowance • uniform and meal allowance • in-kind payments unless exempted under Internal Revenue Service (IRS) Code	• mileage reimbursement for travel for actual miles driven (object code 641X)

In-kind payments such as rent-free housing or employer-furnished automobiles are debited to an account with this code and credited to the appropriate revenue account using the following codes:

- 5743, Rent

- 5749, Other Revenues from Local Sources

Note: Any local option codes that your charter school uses are converted to object code 6139 for the TSDS PEIMS reporting.

Questions regarding taxable income for the employee for these allowances should be directed to the Internal Revenue Service. See Section 1.7, Tax Concerns and Obligations, for further guidance.

6140 Employee Benefits

This code is used to classify employee benefits, which are those amounts paid by a nonprofit charter school to provide benefits to employees. This does not include the amount deducted from the employee's salary or wages, which are considered employee contributions toward a benefit.

ℛ6141 Social Security or Medicare

This code is used to classify expenditures or expenses required to provide employee benefits under the federal Social Security program. This excludes employee contributions.

ℛ6142 Group Health and Life Insurance

This code is used to classify expenditures or expenses made to provide personnel with group health, dental, vision, and life insurance benefits. This excludes employee contributions but includes benefit amounts transferred to an internal service fund.

ℛ6143 Workers' Compensation

This code is used to classify expenditures or expenses made to provide personnel with workers' compensation benefits. This includes benefit amounts transferred to an internal service fund. There are no employee contributions.

ℛ6144 Teacher Retirement or TRS Care—On-Behalf Payments

This code is used to classify expenditures or expenses from on-behalf payments of matching teacher retirement paid for active members of the charter school. A charter school contributes matching funds for personnel funded from federal sources and, if applicable, statutory minimum funds for qualifying personnel. The charter school also provides certain employer contributions for the retired teachers' health insurance plan (TRS Care). The state provides all other matching funds on behalf of members. The amount that the state provides in excess of

charter school contributions are recorded here. An equal revenue amount should be recorded using code 5831, Teacher Retirement or TRS Care—On-Behalf Payments.

ℛ6145 Unemployment Compensation

This code is used to classify expenditures or expenses made to provide personnel with unemployment compensation. This includes benefit amounts transferred to an internal service fund. There are no employee contributions.

ℛ6146 Teacher Retirement or TRS Care

This code is used to classify the following:

- expenditures or expenses made from local, state, and federal program funds
- private grants to pay state matching of teacher retirement on the state minimum contribution
- the required matching amount from federal funds
- any employer contribution for the retired teachers' health insurance plan

6147 Pension Expense

This code is used to account for a nonprofit charter school's costs associated with maintaining the employee pension plan(s) that the charter school offers to its employees.

6148 Employee Benefits—Locally Defined

This code is used, at the option of a nonprofit charter school, to classify employee benefits not defined elsewhere.

Note: For the TSDS PEIMS reporting, this code is converted to object code 6149.

ℛ6149 Employee Benefits—Other

This code is used to classify expenditures or expenses made to provide personnel with other employee benefits not detailed above. This excludes employee contributions but includes any benefit amounts transferred to an internal service fund.

Note: Any local option codes that your charter school uses must be converted to object code 6149 for the TSDS PEIMS reporting.

6200 PROFESSIONAL AND CONTRACTED SERVICES

The major code series is used to classify expenditures or expenses for services rendered to a nonprofit charter school by firms, individuals, and other organizations. This includes services provided by internal service funds, unless the internal service fund is used to account for employee benefits. Internal service fund expenditures or expenses for employee benefits, such as health insurance, are classified to the appropriate code in the 6100 series of codes. Normally, professional and contracted services represent a complete service that is rendered for a nonprofit charter school, and no attempt should be made to separate labor from supplies.

6210 Professional Services

This code is used to classify expenditures or expenses for professional services rendered by personnel who are not on the payroll of a nonprofit charter school, including all related expenses covered by the professional services contract.

ℛ6211 Legal Services

This code is used to classify fees, associated travel, and other related costs for legal services. All expenditures or expenses coded to object code 6211 use function code 41, General Administration.

ℛ6212 Audit Services

This code is used to classify fees, associated travel, and other related costs for audit services. All expenditures or expenses coded to object code 6212 use function code 41, General Administration.

ℛ6214 Lobbying

This code is used to classify fees, associated travel, and other related costs for lobbying services. Refer to the Texas Ethics Commission website for guidelines regarding what is considered lobbying.

6216–6218 Professional Services—Locally Defined

These codes are used, at the option of a nonprofit charter school to classify professional fees and related costs not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6219.

ℛ6219 Professional Services

This code is used to classify expenditures or expenses for professional services rendered by personnel who are not on the payroll of nonprofit charter school. The law[25] defines professional services to be the following:

Architecture	Optometry
Landscape architecture	Professional engineering
Land surveying	Real estate appraising
Medicine	Professional nursing

Accounting (audit services belong in object code 6212)

These professionals are required to be licensed or registered with the state. Professional services are delivered by an independent contractor (individual, entity, or firm) that offers its services to the public. Such services are paid on a fee basis for specialized services that are usually considered to be temporary or short-term in nature, normally in areas that supplement the expertise of the nonprofit charter school. This includes all related expenditures or expenses covered by a professional services contract, if the contracted service is not detailed in object codes 6211 through 6214.

This does not include any costs required to be capitalized as ancillary charges necessary to place the asset into service. Those costs should be recorded in the appropriate 6600 series capital outlay object codes.

6220 Tuition and Transfer Payments

This code is used to classify the following:

- tuition payments made when a nonprofit charter school pays for tuition to an institution of higher education on behalf of a staff member or a student
- transfer payments made when a nonprofit charter school pays for students to attend another nonprofit charter school, either private or public

[25] Texas Government Code, §2254.002(2)

ℛ6221 **Staff Tuition and Related Fees—Higher Education**

This code is used to classify expenditures or expenses for services rendered by institutions of higher learning for the benefit of nonprofit charter school personnel. Expenditures or expenses classified in this account are excluded from the calculation of indirect cost rates.

ℛ6222 **Student Tuition—Public Schools**

This code is used to classify expenditures or expenses for tuition if a nonprofit charter school is under contract with a public school to provide instructional services to students.

ℛ6223 **Student Tuition—Other than to Public Schools**

This code is used to classify expenditures or expenses for tuition if a nonprofit charter school is under contract with an institution of higher learning or with a nonpublic school to provide instructional services to students. This includes payments made to juvenile justice alternative education programs (function code 95, Payments to Juvenile Justice Alternative Education Programs).

6227–6228 **Tuition—Locally Defined**

These codes are used, at the option of a nonprofit charter school, to classify expenditures or expenses for tuition not specifically defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6229.

ℛ6229 **Tuition and Transfer Payments**

This code is used to classify expenditures or expenses for tuition and transfer payments not detailed above.

Note: Any local option codes that your charter school uses are converted to object code 6229 for the TSDS PEIMS reporting.

6230 **Education Service Center Services**

Each nonprofit charter school is a member of an education service center that provides various services to nonprofit charter schools. The function code, in conjunction with the expenditure object code, defines the type of service provided.

6234–6238 Education Service Center Services—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify services provided by the education service center not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6239.

ℛ6239 Education Service Center Services

This code is used to classify all contracted services provided by a regional education service center, such as the following:

- data processing services
- accounting services
- media services
- special education services
- CTE services
- staff development
- curriculum development
- drug training
- grant writing services

This does not include supplies (which should be charged to the appropriate supply account) purchased under a purchasing agreement with an education service center, but does include a fee assessed for providing the service.

Note: Any local option codes that your charter school uses must be converted to object code 6239 for the TSDS PEIMS reporting.

6240–6249 CONTRACTED MAINTENANCE AND REPAIR SERVICES

These expenditure object codes are used to classify expenditures or expenses for maintenance and repair services rendered by firms, individuals, or other organizations, other than a nonprofit charter school. Maintenance and repair services are for normal upkeep, repair, and minor restorations, but do not include such costs as new building construction, renovating and remodeling of buildings, etc. When contracted maintenance and repair services are rendered, the total cost of the service, including labor and parts, is included in the appropriate contracted services account. Maintenance contracts are included in the appropriate expenditure object codes defined below.

6244–6248 Contracted Maintenance and Repair—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify expenditures or expenses for contracted maintenance and repair not specifically defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6249.

ℛ 6249 Contracted Maintenance and Repair

This code is used to classify expenditures or expenses for normal contracted maintenance and repair of items.

Object Code 6249 Expenditures and Expenses to Include:	Object Code 6249 Expenditures and Expenses to Exclude:

• expenditures or expenses for normal contracted upkeep, repairs, maintenance, and renovation of:
  ○ office equipment
  ○ furniture
  ○ computers and electronic equipment
• copiers
• charter school-owned telephone systems
• fax machines
• software upgrades
• maintenance agreement fees
• other equipment when the repairs are provided by an outside individual or firm
• buildings and grounds (janitorial or landscaping, etc.)
	• purchase of furniture, technology equipment, software, and capital outlay items (object code 6399 or 1X6XX)
	• purchase of site licenses, single user software, such as apps for tablets, etc. (object code 6399, or 1XXX)

For vehicles, this code includes expenditures or expenses for normal upkeep and contracted repair of vehicles, including buses, maintenance vehicles, driver education vehicles, and any other vehicles used by charter school staff or students.

For buildings and grounds, this code includes expenditures or expenses such as the following:

- normal upkeep of buildings and grounds
- contracted costs of maintenance for buildings including:
- heating
- ventilation
- air conditioning
- any related maintenance agreements

Services may be provided on an on-call basis or within the terms of a maintenance agreement.

Any local option codes that a charter school uses are converted to object code 6249 for the TSDS PEIMS reporting.

6250 UTILITIES

Utilities comprise charges for water; electricity; gas for heat, cooking, and cooling; ongoing telephone (including telecommunications and cellular telephones); and facsimiles.

6255–6258 Utilities—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify expenditures or expenses for utilities not specifically defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6259.

ℛ6259 Utilities

This code is used to classify expenditures or expenses, including fees, for utilities. This includes the following:

- water, wastewater treatment, and sanitation (garbage disposal)
- telephone and telecommunication services, including but not limited to cellular telephones, pagers, internet connections, facsimiles, etc.
- electricity
- natural gas, propane, coal, and any other fuel used for heating and cooling buildings

Note: Any local option codes a nonprofit charter school uses must be converted to object code 6259 for the TSDS PEIMS reporting.

All expenditures or expenses coded to object code 6259 must be coded to either function code 51, Facilities Maintenance and Operations, or 81, Facilities Acquisition and Construction. A charter school may code a cellular telephone or pager to the function code of its user.

6260 RENTALS—OPERATING LEASES

These codes are used to record expenditures or expenses for renting or leasing either equipment or property under operating lease agreements. Refer to the Debt section (Other Types of Debt) for further guidance.

6264–6268 Rentals—Operating Leases—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify expenditures or expenses for rentals under operating leases not specifically defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6269.

ℛ6269 Rentals—Operating Leases

This code is used to classify expenditures or expenses for other rentals or operating leases. This includes, but is not limited to, the rental or lease of the following:

- furniture
- computers
- telecommunications equipment
- audio-visual equipment
- vehicles (including buses)
- land
- buildings
- space in buildings
- grounds

Note: Any local option codes that a nonprofit charter school uses must be converted to object code 6269 for the TSDS PEIMS reporting.

6290 MISCELLANEOUS CONTRACTED SERVICES

These expenditure object codes are used to classify expenditures or expenses for miscellaneous contracted services not included above.

℟6291 **Consulting Services**

This code is used to classify expenditures or expenses for consulting services. “Consulting services” refers to the practice of helping a nonprofit charter school by analyzing existing problems and developing plans to improve performance. Consulting may involve the identification and interchange of best practices, analytical techniques, change management and coaching skills, technology implementations, strategy development, or operational improvement. Consultants often rely on their outsider’s perspective to provide unbiased recommendations. They generally bring formal frameworks or methodologies to identify problems or suggest more effective or efficient ways of performing tasks. Consulting services cover all functional areas such as instruction, curriculum, and administration.

Consulting does not include a routine service or activity that is necessary to the functioning of a nonprofit charter school’s programs, such as hiring additional people on contract to supplement the present staff. It also does not apply to services provided to conduct organized activities (such as training or other similar educational activities.)

6294–6298 **Miscellaneous Contracted Services—Locally Defined**

These codes are used, at the option of a nonprofit charter school, to classify contracted services not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6299.

℟6299 **Miscellaneous Contracted Services**

This code is used to classify expenditures or expenses for miscellaneous contracted services not specified elsewhere.

Note: Any local option codes that a nonprofit charter school uses are converted to object code 6299 for the TSDS PEIMS reporting.

6300 SUPPLIES AND MATERIALS

This major classification includes all expenditures or expenses for supplies and materials.

6310–6319 **Supplies and Materials for Maintenance and Operations**

This group of codes is used to classify expenditures or expenses for supplies and materials necessary to maintain or operate furniture, computers, equipment (including telecommunications equipment),

vehicles, grounds, and facilities of a nonprofit charter school. The expenditures or expenses in this group of accounts occur when district employees purchase supplies directly for use rather than when supplies are provided by a contractor as part of a contracted service.

ℛ6311 Gasoline and Other Fuels for Vehicles (Including Buses)

This code is used to classify expenditures or expenses for gasoline, motor oil, and other fuels required for operating vehicles.

6315–6318 Supplies for Maintenance and Operations—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify supplies and materials for maintenance or operations not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6319.

ℛ6319 Supplies for Maintenance and Operations

This code is used to classify expenditures or expenses for supplies and materials necessary for maintenance or operations not detailed above. Expenditures or expenses in this account include, but are not limited to:

- janitorial or custodian supplies
- building maintenance supplies for minor repairs and upkeep by the maintenance staff
- supplies for upkeep of furniture and equipment

Note: Any local option codes that a nonprofit charter school uses are converted to object code 6319 for the TSDS PEIMS reporting.

6320–6329 INSTRUCTIONAL MATERIALS

This group of codes is used to classify expenditures or expenses for the purchase of instructional materials by a nonprofit charter school; magazines, periodicals, newspapers, and reference books, in print or electronic format; and technological equipment placed in the classroom or in an office. Expenditures or expenses in this group of codes do not meet the capitalization criteria.

ℛ6321 Instructional Materials

This code is used to classify expenditures or expenses for instructional materials purchased by a charter school and furnished free to students, certain classes, or grades.

6325–6328 Reading Materials—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify reading materials that do not meet the capitalization criteria.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6329.

ℛ6329 Reading Materials

This code is used to classify all expenditures or expenses for magazine subscriptions and newspaper subscriptions that are placed in classrooms, offices, or libraries, whether in print or electronic format. Also included are reference books and other reading materials placed in a classroom or office that are not cataloged and controlled by the library. This code also includes library books and media that do not meet the capitalization criteria of the school and have a per-unit value of less than $10,000 or a useful life of one year or less.

Note: Any local option codes that a nonprofit charter school uses are converted to object code 6329 for the TSDS PEIMS reporting.

6330 TESTING MATERIALS

This group of codes is used to classify expenditures or expenses for testing materials such as test booklets. Test scoring must not be classified here, but rather, in the 6200 series of codes, Professional and Contracted Services.

6334–6338 Testing Materials—Locally Defined Note:

These codes are used, at the option of a nonprofit charter school, to classify testing materials.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6339.

ℛ6339 Testing Materials

This code is used to classify expenditures or expenses for testing materials and study materials related to those tests, including booklets, study guides, practice exams, and online resources.

Note: Any local option codes that a nonprofit charter school uses must be converted to object code 6339 for the TSDS PEIMS reporting.

6340 FOOD SERVICE AND OTHER RESALE ITEMS

These expenditure object codes are used to classify supplies and materials for operating the food service program of a nonprofit charter school. Also included are items for sale through vending machines, school stores, etc., that are not related to the regular food service program. These resale items are classified in function code 36, Extracurricular Activities.

ℛ6341 Food

This code is used to classify expenditures or expenses for food and related costs, such as transportation, handling, processing, etc.

ℛ6342 Nonfood

This code is used to classify expenditures or expenses for nonfood items such as napkins, straws, brooms, etc., for food service.

ℛ6343 Items for Sale

This code is used to classify expenditures or expenses for such items as soft drinks, food, and other goods to be sold through vending machines, school stores, etc., not related to the regular food service program.

ℛ6344 USDA Commodities

This code is used to classify the costs of commodities. Expenses in this code should agree with the revenue realized in code 5923, USDA Commodities.

USDA Commodities must be used for items such as the following:

- purchased products for which a nonprofit charter school receives no USDA commodity equivalent; for example, condiments such as ketchup and mustard. The inventory value for these items should be based on the net purchase price for that item.
- USDA commodity products for which a nonprofit charter school purchases no commercial equivalent; for example, frozen diced chicken.
- products that a nonprofit charter school purchases as well as receives as commodities. Canned fruits and vegetables are examples of such products.

6348 **Food Supplies—Locally Defined**

This code is used, at the option of a nonprofit charter school, to classify food supplies not defined above.

Note: For the TSDS PEIMS reporting, this code is converted to object code 6349.

ℛ6349 **Food Service Supplies**

This code is used to classify miscellaneous food service supplies not specifically defined elsewhere.

Note: Any local option codes that a nonprofit charter school uses must be converted to object code 6349 for the TSDS PEIMS reporting.

6390 SUPPLIES AND MATERIALS—GENERAL

These codes are used to classify general supplies and materials not specified in other supplies and materials accounts.

6395–6398 **Supplies and Materials—Locally Defined**

These codes are used, at the option of a nonprofit charter school, to classify supplies and materials.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6399.

ℛ6399 **General Supplies**

This code is used to classify expenditures or expenses for those items of relatively low unit cost (cost less than the capitalization rate, which may not exceed $10,000, even though used in large quantities) necessary for the instruction process or for administration.

Object Code 6399 Expenditures to Include:	Object Code 6399 Expenditures to Exclude:
• consumable teaching and office items such as paper, pencils, forms, postage, etc. • workbooks • audio-visual aids such as video, CD, or DVD discs; flash drives, software	• purchase of furniture, technology equipment, software, and capital outlay items having a per-unit cost of $10,000 or more (object code 1539)

Object Code 6399 Expenditures to Include:	Object Code 6399 Expenditures to Exclude:
• site licenses, single or limited-use software, such as apps for tablets, etc. that have a per-unit cost of less than $10,000 • supplies for a satellite dish and other supplies for technology • purchase of furniture, technology equipment, software, and capital outlay items having a per-unit cost of less than $10,000	• items that do not meet the individual $10,000 capital asset criterion, but by school policy, are defined to be capital assets or aggregated items that equal or exceed $10,000 (for example, library books) (object code 1549 or 1569) • site licenses, single or limited-use software, such as apps for tablets, etc. that have a per-unit cost that is equal to or exceeds $10,000 (object code 1539 or 1559)

Note: Any local option codes that a nonprofit charter school uses must be converted to object code 6399 for the TSDS PEIMS reporting.

6400 OTHER OPERATING COSTS

This major classification is used for expenditures or expenses for items that are necessary for operating a nonprofit charter school other than the following:

- payroll costs
- professional and contracted services
- supplies and materials

6410 Travel, Training, Subsistence, and Stipends

This expenditure object code is used to classify travel, training, subsistence, and stipends for employees and nonemployees.

ℛ6411 Travel, Training, and Subsistence—Employee Only

This code is used to classify the cost of: transportation; meals; room; registration fees associated with virtual and in-person trainings, conferences, seminars, and in-service trainings; and other expenses associated with professional development and traveling on official school business.

Travel expenses must conform to IRS and 2 CFR §200.475 regulations. Any travel reimbursed from state funds and federal funds that are received from TEA must comply with the general appropriations act.

Membership dues are classified in object code 6495, Dues.

ℛ6412 Travel, Training, and Subsistence—Students

This code is used to classify the cost of: transportation (rental of vans, buses, and other vehicles); meals; participation fees; room; registration and participation fees associated with virtual and in-person conferences and events; and other expenses associated with students' traveling for school-sponsored events. (Do not use function code 34, Student Transportation.)

ℛ6413 Stipends—Nonemployees

This code is used to classify stipends paid to persons not employed by the paying agency for allowances related to participating in organized-controlled or directed activities.

Expenditures or expenses relating to travel for persons not employed by a nonprofit charter school should be classified using object code 6419, Travel and Subsistence—Nonemployees. Expenditures or expenses classified in this account are excluded from the calculation of indirect cost.

6417–6418 Travel, Training, and Subsistence—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify travel and subsistence not specifically defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6419.

ℛ6419 Travel, Training, and Subsistence—Nonemployees

This code is used to classify the costs of travel and subsistence that are:

- associated with traveling on official school business and
- incurred by persons who are participating in organized-controlled or directed activities and who are not employed by the paying agency, including:
  - parents
  - board members
  - other nonemployees

Expenditures or expenses classified in this object code include:

- transportation, meals, room, and other travel costs not specified elsewhere;

- registration fees associated with attending conferences, seminars, in-service training, etc. (virtual or in-person); and
- allowances related to participating in organized-controlled or directed activities.

Travel expenses must conform to IRS and 2 CFR §200.475 regulations, and any travel reimbursed from state funds and federal funds that are received from TEA must comply with the General Appropriations Act.

Note: Any local option codes that a nonprofit charter school uses must be converted to object code 6419 for the TSDS PEIMS reporting.

6420 INSURANCE AND BONDING COSTS

This code is used to classify expenditures or expenses for insurance and bonding costs. Property insurance should be classified in function code 51, Facilities Maintenance and Operations, including building insurance and property insurance for band and athletic or UIL equipment. Other types of insurance are classified in the appropriate function. For example, insurance to cover student athletic injuries are classified in function code 36, Extracurricular Activities. Instructional materials custodian and administrative bonding expenses are classified in function code 41, General Administration. School bus driver bonding and liability insurance are classified in function code 34, Student Transportation.

6425–6428 Insurance and Bonding Costs—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify insurance and bonding costs.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6429.

ℛ6429 Insurance and Bonding Costs

This code is used to classify costs for insurance, including property insurance, liability insurance, bonding costs, athletic insurance, etc.

Note: Any local option codes that a nonprofit charter school uses are converted to object code 6429 for the TSDS PEIMS reporting.

6440 DEPRECIATION EXPENSE

This series of codes is used to classify depreciation expense of fixed assets of a nonprofit charter school.

6444–6448 Depreciation Expense—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify depreciation expense.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6449.

ℛ 6449 Depreciation Expense

This code is used to classify depreciation expense of fixed assets.

Note: Any local option codes that a nonprofit charter school uses are converted to object code 6449 for the TSDS PEIMS reporting.

6490 Miscellaneous Operating Costs

This code is used to classify expenditures or expenses for operating costs not mentioned above.

ℛ 6494 Reclassified Transportation Expenditures or Expenses

This code can be used as an option to identify expenditures or expenses for transportation costs other than those incurred in transporting students to and from school. Expenses from various expenditure object codes for salaries, fuel, etc., in function code 34, Student Transportation, should be reclassified to this expenditure object code with the appropriate function assigned. Examples of such costs include those associated with field trips (function code 11, Instruction) and extracurricular activities (function code 36, Extracurricular Activities). Identification of the costs of transporting students for any purpose other than to and from school is required by law.[26]

ℛ 6495 Dues

This code is used to classify expenditures or expenses for dues paid to clubs, committees, or other organizations. Examples of organizations are TASA, TASP, TASB, Lions Club, Rotary Club, local chambers of commerce, and other associations. This does not include any registration fees associated with attending conferences or seminars, which are classified in object code 6411. Dues paid on behalf of an employee should be coded to that employee's function code; dues paid on behalf of the charter school should be coded to function code 41.

[26] TEC, §34.010, Use of School Buses for Extracurricular and Other School-Related Activities

6497–6498 Miscellaneous Operating Costs—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify miscellaneous operating costs.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6499.

ℛ 6499 Miscellaneous Operating Costs

This code is used to classify expenditures or expenses for all other operating costs not mentioned above. This account includes:

- fees (not associated with professional development or travel)
- awards
- bid notices
- graduation expenses
- food or refreshments for school-related meetings
- newspaper advertisements, etc.

Note: Any local option codes that a nonprofit charter school uses are converted to object code 6499 for the TSDS PEIMS reporting.

6500 DEBT SERVICE

This major classification includes all expenses for interest and associated fees for debt service. Expenses for debt service interest and fees must be used only with function code 71, Debt Service.

6520 INTEREST EXPENDITURES OR EXPENSES

These expenditure object codes are used to classify all interest expenditures or expenses in function code 71, Debt Service.

ℛ 6521 Interest on Bonds

This code is used to classify expenditures or expenses to pay interest on bonds.

ℛ 6522 Right-of-Use Lease Interest

This code is used to classify expenditures or expenses to pay interest on right-of-use leases.

ℛ 6523 Interest on Debt

This code is used to classify expenditures or expenses to pay interest on debt.

℟6524 Amortization of Bond and Other Debt-Related Costs

This code is used to classify expenses in connection with the amortization of bond and other debt issuance costs, including lease-purchase debt issuance costs. Included are amortized deferred gain and loss amounts in connection with the defeasance of bonds.

℟6525 Amortization of Premium and Discount on Issuance of Bonds

This code is used to classify expenses amortized as debt premium or discount in connection with the issuance of debt.

6527–6528 Interest Expenditures or Expenses—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify interest expenditures or expenses not specified elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6529.

℟6529 Interest Expenditures or Expenses

This code is used to classify expenditures or expenses to pay interest not specified elsewhere.

Note: Any local option codes that a nonprofit charter school uses are converted to object code 6529 for the TSDS PEIMS reporting.

6590 Other Debt Service Expenditures or Expenses

These object codes are used to classify all debt service expenditures or expenses other than debt principal and interest in function code 71, Debt Service.

6594–6598 Other Debt Service Expenditures or Expenses—Locally Defined

These codes are used, at the option of a nonprofit charter school, to record debt service expenditures or expenses, excluding principal and interest.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 6599.

℟6599 Other Debt Service Fees

This code is used to classify expenditures or expenses for issuance costs, and any allowable fees related to debt service activity, including

fiscal agent fees and payment to an escrow agent from sources other than proceeds from the new debt.

Note: Any local option codes that a nonprofit charter school uses must be converted to object code 6599 for the TSDS PEIMS reporting.

3.4.6 Gains/Net Assets Released from Restrictions

A nonprofit charter school's accounting records are to reflect gains and net assets released from temporary restrictions, as depicted in the chart of accounts (four digits) for accounting and the TSDS PEIMS reporting (budgeted and actual data) purposes. If a nonprofit charter school needs to use codes in addition to the mandatory codes for managerial purposes, the optional codes provided for local use in the code structure should be used.

These codes begin with the digit "**7**," which distinguishes them from other types of object codes.

A nonprofit charter school accounting records must reflect gains and net assets released from temporary restrictions, as depicted in the chart of accounts (four digits) for purposes of:

- accounting and
- TSDS PEIMS reporting:
  - budgeted data and
  - actual data.

If a nonprofit charter school needs to use codes in addition to the mandatory codes for managerial purposes, the school should use the optional codes provided for local use in the code structure.

7000 GAINS/NET ASSETS RELEASED FROM RESTRICTIONS

7911–7949 OTHER RESOURCES

Other resources include the sale of bonds, the sale of real and personal property, proceeds from right-of-use leases, etc. These amounts are classified separately from:

- revenues on the statement, and
- revenues and expenditures.

ℛ7911 Issuance of Bonds

This code is used to record the face amount of bonds that are issued.

ℛ7916 Premium or Discount on Issuance of Bonds

This code is used to classify the premium or discount on the issuance of bonds.

This code should not be used for the premium or discount on the issuance of bonds for a nonprofit charter school because the discount or premium is reported in the balance sheet as a direct deduction from or addition to the face amount of the note.[27]

ℛ7917 Prepaid Interest

This code is used to classify prepaid interest in connection with the issuance or defeasance of bonds.

ℛ7919 Unusual or Infrequent Items

This code is used to classify resources for events and transactions that are either unusual in nature or infrequent in occurrence.[28]

Either of the following criteria must be met to classify an event or transaction as unusual in nature or infrequent in occurrence:

- Unusual nature – The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates.
- Infrequency of occurrence – The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates.

Included as unusual or infrequent items are insurance proceeds to cover significant costs related to:

- a natural disaster caused by fire, flood, or tornado; or
- an environmental disaster.

[27] FASB ASU 835-30-45-1A states that the discount or premium shall be reported in the balance sheet or statement of financial position, as applicable, as a direct deduction from or addition to the face amount of the note.

[28] FASB ASU 2015-1 Income Statement—Extraordinary and Unusual Items (Subtopic 225-20) describes items that are unusual or infrequent in nature and the presentation of each material event of transaction that an entity considers to be of an unusual nature or of a type with infrequency of occurrence or both to be reported as a separate component of income from continuing operations. Gains or losses of a similar nature that are not individually material shall be aggregated.

7940–7948 Other Resources—Locally Defined

These codes are used, at the option of a nonprofit charter school to classify other resources not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 7949.

7950 Gains

This code is used to record other resources not classified above.

℟7951 Gain on Sale of Real and Personal Property

This code is used to classify the net gains from the sale of land, buildings, equipment, furniture, vehicles, etc.

7955–7958 Gains—Locally Defined

These codes are used, at the option of a nonprofit charter school to classify gains not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 7989.

℟7959 Other Gains

This code is used to classify amounts received from other sales of assets for gains.

7990 Net Assets Released From Temporary Restrictions

This code is used to record net assets released from temporary restrictions.

7995–7998 Net Assets Released From Restrictions

These codes are used, at the option of a nonprofit charter school, to classify net assets released from donor restrictions. For the TSDS PEIMS reporting, these accounts are converted to account 7999.

℟7999 Net Assets Released From Restrictions

This code is used to classify net assets released from restrictions.

3.4.7 Losses/Net Assets Released from Restrictions

A nonprofit charter school's accounting records are to reflect losses and net assets released from temporary restrictions at the most detailed level. If a nonprofit charter school needs to use codes in addition to the mandatory codes for managerial purposes, the optional codes provided for local use in the code structure should be used.

These codes begin with the digit "8," which distinguishes them from other types of object codes.

A nonprofit charter school accounting records must reflect other uses and nonoperating expenses at the most detailed level (four digits) for purposes of:

- accounting and
- TSDS PEIMS reporting (actual data) purposes.

For the TSDS PEIMS budget reporting purposes, other uses or nonoperating expenses are reported to the fourth digit of detail (89XX).

8000 LOSSES/NET ASSETS RELEASED FROM TEMPORARY RESTRICTIONS

8900 LOSSES/NET ASSETS RELEASED FROM RESTRICTIONS

8910 Net Assets Released From Restrictions

Net Assets Released From Restrictions (8911-8949) is debited in the accounting period in which use and/or time restrictions are met. Credit entries are to a liability or an asset account.

ℛ 8911 Net Assets Released from Restrictions

This code is used to classify net assets released from restrictions.

ℛ 8913 Unusual or Infrequent Items

This code is used to classify events and transactions that are either unusual in nature or infrequent in occurrence.
Either of the following criteria must be met to classify an event or transaction as unusual in nature or infrequent in occurrence:

- Unusual nature – The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates.
- Infrequency of occurrence – The underlying event or transaction should be of a type that would not reasonably be

expected to recur in the foreseeable future, taking into account the environment in which the entity operates.

This code may include significant costs for unusual or infrequent events and transactions related to:

- a natural disaster caused by fire, flood, or tornado;
- or an environmental disaster.

8940–8948 Other Uses—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify other uses not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 8949.

℟8949 Other Uses

This other uses object code is used to record net assets released from restrictions not provided for above.

8950 LOSSES

℟8951 Loss on Sale of Real and Personal Property

This code is used to classify the net loss from the sale of land, buildings, equipment, furniture, vehicles, etc.

8954–8988 Losses—Locally Defined

These codes are used, at the option of a nonprofit charter school, to classify nonoperating expenses not defined elsewhere.

Note: For the TSDS PEIMS reporting, these codes are converted to object code 8989.

℟ 8989 Losses

This code is used to record losses from the sale of assets of the nonprofit charter school.

3.4.8 Unavailable or Reserved Object Codes

The following table lists codes that are unavailable or reserved for future state definition. When a code is no longer being used, it is placed in “unavailable” status for 10 years to prevent its being used with two different meanings. After it has been unavailable for 10 years, its status is changed

to “reserved for future state definition,” which means that it may be assigned to a new use as the need arises.

Category of Object Codes	Unavailable	Reserved for Future State Definition
Asset Object Codes		
	1430	1600–1699
Fund Balance or Net Asset Object Codes		
	3420 3440	3100 3300
Revenue Object Codes		
	5712 5739 5745 5832	5711 5713–5715 5721–5726 5730–5738 5746-5747 5754 5756 5761–5765 5770–5799 5814–5816 5821–5825 5833–5835 5840–5899 5911–5915 5924–5926 5933–5935 5941–5945 5950–5999
Expenditure and Expense Object Codes		
	6132 6526	6111 6113–6115 6123–6124 6133 6150-6190 6213 6215 6224–6226 6231–6233 6241–6243 6251–6254 6261–6263 6270–6289

Category of Object Codes	Unavailable	Reserved for Future State Definition
		6292–6293 6312–6314 6322–6324 6331–6333 6345–6347 6350–6389 6391–6394 6414–6416 6421–6424 6430–6439 6441–6443 6450–6480 6491-6493 6496 6501–6513 6514–6516 6530–6580 6591–6593 6600–6699
Other Resources and Nonoperating Revenues Object Codes		
		7920–7939 7952-7954 7960–7989 7991–7994
Other Uses and Nonoperating Expenses Object Codes		
		8914–8939 8952–8953 8990 8991–8999

3.5 Local Option Codes

A nonprofit charter school may use local option codes to account for information not otherwise provided for in the mandatory chart of accounts. These codes are not reported through the TSDS PEIMS and may be used for any purpose that the charter chooses.

If a nonprofit charter school uses these optional codes, the school must:

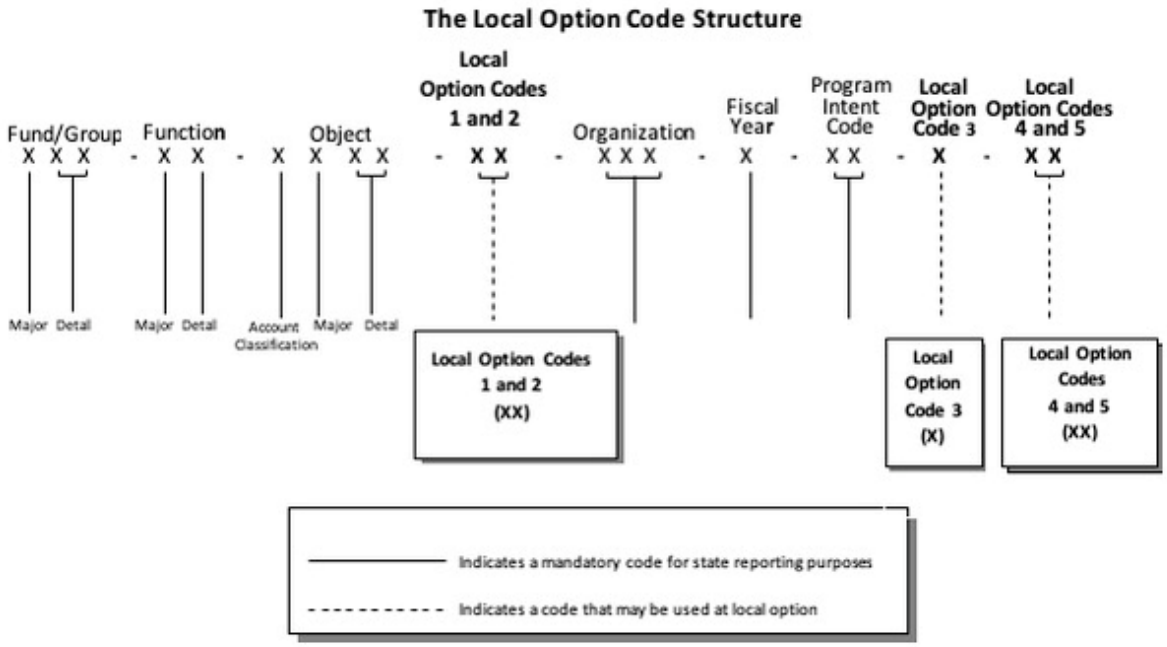
- keep a chart of locally assigned accounts;
- use the locally assigned accounts uniformly in the accounting system throughout the school's fiscal year (that is, the school must not change the locally assigned accounts during any fiscal year);
- make the chart of accounts available for managerial, auditing, and other purposes; and
- retain the chart of accounts for audit purposes for a recommended period of at least five years after any changes are made to the chart.

Three groups of local option codes are provided:

- local option codes 1 and 2
- local option code 3
- local option codes 4 and 5

Exhibit 3.5 illustrates the three positions of the local option codes in the accounting code system.

Exhibit 3.5 Local Option Code Structure



3.6 Organization Codes

An organization is a group of employees who are assigned a specific responsibility within a school charter schools.

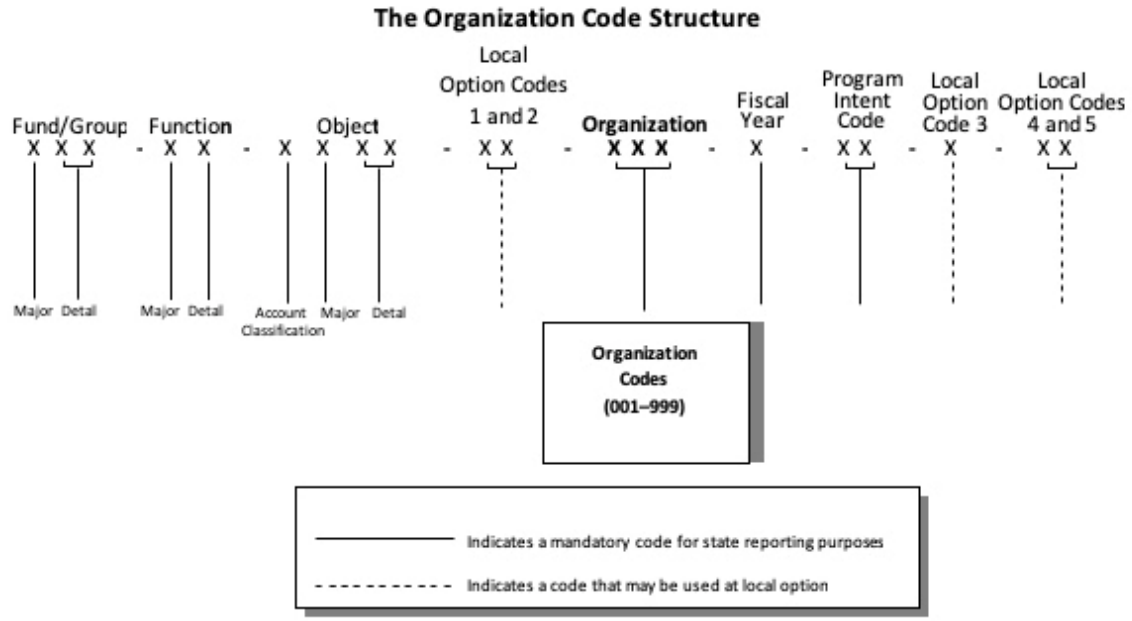
The two types of organizations include:

- a *campus* organization, which usually is responsible for services to a set of students, including:
    - teaching,
    - supporting the teaching, or
    - providing other necessary services (such as social and health services); and
- an *administrative* or *other* organization, which performs specific responsibilities for a nonprofit charter school, such as those related to:
    - the superintendent's office,
    - the school board, or
    - other business functions.

An organization does not necessarily correspond to a physical location. The activity performed, not the location, defines the organization. For example, a high school computer science class might be taught at a central administration office, in which case the appropriate high school organization code would be assigned. Exhibit 3.6 illustrates the location of the organization code in the accounting code structure.

Accurate use of organization codes is essential for payroll under function 11, Instruction. Nonprofit charter schools are to use organization codes in all functions when a cost is *clearly attributable* to a specific organization. For those costs that are not clearly attributable to specific organization codes, charter schools will use organization codes 998 (Unallocated, at the local option) or 999 (Undistributed).

Exhibit 3.6 Organization Code Structure



The ℛ by a code indicates that the code is required for reporting purposes (the TSDS PEIMS and/or AFR) if the code applies to your charter school.

3.6.1 Using Organization Codes

A nonprofit charter school must use:

- *campus organization* codes, which are defined in the Texas School Directory, for all costs clearly attributable to a specific organization using one of two methods. A charter school may either:
  - code all costs clearly attributed to a specific organization or
  - allow the TSDS PEIMS to allocate costs that are charged to organization code 999 (Undistributed); and
- *administrative organization* codes (701–751):
  - for all costs under function code 41, General Administration,
  - for all costs under function code 53, Data Processing, that apply to the business office of the charter school, and
  - for all costs under function code 99, Other Intergovernmental Charges.

Note: The Texas School Directory identifies a campus using a nine-digit number. The first three digits are the county code, the second three digits are the district code, and the last three digits are the campus code. Use only the last three digits as the campus organization code.

For costs that are not clearly attributable to specific organization codes, a charter school may use organization codes 998 (Unallocated, at the local option) or 999 (Undistributed).

For more information about calculating indirect cost rate, see

- the TEA rule[29] regarding indirect cost rates and
- the Indirect Cost Rate Guidance Handbook[30] attached in Subsection (d) of the rule.

For a chart depicting required organization accounting by expenditure object code and function code, see Appendix B: Account Code Matrixes and Accounting Spreadsheets, B-1.0 Account Code Matrixes.

For information on methods of allocating costs other than direct recording, see Module 1, 1.4 Cost Accounting.

3.6.2 Campus Accounting and Coding

Site-based decision making and campus accountability require nonprofit charter schools to provide financial information at all levels of the decision-making process. Nonprofit charter schools provide information on the use of public resources by campus and program to facilitate legislative budgetary decisions.

A nonprofit charter school must record payroll costs by campus level for educational personnel, including professional and paraprofessional personnel, when the cost is clearly attributable to a specific campus or organization. The criteria to determine if the payroll costs of such personnel should be recorded to a particular campus or organization are as follows:

- The person must be dedicated to the day-to-day operations of the campus (partially or fully) and be under the direct or indirect supervision of the campus principal. Personnel costs that would be recorded to a campus would generally include costs for:
    - classroom teachers,
    - teacher aides,
    - classroom assistants,
    - librarians,
    - principals,
    - counselors, and
    - social workers.

  Note: This list is not all-inclusive.
- Payroll costs for substitute teachers may be coded either to a campus or to the Undistributed Organization Unit (999)

[29] 19 TAC §109.3003, Indirect Cost Rates
[30] Indirect Cost Rate Guidance Handbook

- On-Behalf Teacher Retirement Payments may be coded either to a campus or to the Undistributed Organization Unit (999)

3.6.2.1 Compliance Monitoring—Organization Codes

In the TSDS PEIMS data collection process, TEA provides software that contains a formula to allocate costs recorded in organization code 999, Undistributed. The costs are allocated according to:

- instructional full-time equivalents (FTEs) assigned to organization codes (as reported in the TSDS PEIMS) and
- campus organizations for functions specified in State Board of Education rules relating to indirect costs.

The allocation process:

- populates a report template and does not change transaction information within the general ledger system; and
- uses payroll and staff data for instructional FTEs, as recorded under function code 11, Instruction, as a basis to allocate costs.

The formula-based allocation is used for state and federal compliance monitoring purposes, such as monitoring indirect costs, maintenance of effort, and comparability requirements.

Costs that are classified in organization code 998, Unallocated, are not allocated by the formula; therefore, those costs must not be considered for compliance purposes unless charged to a specific enhanced PIC.

001–699 ORGANIZATION UNITS—CAMPUSES

Campus numbers are defined in the Texas School Directory for each nonprofit charter school. As new campuses are opened, it must notify TEA, and TEA will assign a new campus number.

Given the growth and number of campuses for large charter schools, TEA may assign campus numbers outside of the range of campus numbers designated for high school, junior high or middle school, and elementary campuses in this section.

Note: Juvenile Justice Alternative Education Program Campuses

There are two types of Juvenile Justice Alternative Education Programs (JJAEP):

(1) The TEC, Chapter 37, authorizes assignment of students to a JJAEP approved by the Texas Juvenile Probation Commission (TJPC) if a school

district or nonprofit charter school is located in a county with a population of greater than 125,000.

(2) The second type of JJAEP is any arrangement that is not approved by the TJPC but that relates to placement of students who are expelled under the TEC, §37.007(a)–(f).

All JJAEP campuses must be registered in the Texas School Directory (AskTED). The campus number assigned to the JJAEP must be used to account for all expenditures that are attributed to JJAEP-related activities (including costs attributed to resources provided by school districts, such as special education teachers employed by school districts and assigned to work in a JJAEP).

JJAEP Reported as a Discrete Component in the AFR

In a few instances, a memorandum of understanding between a county government and a nonprofit charter school authorizes the nonprofit charter school to administer and operate the JJAEP on behalf of the county government and to provide services to nonprofit charter schools located in the county. In this case, the nonprofit charter school responsible for administering the JJAEP must report the JJAEP as a discrete component of the nonprofit charter school in its AFR. Financial accounting records must provide a separate accounting for all transactions that are attributable to the JJAEP administered by the nonprofit charter school.

ℛ001–040 High School Campuses

Campus numbers are assigned to high school campuses for nonprofit charter schools in the Texas School Directory.

ℛ041–100 Junior High or Middle School Campuses

Campus numbers are assigned to junior high or middle school campuses for nonprofit charter schools in the Texas School Directory.

ℛ101–698 Elementary School Campuses

Campus numbers are assigned to elementary school campuses for nonprofit charter schools in the Texas School Directory.

699 ORGANIZATION UNIT—SUMMER SCHOOL

ℛ699 Summer School Organization

A nonprofit charter school must use this organization code for any summer school and intersession program that it provides.

700 ORGANIZATION UNITS—ADMINISTRATIVE

A nonprofit charter school must use this organization code series for all expenditures related to function code 41, General Administration. Organization units 701 through 749 must be used only with function code 41.

Organization code 750 must be used only with function codes:

- 41, General Administration, and
- 53, Data Processing (for data processing costs that are related to the business functions of a nonprofit charter school).

Administrative personnel (principals, assistant principals, etc.) classified using function code 23, School Leadership, must be charged to the appropriate campus number, organization codes 001–698, or to 699, Summer School Organization.

ℛ701 Organization Unit—Superintendent's Office

A nonprofit charter school must use this organization code for all expenditures related to the superintendent's office (function code 41, General Administration, only).

ℛ702 Organization Unit—School Board

A nonprofit charter school must use this organization code for all expenditures related to the school board (function code 41, General Administration, only).

709–719 ORGANIZATION UNIT—DIRECT COSTS—LOCALLY DEFINED

These codes are used, at the option of a nonprofit charter school, to define administrative organizational units that are considered direct costs. For a definition of direct costs, see the Indirect Cost Rate Guidance Handbook on the Indirect Cost Rates webpage of the TEA website.

For the TSDS PEIMS, these codes are converted to organization code 720.

℟720 **Organization Unit—Direct Costs Using Function Code 41, General Administration**

This organization code is used for all expenditures related to direct costs not attributed to the superintendent, school board, or tax office organization units. For a definition of direct costs, see the Indirect Cost Rates webpage.

726–749 **ORGANIZATION UNIT—INDIRECT COSTS—LOCALLY DEFINED**

A nonprofit charter school has the option to use these codes to account for costs of administrative organizational units that are considered indirect costs when calculating indirect cost rates. For a definition of indirect costs, see the Indirect Cost Rates webpage.

Note: For the TSDS PEIMS, these codes are converted to organization code 750.

℟750 **Organization Units—Indirect Costs Using Function Code 41, General Administration (including Business Office, Personnel, Payroll, Human Resources, and Purchasing), and Function Code 53, Data Processing Services**

Use this organization code for all expenditures related to a nonprofit charter school's costs attributed to business office, personnel, payroll, human resources, and purchasing using function code 41, General Administration.

These costs are considered indirect costs when calculating the indirect cost rates. A nonprofit charter school may, at the local option, use codes 726–749 to account for these areas separately.

Data processing charges that relate to administrative applications and are classified using function code 53, Data Processing, should use this organization code as well. For more information on calculating indirect cost rates, see the Indirect Rate Cost Guidance Handbook, which is attached to TEA rules.[31]

800–997 **ORGANIZATION UNITS—LOCALLY DEFINED**

These organization units may be used, at the option of a nonprofit charter school, to provide further accountability for organization units.

[31] 19 TAC §109.3003, Indirect Cost Rates

Note: For the TSDS PEIMS, these codes are converted to organization code 999.

℟998 **Unallocated Organization Unit**

This organization code may be used, at the option of a nonprofit charter school, for any costs that the school does not wish to be allocated according to the formula developed by TEA; that is, costs that should not be allocated to various campus organizations and program intents based upon instructional FTEs.

Those costs may be charged to a specific program intent; however, if they are charged to PIC 99, Undistributed, they will not be allocated. *Since these costs will not be distributed to campus organizations or program intents, they will not be considered in monitoring compliance for indirect costs, maintenance of effort, and comparability requirements, unless charged to a specific Enhanced PIC.*

℟999 **Undistributed Organization Unit**

Use this organization code for any undistributed costs; that is, costs that are not a campus or summer school or an administrative unit under function code 41, General Administration.

3.6.3 Organization Codes No Longer in Use

The following table shows codes that may not be used by nonprofit charter schools.

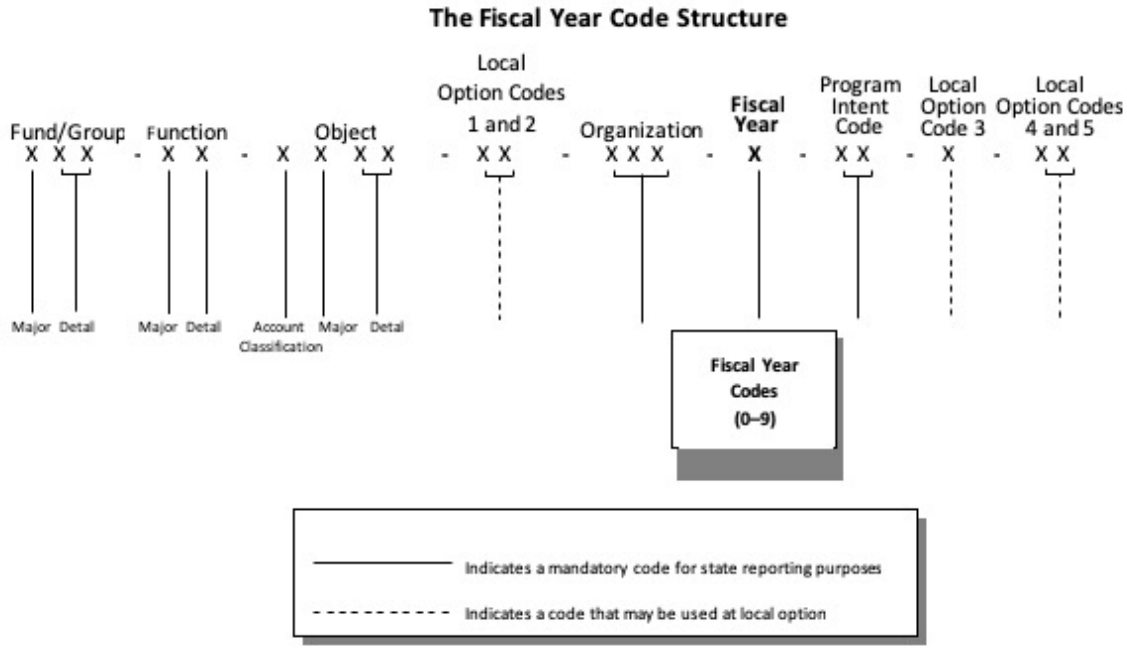
Category of Codes	Unavailable	Reserved for Future State Definition
Organization Codes		
		703–708 **721–725** **751–799**

3.7 Fiscal Year Codes

The fiscal year code is a mandatory code for all nonprofit charter schools. For a nonprofit charter school's fiscal year, the nonprofit charter school must use the last digit of the fiscal year (for example, the fiscal year that begins in 2024 and ends in 2025 [referred to as "fiscal year 2025"] is represented by a "5").

Exhibit A.7.a illustrates the location of the fiscal year code in the accounting code structure.

Exhibit 3.7.a Fiscal Year Code Structure



The following are examples of fiscal year codes:

Code	Fiscal Year Beginning	Fiscal Year Ending	Code	Fiscal Year Beginning	Fiscal Year Ending
0	2019	2020	5	2024	2025
1	2020	2021	6	2025	2026
2	2021	2022	7	2026	2027
3	2022	2023	8	2027	2028
4	2023	2024	9	2028	2029

Determining the fiscal year code is different for certain locally funded or state-funded projects as opposed to federal or state grant-funded projects. A nonprofit charter school must use the last digit of its current fiscal year as the fiscal year code for projects funded by local grants.

For federal or state grant-funded projects accounted for as special revenue funds, the fiscal year code corresponds with the second digit of the notice of grant award (NOGA) ID number.

For example, for a federal grant with NOGA ID number 146101XXXXXXXXXX, the fiscal year code is 4 for 2024, as identified in the second digit of the NOGA ID number. A nonprofit charter school

must use the same fiscal year code for the entire duration of the grant. For any unused amounts that roll forward to a subsequent grant, the nonprofit charter school must use the NOGA ID of the new grant to determine the fiscal year code.

Exhibit A.7.b illustrates how to determine a fiscal year code for a federal grant that covers more than one nonprofit charter school fiscal year. As shown in the graphic, grants A and B both start on July 1, 2023. Grant A lasts for one year, and Grant B lasts for two years. The NOGA for each grant has 4 as the second digit, and both grants are accounted for with fiscal year code 4.

Grant C begins on July 1, 2024, and lasts one year, ending on June 30, 2025; it uses fiscal year code 5, which is derived from the second digit of its NOGA.

The graphic also illustrates how grants that cover more than one nonprofit charter school fiscal year must be accounted for in the nonprofit charter school's AFR:

- Grant A begins July 1, 2023, and ends June 30, 2024 (a one-year grant). The start date is two months before the start of the nonprofit charter school's fiscal year, so the nonprofit charter school must account for
    - 2 months of the grant in its AFR for 2023 and
    - 10 months of the grant in its AFR for 2024.

- Grant B begins July 1, 2023, and ends June 30, 2025, (a two-year grant), so the nonprofit charter school must account for
    - 2 months of the grant in its AFR for 2023
    - 12 months of the grant in its AFR for 2024 and
    - 10 months of the grant in the AFR for 2025.

- Grant C begins July 1, 2024, and ends June 30, 2025, (a one-year grant), so the nonprofit charter school must account for:
    - 2 months of the grant in its AFR for 2024 and
    - 10 months of the grant in its AFR for 2025.

Exhibit 3.7.b Determining Fiscal Year Codes for Federal Grants

Grants A & C	Grant B	AFR Reporting	FY	Calendar
Begin Grant A NOGA 1411… FY code: 4	Begin Grant B NOGA 1412… FY code: 4	Show 2 mo. Grants A & B in 2023 AFR	Nonprofit charter school FYE 23	Jul 1, 2023 Aug 31, 2023
End Grant A		Show 10 mo. Grant A and 12 mo. Grant B in the 2024 AFR		Jun 30, 2023
Begin Grant C NOGA 1511… FY code: 5		Show 2 mo. Grant C in 2024 AFR	Nonprofit charter school FYE 24	Jul 1, 2024 Aug 31, 2024 Sep 1, 2024
End Grant C	End Grant B	Show 12 mo. Grant B and 10 mo. Grant C in the 2025 AFR		Jun 30, 2025
			Nonprofit charter school FYE 25	Aug 31, 2025

3.8 Program Intent Codes (PICs)

A nonprofit charter school must use PICs to account for the cost of instruction and other services that are directed toward a particular need of a specific set of students. The intent (the instructional content and desired outcome toward which the instructional or other service is directed) determines the PIC, not the demographic makeup of the students served. For state programs:

- state law may determine the intent and the permissible use of allotments and
- a nonprofit charter school must consider the limits on the amount of allotments that may be used for indirect costs.

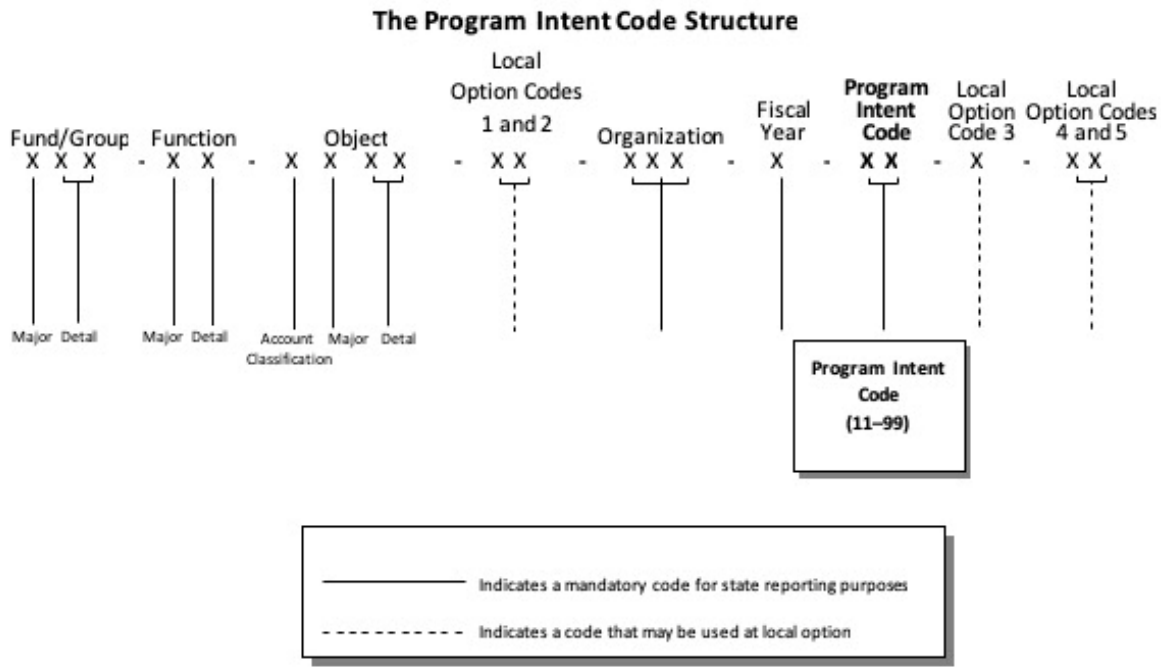
A nonprofit charter school must use PICs in all functions in which a cost is *clearly attributable* to a specific program intent.

The ℛ by a code indicates that the code is required for reporting purposes (TSDS PEIMS and/or AFR) if the code applies to a nonprofit charter school.

A nonprofit charter school must monitor expenditures to ensure that the limit on indirect costs is observed and must take necessary steps to meet this requirement. The United States Department of Education (USDE) has given TEA authority to issue indirect cost rates for independent school districts (districts), open-enrollment charter schools, and certain other government entities. For additional guidance in the areas of direct and indirect costs, it may refer to the Indirect Cost Rates webpage on the TEA website. To ensure compliance with FSP special allotment programs' spending, TEA policy provides maximum flexibility to charter schools by averaging costs over a three-year period. Additionally, TEA will integrate the general fund (fund 420) with the ESSER fund codes 266, 281, 282, and 283 in compliance calculations. The inclusion of ESSER funds is for state compliance requirements only and does not apply to federal fiscal compliance requirements. As TEA reviews state special program expenditures, a nonprofit charter school will have the opportunity to address any issues that may arise. It must consider the implications of some federal requirements (for example, maintenance of effort) when determining local policies on the minimum level of coding expenditures.

Exhibit 3.8 illustrates the position of the PICs in the accounting code system.

Exhibit 3.8 Program Intent Code Structure



The following table provides a summary of the PICs for quick reference.

Code No.	Name	Description
Basic Services		
11	Basic Education Services	Costs to provide basic instruction
Enhanced Services		
21	Gifted and Talented	Costs to assess students and provide instruction
22	Career and Technical	Costs to evaluate and prepare students for gainful employment and to provide advanced technical training, homemaking, apprenticeship, and job training
23	Services to Students with Disabilities (Special Education)	Costs of special education, such as homebound, hospital class, speech therapy, resource room, self-contained classroom, residential care, etc.
24	Compensatory Education Services and Accelerated Instruction	Costs incurred to provide compensatory education and accelerated instruction to identified at-risk and low socioeconomic status students
25	Bilingual Education and Special Language Programs	Costs to help students transition to the English language for academic instruction
33	Services to Prekindergarten (pre-K) Students – Special Education	Costs incurred to evaluate, place, and provide educational and/or other services to pre-K students who require special education services
36	Early Education Allotment	Costs incurred for programs and services designed to improve student performance in reading and mathematics in pre-K through third grade, including programs and services designed to assist a charter school in achieving the goals set in a charter school's early childhood literacy and mathematics proficiency plans
37	Dyslexia or Related Disorders – Screening, Evaluation, and Identification	Costs incurred to screen for, evaluate, or identify dyslexia or a related disorder and for regular education aids and services (e.g., instructional accommodations) provided under a 504 accommodation plan to each student who has

		been identified as having dyslexia or a related disorder. Costs coded to this PIC **will not be included** in the calculation for Individuals with Disabilities Education Act, Part B (IDEA-B) maintenance of effort.
38	College, Career, and Military Readiness	Costs incurred to improve college, career, and military readiness outcomes
43	Dyslexia or Related Disorders – Special Education	Costs incurred for each student that a charter school serves who generates the state dyslexia allotment under the TEC, §48.103, based on identification as a student with dyslexia or a related disorder, and who also receives special education and related services. Costs coded to this PIC **will be included** in the calculation for IDEA-B maintenance of effort.
Other Services		
91	Athletics and Related Activities	Costs for participation in competitive athletic activities and certain support activities not including band
99	Undistributed	Costs not easily identified with other codes used here, such as certain substitute teachers, teacher on-behalf payments, salaries for band, etc.

3.8.1 Program Intent Codes (PICs)—Basic Services and Enhanced Services

Basic services refer to services in which basic instruction (curriculum available to all students) is provided. These services are provided at regular campuses, disciplinary campuses, and alternative education campuses. The cost for these services should be coded to PIC 11, Basic Educational Services.

Enhanced services are services to students who receive more than basic services, such as special education, bilingual/English as a second language (ESL) instruction, or gifted and talented education.

The terms “district improvement plan” and “campus improvement plan” are used throughout this module to refer to instructional plans required by open-enrollment charter schools.

Refer to Appendix B for guidance on program intent accounting.

3.8.2 Program Intent Code (PICs)—Athletics and Related Activities

PIC 91, Athletics and Related Activities, is required for payroll costs that use:

- function code 36, Extracurricular Activities; and
- other function codes attributable to athletics and related activities.

But there are exceptions. The following expenditure object codes use PIC 99:

- 6112, Salaries or Wages for Substitute Teachers and Other Professionals
- 6144, Teacher Retirement or TRS Care—On-Behalf Payments

3.8.3 Program Intent Codes (PICs)—Undistributed

In some cases, a nonprofit charter school may have to allocate costs among several PICs. But the costs should be allocated only when, in the judgment of a nonprofit charter school's management, the effect would be immaterial to the financial records of either an individual transaction or the total amount of a certain type of transaction.

In some cases, costs may not be clearly attributable (or not attributable in a cost-effective manner) to specific programs but may be overhead and administrative costs shared by several or all programs. If a nonprofit charter school elects not to allocate costs to basic or enhanced PICs or the athletics and related activities PIC, the school must use PIC 99, Undistributed.

3.8.4 Program Intent Codes (PICs)—Compliance Monitoring

The TSDS PEIMS applies a formula to allocate costs recorded in program intent code 99, Undistributed, according to instructional FTEs (as reported in the TSDS PEIMS) assigned to PICs for basic and enhanced services. The formula-based allocation is used for state and federal compliance monitoring purposes, such as monitoring indirect costs and maintenance of effort.

TEA uses allocated cost information in the TSDS PEIMS to monitor compliance with indirect cost requirements. This information includes costs assigned to specific PICs and costs that are allocated by the formula to specific PICs. For additional guidance in the areas of direct and indirect costs, refer to the Indirect Cost Rates webpage on the TEA website.

The allocation process uses a report template and does not change transaction information within the general ledger system. The allocation process uses payroll and staff data for instructional FTEs, as recorded under function code 11, Instruction, as a basis to allocate costs. Accordingly, full use of specific PICs in function code 11 is essential for the optimum functionality of the allocation process.

Shared services arrangements cost information, which is submitted on a special TSDS PEIMS record, is also included in the compliance monitoring calculations. The total costs that will be considered for compliance monitoring purposes are represented by the following formula.

Expenses coded by a nonprofit charter school to specific PICs	+	Allocations of expenses to PICs from the Undistributed PIC (99) based upon instructional FTEs	=	Total expenses used for monitoring purposes, such as maintenance of effort and compliance with State Board of Education rules on indirect costs

1X BASIC SERVICES

ℛ11 Basic Educational Services

This code is used for the costs incurred to provide the basic services for education or instruction to students in grades pre-K–12 prescribed by state law as well as adult basic and secondary education services.

Basic services are defined as the instruction provided for students who do not need special services, such as special education, bilingual/ESL, or accelerated instruction. Basic educational services costs include evaluating, placing, and providing educational services to students in honors, college preparatory, and advanced placement courses.

Program Intent Code 11 Costs to Include:	Program Intent Code 11 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Basic services for education or instruction (pre-K–12) prescribed by Texas law, including a regular education program for limited English proficiency students • Pre-K funded from basic education allotment during one-half of a full-day program (ages below five) • Pre-K funded from High Quality Pre-K Grant (ages below five) • District or campus improvement plan	**Costs incurred related to:** • Gifted and talented services (PIC 21) • Advanced placement services designated as part of a gifted and talented program (PIC 21) • Additional salaries and related expenditures or expenses associated with band, UIL speech, debate, science competition, class sponsors, student organizations, social clubs, (for example, NHS, Beta Club, Letterman's Club) (PIC 99)

Program Intent Code 11 Costs to Include:	Program Intent Code 11 Costs to Exclude (with Correct Program Intent Code):
• Honors and college preparatory courses • Advanced placement courses not designated as part of a gifted and talented program • Adult basic and secondary education services • Section 504 students • Physical education (P.E.) classes when athletic activities take place, but P.E. or P.E. equivalent credit is issued • Foreign language courses • TEKS for foundation curriculum and electives in enrichment curriculum as needed for high school graduation • In-school suspension programs • Services for an elective AEP for students not at risk of dropping out of school • DAEP programs • Services to pre-K students under age five	• Additional salaries and related expenditures or expenses associated with serving as coaches, athletic directors, drill team sponsors, cheerleader sponsors, pep squad sponsors, or other organized activities to support athletics (for example, additional days employed, reduction of class load, length of day, etc.) (PIC 91) • Services to pre-K students–special education (ages below five) (PIC 33) • Services to pre-K students–Bilingual Education (ages below five) (PIC 25)

2X ENHANCED SERVICES

Enhanced services are services to students who receive more than basic services, such as special education, bilingual/ESL instruction, or gifted and talented education.

ℛ21 Gifted and Talented

The costs incurred to assess students for program placement and provide instructional services (which are guided by the state plan) that are beyond the basic educational program and designed to meet the needs of students in gifted and talented programs.

Program Intent Code 21 Costs to Include:	Program Intent Code 21 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Gifted and talented programs • Advanced placement courses designated as part of a gifted and talented program	**Costs incurred related to:** • Honors, college preparatory courses (PIC 11) • Advanced placement courses not designated as part of a gifted and talented program (PIC 11) • Summer camps, summer schools, field trips, or other summer enrichment programs (PIC 11)

ℛ22 Career and Technical

This code is used for the costs incurred to evaluate and place students and to provide CTE programs that offer a sequence of courses that provide students with coherent and rigorous content. CTE content is aligned with challenging academic standards and relevant technical knowledge and skills needed to prepare for further education and careers in current or emerging professions. This may include apprenticeship and job training activities.

Program Intent Code 22 Costs to Include:	Program Intent Code 22 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Employment preparation services • Apprenticeship and job training activities • All CTE courses in programs that follow the state-approved Career and Technical Education Programs of Study • CTE supervisor or director • CTE counselors	**Costs incurred relating to:** • Vocational adjustment classes (VAC) (PIC 23) • Quasi-vocational classes in middle school and junior high (PIC 11) • CTE courses that do not meet the state guidelines (PIC 11)

Program Intent Code 22 Costs to Include:	Program Intent Code 22 Costs to Exclude (with Correct Program Intent Code):
• Programs that follow the state-approved Career and Technical Education Programs of Study	

ℛ23 Services to Students with Disabilities (Special Education)

This code is used for the costs incurred to evaluate and place students and to provide educational or other services to students who have IEPs approved by Admission, Review, and Dismissal (ARD) committees. These plans are based on students' disabilities and learning needs.

Program Intent Code 23 Costs to Include:	Program Intent Code 23 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Students who are served in the special education program under identified instructional settings such as: ○ Homebound ○ Hospital class ○ Speech therapy ○ Resource room ○ "Self-contained, mild, moderate, or severe" classroom ○ Off-home campus setting (multidistrict, community class, and self-contained separate campus) ○ Residential care and treatment facility ○ Residential facility ○ Nonpublic contract ○ Vocational adjustment class (VAC)	**Costs incurred related to:** • Services to Section 504 students (PIC 11) • Career and technical for persons with disabilities (VEH) (PIC 22) • Regular education services in the basic educational program, including the salaries of regular education personnel (PIC 11)

Program Intent Code 23 Costs to Include:	Program Intent Code 23 Costs to Exclude (with Correct Program Intent Code):
○ Mainstream (support for students in inclusive setting) • Students with identified disabilities under the Individuals with Disabilities Education Act and the TEC • Special education directors, coordinators, or supervisors • State-funded special education extended-year program • Services to preschool students with disabilities (ages below 5)	

ℛ24 Compensatory Education Services and Accelerated Instruction

This code is used for the costs incurred to provide compensatory education to identified at-risk and low socioeconomic status students. Compensatory education under TEC §29.081 provides supplemental programs and services for students identified as at risk of dropping out, including students from low socioeconomic backgrounds. These programs are designed to close achievement gaps through intensive or accelerated instruction, using performance data from STAAR/EOC and other assessments. The goal is to help students reach grade-level performance by the end of the next regular school term and improve graduation rates.

State Compensatory Education (SCE) funds can also be used on Title I, Part A schoolwide campuses to supplement federal Title I funds. At these campuses, all students may receive allowable supplemental services funded by SCE, even if they do not meet state at-risk criteria. However, all programs must originate from a comprehensive needs assessment, be included in the campus or district improvement plan, and comply with statutory requirements for evaluation and public reporting. The intent is to reduce disparities in academic performance and high school completion rates among at-risk students compared to other students.

Note: The use of PIC 24 is strongly encouraged but not required. When reporting expenditures in PIC 24 to TEA, the expenditures will be automatically rolled by PEIMS into PIC 11 for state reporting purposes.

ℛ25 Bilingual Education and Special Language Programs

This code is used for the costs incurred to evaluate and place students and to provide educational or other services that are intended to make the students proficient in:

- the English language,
- primary language literacy,
- composition, and
- academic language related to required courses.

These services include the bilingual basic program of instruction and special assistance to increase cognitive academic language proficiencies in English.

Program Intent Code 25 Costs to Include:	Program Intent Code 25 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Services intended to make students proficient in English (pre-K–12) • Provision of a bilingual program • Provision of ESL instruction • Instruction in primary language • Increase in cognitive academic language proficiencies • Bilingual services to immigrant students • Program and student evaluation • Instructional materials and equipment • Staff development • Supplemental staff expenses (paraprofessional and teacher aids) • Full salary of bilingual/ESL instructors • Salary supplements for teachers • Supplies required for quality instruction and smaller class size • Salaries for paraprofessional and teacher aides required for smaller class size	**Costs incurred related to:** • Foreign language courses (PIC 11)

ℛ33 Services to Prekindergarten (Pre-K) Students – Special Education

This code is used for the costs incurred to evaluate and place pre-K students and to provide educational or other services to pre-K students who have IEPs approved by ARD committees. These plans are based on the pre-K students' disabilities and/or learning needs.

Program Intent Code 33 Costs to Include:	Program Intent Code 33 Costs to Exclude (with Correct Program Intent Code):

Costs incurred related to:
• Services to preschool students with disabilities (ages below 5)
• Pre-K students with identified disabilities under the Individuals with Disabilities Education Act and the TEC
• Pre-K students who are served in the special education program under identified instructional settings such as:
  ○ Homebound
  ○ Hospital class
  ○ Speech therapy
  ○ Resource room
  ○ "Self-contained, mild, moderate, or severe" classroom
  ○ Off-home campus setting (multidistrict, community class, and self-contained separate campus)
  ○ Residential care and treatment facility
  ○ Residential facility
  ○ Nonpublic contract
  ○ Mainstream (support for students in an inclusive setting)
• Special Education directors, coordinators, or supervisors
	Costs incurred related to:
	• Services to Section 504 students (PIC 11)
	• Career and technical education for persons with disabilities (VEH) (PIC 22)
	• Regular education services in the basic educational program, including the salaries of regular education personnel (PIC 11)
	• Pre-K basic education services (ages below 5) (PIC 11)
	• Services to pre-K students – bilingual education (ages below 5) (PIC 25)

ℛ36 Early Education Allotment

This code is used for the costs incurred for programs and services designed to improve student performance in reading and mathematics

in pre-K through third grade, including programs and services designed to assist a charter school in achieving the goals set in the school's early childhood literacy and mathematics proficiency plans adopted under the TEC, §11.185.

Program Intent Code 36 Costs to Include:	Program Intent Code 36 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Intensive reading classes for pre-K through third grade students • Intensive math classes for pre-K through third grade students • Reading or math specialist • Reduction in class size • Extra time given for a double blocked period for math and reading • Recruitment of pre-K teachers who are needed to implement a full-day pre-K program • Stipends for teachers attending reading academies • Devices for reading or math programs for pre-K through third grade students • Supplies and desks for pre-K classrooms • Second half of pre-K program to implement full day pre-K program	**Costs incurred related to:** • Construction of buildings for pre-K services (PIC 99)

ℛ37 Dyslexia or Related Disorders – Screening, Evaluation, and Identification

This code is used for the costs incurred to screen for, evaluate, or identify dyslexia or a related disorder and for regular education aids and services (e.g., instructional accommodations) provided under a 504 accommodation plan for each student who has been identified as having dyslexia or a related disorder.

Costs incurred for dyslexia or dyslexia-related disorders coded to this PIC **will not be included** in the calculation for Individuals with Disabilities Act, Part B (IDEA-B) maintenance of effort.

Program Intent Code 37 Costs to Include:	Program Intent Code 37 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Tools and instruments used to screen, progress monitor, and/or evaluate for dyslexia and related disorders • Training in the identification of dyslexia for evaluation personnel • Professional development in the science of teaching reading • Regular education aids and services, such as instructional accommodations, provided to a student who has been identified as having dyslexia or a related disorder under a 504 accommodation plan • Personnel costs for the screening, evaluation, and identification of students with dyslexia	**Costs incurred related to:** • Services provided to a student who has been identified as having dyslexia or a related disorder and who receives special education and related services (PIC 43)

ℛ38 College, Career, and Military Readiness

This code is used for the costs incurred to improve college, career, and military readiness (CCMR) outcomes as described by the TEC, §48.110(f). At least 55 percent of the funds allocated must be used in grades eight through 12.

Funds may be used for expenses related to training, equipment, supplies, salaries, software, transportation, or any expense incurred to prepare students for an opportunity to meet the measures tied to the CCMR Outcomes Bonus.

Program Intent Code 38 Costs to Include:	Program Intent Code 38 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Support for Students: Preparation for ACT, SAT, Texas Success Initiative Assessment (TSIA), dual credit, Advanced Placement (AP), International Baccalaureate (IB), Armed Services Vocational Aptitude Battery (ASVAB), and Industry-Based Certifications (IBCs) • Support for Teachers: Preparation, professional development, training and maintaining of program staff for ACT, SAT, TSIA, dual credit, AP, IB, ASVAB, IBCs, CTE, Advancement Via Individual Determination (AVID), Reserve Officers' Training Corps (ROTC), and work-based learning • Support for College and Career Advising: Preparation, professional development, training, and maintaining of program staff related to Free Application for Federal Student Aid (FAFSA), college entrance requirements, career awareness and exploration, work-based learning, and military opportunities • Support for establishing College and Career Readiness School Models (CCRSMs) and/or maintaining CCRMs • Costs related to ACT, SAT, TSIA, dual credit, AP, IB, ASVAB, and IBCs	**Costs incurred related to:** • Reimbursements for test exam fees (PIC 99)

ℛ43 Dyslexia or Related Disorders – Special Education

This code is used for the costs incurred for each student that a charter school serves who generates the state dyslexia allotment under the TEC, §48.103, based on identification as a student with dyslexia or a related disorder, and also receives special education and related services.

Costs incurred for dyslexia or dyslexia-related disorders coded to this PIC **will be included** in the calculation for IDEA-B maintenance of effort.

Program Intent Code 43 Costs to Include:	Program Intent Code 43 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Dyslexia instruction by a person with specific training in providing that instruction • Personnel costs for licensed, trained, or certified providers of dyslexia instruction • Evidence-based dyslexia program materials and/or curriculum	**Costs incurred related to:** • Regular education aids and services (such as instructional accommodations) provided under a Section 504 accommodation plan to a student who has been identified as having dyslexia or a related disorder (PIC 37) • Screening for, or evaluation and identification of dyslexia or a related disorder (PIC 37)

90–99 OTHER SERVICES

For information about requirements to use PIC 91 for certain payroll costs, see Program Intent Code—Athletics and Related Activities.

ℛ91 Athletics and Related Activities

This code is used for the costs incurred to provide for participation in competitive athletic activities, such as football, basketball, golf, swimming, wrestling, gymnastics, baseball, tennis, track, and volleyball. This includes costs associated with coaching as well as sponsors for drill team, cheerleaders, pep squad, or any other organized activity to support athletics. However, this does not include band.

Program Intent Code 91 Costs to Include:	Program Intent Code 91 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Payroll costs, (Exceptions: Object codes 6144, Teacher Retirement, or TRS Care—On-Behalf Payments; and 6112, Salaries or Wages for Substitute Teachers and Other Professionals) • Object codes 61XX (Exceptions: for object codes 6112 and 6144, use program intent code 99) • Additional salaries associated with serving as coaches, athletic directors, drill team sponsors, cheerleader sponsors, pep squad sponsors, or other organized activity to support athletics (for example, additional days employed, reduction of class load, length of day, etc.)	**Costs incurred related to:** • Additional salaries and related expenditures or expenses associated with band, UIL speech, debate, science competition, class sponsors, student organizations, social clubs (such as NHS or Beta Club) (PIC 99)

ℛ99 Undistributed

All charges that are not readily distributed to PICs are classified using PIC 99. A nonprofit charter school may use this code when recording substitute teachers and on-behalf teacher retirement payments in all function codes. This code may be used for costs not clearly attributable to a specific program intent.

Program Intent Code 99 Costs to Include:	Program Intent Code 99 Costs to Exclude (with Correct Program Intent Code):
Costs incurred related to: • Substitute teachers (if not allocated to specific PICs)	**Costs incurred related to:**

Program Intent Code 99 Costs to Include:	Program Intent Code 99 Costs to Exclude (with Correct Program Intent Code):
• Teacher retirement on-behalf payment (if not allocated to specific PICs) • Additional salaries and related expenses associated with band, UIL speech, debate, science competition, class sponsors, student organizations, social clubs (such as NHS or Beta Club)	• Additional salaries associated with serving as coaches, athletic directors, drill team sponsors, cheerleader sponsors, pep squad sponsors, or other organized activities to support athletics (such as additional days employed, reduction of class load, length of day, etc.) (PIC 91)

3.8.5 Unavailable or Reserved Program Intent Codes

The following table lists codes that are unavailable or reserved for future state definition. When a code is no longer being used, it is placed in "unavailable" status for 10 years to prevent it from being used with two different meanings. After it has been unavailable for 10 years, its status is changed to "reserved for future state definition," which means that it may be assigned to a new use as the need arises.

Category of Funds	Unavailable	Reserved for Future State Definition
Program Intent Codes		
	26 28–30 31 32 34 35	12–19 27 39–42 44–90 92–98

Appendix B: Account Code Matrixes and Accounting Spreadsheets

B-1.0 Account Code Matrices

The matrixes provide additional guidance concerning the use of the standard account code system in the *Financial Accounting System Resource Guide* (FASRG) and the predominant coding relationships between account code categories, such as fund codes, PICs, and organization codes. (Excel) (pdf)

Appendix C: Example Accounting Entries

C.1.2 Operating Transfers

Operating transfers must be treated consistently by all funds involved in the transfers. At the end of the period, the total amount of operating transfers out should equal the amount of operating transfers in for the governmental reporting entity.

For example, a $100,000 operating transfer from the local fund to the General Fund would be recorded as follows:

A. Record an operating transfer between funds.

Account	Debit	Credit
Net Assets Released from Restrictions		
199-00-8911-00-999-Y-99-0-00	$100,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		$100,000
Cash and Temporary Investments		
420-00-1110-00-000-Y-00-0-00	$100,000	
Net Assets Released from Restrictions		
420-00-7999-00-000-Y-00-0-00		$100,000

C.1.3 Reimbursements

Assume that an expenditure of $1,000 for instructional general supplies is recorded in the General Fund (199). Subsequent review of purchase orders and the invoice indicate that $400 of these supplies were applicable to the Title I, Part A—Improving Basic Programs program in the Special Revenue Fund (211). The following entries are required to reimburse the General Fund and to appropriately charge expenditures to the Special Revenue Fund:

A. Reimburse the General Fund for Special Revenue Fund - Title I, Part A—Improving Basic Programs, general supplies, P.O. #01003, invoice date 9/10/20XX.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	$400	
Expenditures - General Supplies		
199-11-6399-00-101-Y-24-0-00		$400

B. Record the expenditures for general supplies, P. O. #01003, invoice date 9/10/20XX.

Account	Debit	Credit
Expenditures - General Supplies		
211-11-6399-00-101-Y-24-0-00	$400	
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		$400

C.1.4 Interfund Loans

Assume that the Title I, Part A—Improving Basic Programs program has not been advanced adequate funds for its immediate operations, and funds are forthcoming from the federal government. Expenditures of $5,000 have been made for the program, and an interfund loan from the General Fund is made to allow payment of incurred expenditures. The following entries are made to record the interfund loan and its subsequent repayment:

A. Record the interfund loan from the General Fund to the Title I, Part A—Improving Basic Programs Fund.

Account	Debit	Credit
Due from Special Revenue Fund		
199-00-1262-00-000-Y-00-0-00	$5,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		$5,000

B. Record the interfund loan from the General Fund to the Title I, Part A—Improving Basic Programs Fund.

Account	Debit	Credit
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00	$5,000	
Due to General Fund		
211-00-2171-00-000-Y-00-0-00		$5,000

C. Repay the interfund loan to the General Fund.

Account	Debit	Credit
Due to General Fund		
211-00-2171-00-000-Y-00-0-00	$5,000	

Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		$5,000

D. Record the payment of the interfund loan by fund 211.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	$5,000	
Due from Special Revenue Fund		
199-00-1262-00-000-Y-00-0-00		$5,000

C.2 Accounting for Accounts Payable and Cash Disbursements

The use of accrual accounting by definition requires the recording of expenditures and liabilities in the accounting period in which they are incurred. Ordinarily, an expenditure and a liability are considered to be incurred upon receipt of a commodity or performance of a service, within the terms of a purchase order or contract. The recording of such an expenditure is made without regard to cash disbursements as shown below.

A. When invoices and goods are received, or a service is performed, record the invoice and the liability. For this illustration, general supplies of $1,000 were purchased for the athletic teams in high school (75% of total) and the middle school (25% of total).

Account	Debit	Credit
Expenditures - General Supplies		
199-36-6399-00-001-Y-91-0-00	$750	
Expenditures - General Supplies		
199-36-6399-00-041-Y-91-0-00	$250	
Accounts Payable		
199-00-2110-00-000-Y-00-0-00		$1,000

B. When cash is disbursed to reduce a liability, the following entry is made:

Account	Debit	Credit
Accounts Payable		
199-00-2110-00-000-Y-00-0-00	$1,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		$1,000

C.3 Accounting for Federal Grants

C.3.1 Federally Financed Grant Funded Through TEA

The nonprofit charter school is approved to operate a federally financed grant funded through TEA. For purposes of this illustration, the approved indirect cost rate is two percent and the grant does not have expenditures budgeted for stipends, food, debt service, tuition for higher education, or capital outlay. Thus, the indirect cost rate is applicable to all budgeted expenditures. Also, this illustration is intended to show examples of accounting for a grant that is partly financed by advances and partly financed by reimbursement.

A. The total grant of $102,000 is for the 12-month project period beginning July 1, 202X and ending June 30, 202Y. Indirect cost is budgeted in the General Fund and the remainder of the grant is budgeted in the Special Revenue Fund (Title I, Part A—Improving Basic Programs).

1. Record the project budget in the Special Revenue Fund.

Account	Debit	Credit
Estimated Revenues - Federal Revenues		
Distributed by TEA (Title I, Part A)		
211-00-5929-00-000-Y-00-0-00	$102,000	
Estimated Revenues - Federal Revenues		
Distributed by TEA (Title I, Part A—Indirect Cost)		
211-00-5929-01-000-Y-00-0-00		$2,000
Appropriations		
211-XX-(61XX-64XX)-00-XXX-Y-24-0-00		$100,000

B. The project is advanced $25,000 by TEA. This money has not been earned and is not revenue. Since the indirect cost is based on applicable budgeted expenditures, any amount due to the General Fund cannot be determined at this time.

2. Record the receipt of the cash advance from TEA.

Account	Debit	Credit
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00	$25,000	
Deferred Inflow of Resources (Revenue)		
211-00-2310-00-000-Y-00-0-00		$25,000

C. The first quarterly report is issued showing total expenditures of $26,000; the cash advance plus $1,000 of charter school funds that are to be reimbursed to the charter school were used during the period for the project. Indirect cost was earned on the basis of the expenditures, and is credited as revenue to the General Fund. Cash was disbursed at various times to retire project liabilities.

3. Record the project expenditures and revenues.

Account	Debit	Credit
Expenditures		
211-XX-(61XX-64XX)-00-XXX-Y-24-0-00	$26,000	
Deferred Inflow of Resources (Revenue)		
211-00-2310-00-000-Y-00-0-00	$25,000	
Due from TEA		
211-00-1241-00-000-Y-00-0-00	$1,520	
Account Payable		
211-00-2110-00-000-Y-00-0-00		$26,000
Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
211-00-5929-00-000-Y-00-0-00		$26,520

4. Record the indirect cost revenue.

Account	Debit	Credit
Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
211-00-5929-01-000-Y-00-0-00	$520	
Due to General Fund		
199-00-2171-00-000-Y-00-0-00		$520
Due from Special Revenue Fund		
199-00-1262-00-000-Y-00-0-00	$520	
Revenues - Federal Revenues Distributed by		
TEA (Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		$520

5. Record the payment of the project liabilities.

Account	Debit	Credit

Accounts Payable		
211-00-2110-00-000-Y-00-0-00	$26,000	
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		$26,000

D. On the basis of the first quarterly report, a warrant in the amount of $27,920 is received from TEA, reimbursing the charter school for $1,520 in earned revenue and advancing $26,400 for project use during the second quarter.

6. Record the receipt of the revenue and cash advance from TEA.

Account	**Debit**	**Credit**
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00	$27,400	
Due to General Fund		
211-00-2171-00-000-Y-00-0-00	$520	
Due from TEA		
211-00-1241-00-000-Y-00-0-00		$1,520
Deferred Inflow of Resources (Revenue)		
211-00-2310-00-000-Y-00-0-00		$26,400
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	$520	
Due from Special Revenue Fund		
199-00-1262-00-000-Y-00-0-00		$520

E. The second quarterly report is issued showing total expenditures of $21,000, which is $5,400 less than the amount advanced for the second quarter. Indirect cost of $420, based on the amount of expenditures, is credited as revenue to the General Fund, further reducing deferred inflow of resources (revenues) to $4,980. Cash was disbursed at various times to retire project liabilities.

7. Record the project expenditures and revenues.

Account	**Debit**	**Credit**
Expenditures		
211-XX-(61XX-64XX)-00-XXX-Y-24-0-00	$21,000	
Deferred Inflow of Resources (Revenue)		
211-00-2310-00-000-Y-00-0-00	$21,420	
Accounts Payable		

211-00-2110-00-000-Y-00-0-00		$21,000
Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
211-00-5929-00-000-Y-00-0-00		$21,000
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		$420
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	$420	
Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		$420

8. Record the retirement of project liabilities.

Account	**Debit**	**Credit**
Accounts Payable		
211-00-2110-00-000-Y-00-0-00	$21,000	
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		$21,000

F. On the basis of the second quarterly report, a warrant is received from TEA advancing $18,700 for project use during the third quarter.

9. Record the receipt of the cash advance from TEA.

Account	**Debit**	**Credit**
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00	$18,700	
Deferred Inflow of Resources (Revenue)		
211-00-2310-00-000-Y-00-0-00		$18,700

G. The third quarterly report is issued showing total expenditures of $18,000, which is $5,680 less than the deferred inflow of resources (revenues) during previous quarters. Indirect cost of $360, based on the amount of expenditures, is credited as revenue to the General Fund, further reducing unavailable/deferred inflows of resources (revenues) to $5,320. Cash was disbursed at various times to retire project liabilities. No additional cash advances are to be made by TEA for this project.

10. Record the project expenditures and revenues.

Account	Debit	Credit
Expenditures		
211-XX-(61XX-64XX)-00-XXX-Y-24-0-00	$18,000	
Deferred Inflow of Resources (Revenue)		
211-00-2310-00-000-Y-00-0-00	$18,360	
Accounts Payable		
211-00-2110-00-000-Y-00-0-00		$18,000
Revenues - Federal Revenues Distributed by TEA		
(Title I Part A)		
211-00-5929-00-000-Y-00-0-00		$18,000
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		$360
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	$360	
Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		$360

11. Record the retirement of the project liabilities.

Account	Debit	Credit
Accounts Payable		
211-00-2110-00-000-Y-00-0-00	$18,000	
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		$18,000

H. The final completion report is issued showing total expenditures of $20,000 for the fourth quarter and indirect cost revenue earned of $400. Since expenditures and indirect cost exceed revenues deferred from previous quarters by $15,080, a receivable from TEA is recorded. Cash was disbursed at various times to retire project liabilities.

12. Record the project expenditures, revenues, and receivables.

Account	Debit	Credit
Expenditures		
211-XX-(61XX-64XX)-00-XXX-Y-24-0-00	$20,000	

Deferred Inflow of Resources (Revenue)		
211-00-2310-00-000-Y-00-0-00	$5,320	
Due from TEA		
211-00-1241-00-000-Y-00-0-00	$15,080	
Accounts Payable		
211-00-2110-00-000-Y-00-0-00		$20,000
Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
211-00-5929-00-000-Y-00-0-00		$20,000
Due to General Fund		
211-00-2171-00-000-Y-00-0-00		$400
Due from Special Revenue Fund		
199-00-1262-00-000-Y-00-0-00	$400	
Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		$400

13. Record the retirement of the project liabilities.

Account	**Debit**	**Credit**
Accounts Payable		
211-00-2110-00-000-Y-00-0-00	$20,000	
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		$20,000

I. A warrant in the amount of $15,080 is received from TEA, and the project is closed.

14. Record the receipt of the reimbursement from TEA.

Account	**Debit**	**Credit**
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00	$14,680	
Due to General Fund		
211-00-2171-00-000-Y-00-0-00	$400	
Due from TEA		
211-00-1241-00-000-Y-00-0-00		$15,080

Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	$400	
Due from Special Revenue Fund		
199-00-1262-00-000-Y-00-0-00		$400

15. Close the project.

Account	Debit	Credit
Appropriations		
199-XX-(61XX-64XX)-00-XXX-Y-24-0-00	$2,000	
Estimated Revenues - Federal Revenues		
Distributed by TEA (Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		$2,000
Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
211-00-5929-00-000-Y-00-0-00	$85,000	
Appropriations		
211-XX-(61XX-64XX)-00-XXX-Y-24-0-00	$100,000	
Estimated Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
211-00-5929-00-000-Y-00-0-00		$100,000
Expenditures		
211-00-(61XX-64XX)-00-XXX-Y-24-0-00		$85,000

C.3.2 Closing a Federally Financed Grant Funded Through TEA

The purpose of this example is to show the entries necessary to close a federally funded project where the nonprofit charter school has a liability to the granting agency as a result of cash advances exceeding earned revenue. The project illustrated in this example is the same project as previously illustrated, except that a grant total of $86,000 was advanced, exceeding total revenues earned by $1,000.

A. The final completion report is issued showing total expenditures of $20,000 for the fourth quarter and indirect cost revenue earned of $400. Since expenditures and indirect cost are $1,000 less than revenues deferred, a payable to TEA is recorded.

1. Record the project expenditures, revenues and payables.

Account	Debit	Credit

Deferred Inflows of Resources (Revenue)		
211-00-2310-00-000-Y-00-0-00	$21,400	
Expenditures		
211-XX-(61XX-64XX)-00-XXX-Y-24-0-00	$20,000	
Accounts Payable		
211-00-2110-00-000-Y-00-0-00		$20,000
Revenues - Federal Revenues Distributed by		
TEA (Title I, Part A)		
211-00-5929-00-000-Y-00-0-00		$20,000
Due to General Fund		
211-00-2171-00-000-Y-00-0-00		$400
Due to TEA		
211-00-2181-00-000-Y-00-0-00		$1,000
Due from Special Revenue Fund		
199-00-1262-00-000-Y-00-0-00	$400	
Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		$400

B. Throughout the fourth quarter, project liabilities were being paid. On July 15, 202X, all remaining project liabilities are paid, and the project is closed.

2. Record the payment of the project liabilities.

Account	**Debit**	**Credit**
Accounts Payable		
211-00-2110-00-000-Y-00-0-00	$20,000	
Due to General Fund		
211-00-2171-00-000-Y-00-0-00	$400	
Due to TEA		

211-00-2181-00-000-Y-00-0-00	$1,000	
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		$21,400
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	$400	
Due from Special Revenue Fund		
199-00-1262-00-000-Y-00-0-00		$400

3. Close the project.

Account	**Debit**	**Credit**
Appropriations		
199-XX-(61XX-64XX)-00-XXX-Y-24-0-00	$2,000	
Estimated Revenues - Federal Revenues Distributed		
by TEA (Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		$2,000
Revenues - Federal Revenues Distributed by TEA		
(Title I, Part A)		
211-00-5929-00-000-Y-00-0-00	$85,000	
Appropriations		
211-00-(61XX-64XX)-00-XXX-Y-24-0-00	$100,000	
Estimated Revenues - Federal Revenues Distributed		
by TEA (Title I, Part A)		
211-00-5929-00-000-Y-00-0-00		$100,000
Expenditures		
211-00-(61XX-64XX)-00-XXX-Y-24-0-00		$85,000

C.3.3 Accounting for E-Rate Discount

E-Rate is a discount (usually fairly large) available to schools and libraries for telecommunications services, internet access, and internal wiring to connect classrooms to the internet. The nonprofit charter school is either billed at the discounted rate or reimbursed by the vendor or the Federal Communications Commission (FCC) after paying the full rate. There are inconsistencies nationally among charter schools due to differences based on the reimbursement versus discount treatment. The National Center for Education Statistics (NCES) recommends netting the discount against the expenditure if the amounts occur in the same fiscal year. The purpose of this example is to show the entries necessary to

record a federally funded project where the charter school has recorded the expenditure at the discounted rate, using a locally defined contra-account. If the charter school paid the full $20,000 initially and received a reimbursement in the following year, the reimbursement would be credited to a revenue account.

Account	Debit	Credit
Utilities		
289-12-6259-00-101-Y-11-0-00	$20,000	
E-rate Discounts		
289-12-6259-10-101-Y-11-0-00		$4,000
Cash and Temporary Investments		
289-00-1110-00-000-Y-00-0-00		$16,000

C.4 Accounting for Gifts and Bequests

A nonprofit charter school, as a governmental entity, may receive private donations from individuals, firms, philanthropic social or service groups, associations, societies, etc. These gifts or bequests may be in the form of cash, securities, stocks, land, or other types of tangible assets. The use of a donation may be unconditional or conditional, depending on the terms of acceptance between the donor and the charter school.

A gift or bequest is defined as a monetary or other type of voluntary donation from a nongovernmental entity or a student group for which charter schools have not applied. Grants from governmental or nongovernmental entities are generally not considered gifts or bequests. These grants are generally recorded in a governmental or enterprise fund because they are subject to contractual restrictions and require charter schools to make an application in order to receive the monies.

C.4.1.1 Gift from a Private Benefactor

In the following example, a charter school has accepted a cash gift of $1,000 from a private benefactor to be used at the discretion of the governing board for general operations.

Record receipt of the revenue resulting from the donation.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	$1,000	
Gifts and Bequests		
199-00-5744-00-000-Y-00-0-00		$1,000

C.4.1.2 Unconditional Gift of Land

In the following example, a donor has given a charter school an unconditional gift of land instead of cash. An independent appraiser has valued the land at $50,000 on the current market.

Record the donated land as an asset.

Account	Debit	Credit
Land and Improvements		
199-00-1510-00-000-Y-00-0-00	$50,000	
Net Assets Without Donor Restrictions		
199-00-3600-00-000-Y-00-0-00		$50,000

C.4.1.3 Private Donor Gift to Student Council

In the following example, a private donor has contributed $100 cash to the student council for its general use. The transaction will be accounted for in a donor restricted net asset account.

Record a donation to the student council.

Account	Debit	Credit
Cash and Temporary Investments		
499-00-1110-00-000-Y-00-0-00	$100	
Net Assets With Donor Restrictions		
499-00-3590-00-000-Y-00-0-00		$100

C.5 Accounting for Catastrophic Gains and Losses

This example illustrates journal entries necessary to record transactions related to catastrophic gains or losses.

A classroom is destroyed by fire, and a gain will be realized from the resulting repair.

Description	Amount
Insurance Recovery	$20,000
Cost of Building Repair	17,000
Cost of Equipment Repair	2,000

A. Record the damage to the classroom building and equipment and the loss.

Account	Debit	Credit
Asset – Buildings and Improvements		
420-00-1520-00-000-Y-00-0-00		$17,000
Asset – Furniture and Equipment		
420-00-1539-00-000-Y-00-0-00		$2,000
Losses/Net Assets Released from Restrictions – Unusual or Infrequent Items		
420-00-8913-00-000-Y-00-0-00	$19,000	

B. Record the receipt of insurance proceeds and the gain.

Account	Debit	Credit
Cash and Cash Equivalents		
420-00-1110-00-000-Y-00-0-00	$20,000	
Gains/Net Assets Released from Restrictions – Unusual or Infrequent Items		
420-00-7919-00-000-Y-00-0-00		$20,000

C. Record the repairs to the building and equipment assets and the payment for the repairs of the classroom building and equipment.

Account	Debit	Credit
Asset – Buildings and Improvements		
420-00-1520-00-000-Y-00-0-00	$17,000	
Asset – Furniture and Equipment		
420-00-1539-00-000-Y-00-0-00	$2,000	
Cash and Cash Equivalents		
420-00-1110-00-000-Y-00-0-00		$19,000

Note 1: Entry A shown above is net of accumulated depreciation.

Note 2: If repairs occur in two different fiscal years, the associated repair expenditures, insurance proceeds, and additions to the capital assets should be recorded in the appropriate fiscal year. Deferred expenditure and revenue accounts should not be utilized.

C.6 Accounting for Payroll

Payroll accruals for a 10-month contract of $29,430 paid on a 12-month basis are shown below. The daily rate is calculated by dividing the contract amount by the number of days of the contract ($29,430/187).

C.6.1 Accrual by Days Worked Per Month

Month	Days Worked	Daily Rate	Paid	Earned/ Expenditure	Accrual Balance
August	9	$157.38		$1,416	$1,416
September	19	157.38	$2,453	2,990	1,953
October	18	157.38	2,452	2,833	2,334
November	16	157.38	2,453	2,518	2,399
December	19	157.38	2,452	2,990	2,937
January	19	157.38	2,453	2,990	3,474
February	19	157.38	2,452	2,990	4,012
March	19	157.38	2,453	2,400	4549
April	18	157.38	2,452	2,400	4,929
May	18	157.38	2,453	2,833	5,309
June	13	157.38	2,452	1,889	4,905
July	-	157.38	2,453	-	2,452
August	-		2,452	-	-
TOTAL	187		29,430	29,430	NIL

C.6.1.1 Example

This example shows some of the entries for a teacher employed on a 10-month contract that begins in August of fiscal year one (FY 1). The entries shown are

- the accrued salary earned in August, FY 1
- the salary accrued and paid in September, FY 2
- the final payment made on the contract in August, FY 2

Note that this illustration is not all-inclusive. For example, it does not address matching expenditures the charter school might incur (such as, matching FICA and matching TRS expenditures) or charter school paid health insurance costs. The charter school does not use a payroll clearing account.

A. Record the wages earned in August, FY 1. In this example, the fiscal year code would be "1" to correspond with FY 1. (Normally, the fiscal year code used in the expenditure account should correspond with the current fiscal year. However, if the salary is funded from a federal grant, the fiscal year code should correspond with the grant year for the federal project.)

Account	Debit	Credit
Expenditures - Salaries or Wages - Teachers		

and Other Professional Personnel		
199-11-6119-00-101-Y-11-0-00	$1,416	
Accrued Wages Payable		
199-00-2160-00-000-Y-00-0-00		$1,416

B. Record the earned amount at the end of September, FY 2. For this entry (and for the remaining entries in this example), the fiscal year code would be "2" to correspond with FY 2.

Account	**Debit**	**Credit**
Expenditures - Salaries or Wages - Teachers		
and Other Professional Personnel		
199-11-6119-00-101-Y-11-0-00	$2,990	
Accrued Wages Payable		
199-00-2160-00-000-Y-00-0-00		$2,990

C. Pay the teacher the net pay and record the withholdings payable.

Account	**Debit**	**Credit**
Accrued Wages Payable		
199-00-2160-00-000-Y-00-0-00	$2,452	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		$1,895
Payroll Deductions and Withholdings -		
Federal Income Taxes		
199-00-2151-00-000-Y-00-0-00		$400
Payroll Deductions and Withholdings -		
Teacher Retirement		
199-00-2155-00-000-Y-00-0-00		$157

D. Pay the withholdings to the appropriate entities.

Account	**Debit**	**Credit**
Payroll Deductions and Withholdings -		
Federal Income Taxes		
199-00-2151-00-000-Y-00-0-00	$400	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		$400

Payroll Deductions and Withholdings -		
Teacher Retirement		
199-00-2155-00-000-Y-00-0-00	$157	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		$157

E. Since all the salary has been earned by June, pay the teacher the net pay and record the withholdings payable in August.

Account	**Debit**	**Credit**
Accrued Wages Payable		
199-00-2160-00-000-Y-00-0-00	$2,452	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		$1,895
Payroll Deductions and Withholdings -		
Federal Income Taxes		
199-00-2151-00-000-Y-00-0-00		$400
Payroll Deductions and Withholdings -		
Teacher Retirement		
199-00-2155-00-000-Y-00-0-00		$157

F. Pay the withholdings to the appropriate vendors.

Account	**Debit**	**Credit**
Payroll Deductions and Withholdings -		
Federal Income Taxes		
199-00-2151-00-000-Y-00-0-00	$400	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		$400
Payroll Deductions and Withholdings -		
Teacher Retirement		
199-00-2155-00-000-Y-00-0-00	$157	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		$157

Appendix D: Assistance Listings Identification Numbers

The Assistance Listings (formerly known as the Catalog of Federal Domestic Assistance [CFDA]) is a government-wide compendium of federal programs, projects, services, and activities that provide assistance or benefits to the American public. It contains financial and nonfinancial assistance programs administered by departments and establishments of the federal government, and their Assistance Listings identification numbers (ALNs).

Identification numbers commonly used by Texas charter schools are referenced in the Net Assets Account Codes section. Charter schools will use applicable grant award ALNs to complete the AFR's Schedule of Expenditure of Federal Awards.

Glossary

The following explanations of terms are presented to aid in understanding the topics and the terminology generally used in governmental accounting, auditing, financial reporting and budgeting. Because this glossary is reprinted from the Government Finance Association's Governmental Accounting and Financial Reporting, the terms and explanations have not been modified to reflect specific Texas charter school issues, etc. Synonyms for specific terms also may be presented in this appendix. In such instances, the abbreviation "syn." is used before the term.

The term **deferred outflows of resources** is disclosed before the term **deferred inflows of resources** in this glossary; this is not a typo. The two terms are listed in the glossary based on their required position on the financial statements. Deferred outflows of resources are disclosed in a separate section after total assets and before the liabilities section, and deferred inflows of resources are disclosed in a separate section after total liabilities and before the net position section.

ACCOUNTABILITY. Being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry—to justify the raising of public resources and the purposes for which they are used. Governmental accountability is based on the belief that the citizenry has a "right to know," a right to receive openly declared facts that may lead to public debate by the citizens and their elected representatives. [SGAC1]

ACCRUAL BASIS OF ACCOUNTING. A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows.

ACQUISITION COSTS. Term used in connection with public entity risk pools. Costs that vary with and are primarily related to the acquisition of new and renewal contracts. Commissions and other costs (e.g., salaries of certain employees involved in the underwriting and policy issue functions, and inspection fees) that are primarily related to contracts issued or renewed during the period in which the costs are incurred are considered to be acquisition costs. [SGAS 10]

ACTIVITY. A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible (e.g., *police* is an activity within the *public safety* function).

ACTUARIAL ACCRUED LIABILITY. Term used in connection with defined benefit pension plans and other post-employment benefit plans. That portion, as determined by a particular actuarial cost method, of the actuarial present value of benefits promised to employees that will not be provided for by future normal costs. [SGAS 25 and SGAS 43]

ACTUARIAL ASSUMPTIONS. Term used in connection with defined benefit pension plans and other post-employment benefit plans. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation and government-provided pension benefits; rates of investment earnings and asset appreciation or depreciation;

procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods; and other relevant items. [SGAS 25 and SGAS 43]

ACTUARIAL COST METHOD. Term used in connection with defined benefit pension plans and other post-employment benefit plans. A procedure for determining the actuarial present value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability. [SGAS 25 and SGAS 43]

ACTUARIAL SECTION. One of five sections of a comprehensive annual financial report of a public employee retirement system.

ACTUARIAL VALUE OF ASSETS. Term used in connection with defined benefit pension plans and other post-employment benefit plans. The value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation. The actuarial value of assets, which may represent an average value over time, normally differs from the amount reported in the financial statements, which is a point-in-time measure (i.e., as of the date of the statement of position). [SGAS 25 and SGAS 43]

ADDITIONS. Term used to describe increases in the net assets of fiduciary funds.

ADVANCE REFUNDING. A transaction in which new debt is issued to provide monies to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. An advance refunding occurs before the maturity or call date of the old debt, and the proceeds of the new debt are invested until the maturity or call date of the old debt. Most advance refundings result in defeasance of debt. [SGAS 7]

ADVERSE OPINION. Term used in connection with auditing. Conclusion in the independent auditor's report that the financial statements are not fairly presented.

AGENCY FUNDS. One of four types of fiduciary funds. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations or other governments. [SGAS 34]

AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION/OTHER POST-EMPLOYMENT BENEFITS PLAN. An aggregation of single employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level. [SGAS 27 and SGAS 45]

ALLOCATED CLAIMS ADJUSTMENT EXPENSES. Term used in connection with risk financing activities. Expenses associated directly with specific claims paid or in the process of settlement, such as legal and adjusters' fees. [SGAS 10]

ALLOTMENT. Portion of an annual or biennial budget appropriation allocated to an interim period.

ANALYTICAL REVIEW. Term used in connection with auditing. The process of attempting to determine the reasonableness of financial data by comparing their behavior with other financial and nonfinancial data.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR). Financial report that contains, at a minimum, three sections: 1) introductory, 2) financial, and 3) statistical, and whose financial section provides information on each individual fund and component unit.

ANNUAL COVERED PAYROLL. Term used in connection with defined benefit pension and other post-employment benefit plans. All elements included in annual compensation paid to active employees on which contributions to a plan are based. [SGAS 27]

ANNUAL REQUIRED CONTRIBUTION (ARC). Term used in connection with defined benefit pension and other post-employment benefit plans. The employer's required contribution for the year, calculated in accordance with certain parameters. [SGAS 27]

APPROPRIATED BUDGET. The expenditure authority created by the appropriation bills or ordinances that are signed into law and related estimated revenues. The appropriated budget would include all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes. [NCGA Interpretation 10]

ARBITRAGE. Classically, the simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

ASSETS. Assets are resources with present service capacity that the district school board presently controls. The present service capacity of a resource that is an asset is its existing capability to enable the school district to provide educational services. All assets should be listed in order of liquidity on the financial statements. [GASB Concepts Statement No. 4, ¶8]

ASSESSED VALUATION. A valuation set upon real estate or other property by a government as a basis for levying taxes.

ASSET ALLOCATION. Term used in connection with pension and other post-employment benefit plans. The process of determining which types of investments are to be included and the percentages that they are to comprise in an overall investment portfolio.

ASSIGNED FUND BALANCE. An assigned fund balance includes amounts that have been constrained to being used for specific purposes by actions taken by the government itself. The assigned amounts are neither restricted nor committed. Stabilization arrangements should not be reported as assigned fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance

committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. [GASB Statement No. 54, ¶13-14]

ATTAINED AGE ACTUARIAL COST METHOD. Term used in connection with defined benefit pension plans. A method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability in respect to each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between the valuation date and assumed exit. The portion of this actuarial present value that is allocated to a valuation year is called the normal cost. The actuarial accrued liability is determined using the unit credit actuarial cost method. [SGAS 25]

AUDIT COMMITTEE. A group of individuals, selected by the governing body, having specific responsibility for addressing all issues related to the independent audit of the financial statements.

AUDIT GUIDES. Series of AICPA publications that enjoy potential "level 2" status on the hierarchy of authoritative sources of GAAP (some publications in the series are titled Audit and Accounting Guides). In the public sector, the most important such publication is *State and Local Governments*.

AUDIT SCOPE. In the context of a financial statement audit, the coverage provided by the independent auditor's opinion on the financial statements. For example, required supplementary information normally is not included within the scope of a financial statement audit (i.e., the independent auditor does not offer an opinion on its fair presentation).

AUDITOR ROTATION. Policy that a government periodically replaces the independent auditor of its financial statements.

AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE OVER FINANCIAL REPORTING. Report issued in conjunction with a financial audit performed in accordance with GAGAS. In this report, the independent auditor reports on internal control weaknesses and instances of noncompliance discovered in connection with the financial audit, but does not offer an opinion on internal controls or compliance.

AUDIT GUIDES. A series of AICPA publications that enjoy "level 2" status on the hierarchy of authoritative sources of GAAP established by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*, when they are specific to state and local government and cleared by the GASB.

AVAILABILITY CRITERION. Principle of the modified accrual basis of accounting according to which revenues may only be recognized when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. [NCGA Statement 1]

AVAILABILITY PERIOD. A specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized in accordance with the availability criterion of modified accrual accounting.

BANK HOLDING COMPANY. A company that controls one or more banks and may own subsidiaries with operations closely related to banking. When branch banking was severely limited, bank holding company statutes allowed banking systems to develop by permitting common ownership of several

banks. Generally, the Bank Holding Company Act provides that a holding company has control over a bank if it owns, controls, or holds 25 percent or more of the voting stock of the bank. [TB 97-1]

BANK INVESTMENT CONTRACTS. A separate account at a financial institution that functions like a guaranteed investment contract.

BANKERS' ACCEPTANCES. Short-term, noninterest-bearing notes sold at a discount and redeemed by the accepting banks at maturity for face value. Bankers' acceptances generally are created based on a letter of credit issued in a foreign trade transaction. [SGAS 31]

BANKING POOLS. One of four different types of public entity risk pool. An arrangement by which monies are made available for pool members in the event of loss on a loan basis. [SGAS 10]

BASIC FINANCIAL STATEMENTS. The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.

BASIS DIFFERENCES. Differences that arise through the employment of a basis of accounting for budgetary purposes that differs from the basis of accounting prescribed by GAAP for a given fund type. [NCGA Interpretation 10]

BASIS OF ACCOUNTING. The timing of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because of a particular timing of recognition is necessary to accomplish a particular measurement focus. [SGAS 11]

BETTERMENT. An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset. The term *improvement* is preferred.

BLENDING. The method of reporting the financial data of a component unit that presents the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government. [SGAS 14]

BLUE BOOK. A term commonly used to designate the Government Finance Officers Association's publication *Governmental Accounting, Auditing, and Financial Reporting*.

BOND ANTICIPATION NOTE. Short-term interest-bearing note issued by a government in anticipation of bond proceeds to be received at a later date. The note is retired from the proceeds of the bonds to which it is related.

BOOK-ENTRY SYSTEM. A system that eliminates the need for physically transferring bearer-form paper or registering securities by using a central depository facility. [SGAS 3]

BUDGETARY BASIS OF ACCOUNTING. The method used to determine when revenues and expenditures are recognized for budgetary purposes.

BUDGETARY ACCOUNTS. Special accounts used to achieve budgetary integration, but not reported in the general purpose external financial statements. By convention, ALL CAPS are commonly used to designate budgetary accounts. The most common budgetary accounts are ESTIMATED REVENUES, APPROPRIATIONS, BUDGETARY FUND BALANCE, and ENCUMBRANCES.

BUDGETARY GUIDELINES. Recommendations on budgeting issued by the National Advisory Council on State and Local Budgeting (NACSLB). The NACSLB's budgetary guidelines are chiefly of interest to accountants because of the emphasis they place on performance measurement in the context of the budgetary process.

BUDGETARY INTEGRATION. The management control technique by which the annual operating budget is recorded in the general ledger through the use of budgetary accounts. Budgetary integration is intended to facilitate control over revenues and expenditures during the year.

BUDGETARY JOURNAL ENTRIES. Journal entries involving budgetary accounts. Budgetary journal entries arise in connection with budgetary integration.

BUDGETARY REPORTING. The requirement to present budget-to-actual comparisons in connection with general purpose external financial reporting. Budgetary reporting is required in connection with the basic financial statements for both the general fund and individual major special revenue funds with legally adopted annual budgets. Budgetary reporting also is required within the comprehensive annual financial report to demonstrate compliance at the legal level of control for all governmental funds with legally adopted annual budgets.

BUSINESS-TYPE ACTIVITIES. One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds. [SGAS 34]

CALL OPTION. A contract giving the buyer (owner) the right, but not the obligation, to purchase from (call option) the seller (writer) of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable "strike" price on a given date or at any time on or before a given date. [SGAS 31]

CAPITAL AND RELATED FINANCING ACTIVITIES. Term used in connection with cash flows reporting. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit. [SGAS 9]

CAPITAL ASSETS. Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, furniture, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

CAPITAL PROJECTS FUND. Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds.) [NCGA Statement 1]

CAPITALIZATION CONTRIBUTION. Term used in connection with public entity risk pools. A contribution to meet initial or ongoing capital minimums established by statute, regulation, or the pooling agreement itself. Capitalization contributions generally take the form of cash. [IGAS 4]

CAPITALIZATION THRESHOLD. The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Generally, capitalization thresholds are applied to individual items rather than groups of items unless the result would be to exclude items that would clearly be material to the financial statements in the aggregate.

CAPPING. Term used in connection with municipal solid-waste landfills (MSWLF). The cost of final cover expected to be applied near or after the date that the MSWLF stops accepting solid waste. [SGAS 18]

CASH. The term, as used in connection with cash flows reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. *Cash* also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. [SGAS 9]

CASH BASIS OF ACCOUNTING. Basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.

CASH EQUIVALENT. Term used in connection with cash flows reporting. Short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose, “original maturity” means the maturity as of the date the investment is acquired. [SGAS 9]

CEDED PREMIUMS/CLAIMS COSTS. Terms used in connection with public entity risk pools. Ceded premiums are those transferred to another enterprise in connection with a reinsurance arrangement. Ceded claims costs are those transferred to another enterprise through reinsurance.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM. Program sponsored by the Government Finance Officers Association to encourage and assist state and local governments to prepare high quality comprehensive annual financial reports. The program has been in continuous operation since 1946. The program originally was known as the Certificate of Conformance Program.

CHARACTER CLASSIFICATION. Expenditure classification according to the periods expenditures are presumed to benefit. The four character groupings are (a) *current* operating expenditures, presumed to benefit the current fiscal period; (b) *debt service*, presumed to benefit prior fiscal periods as well as

current and future periods; (c) *capital outlays*, presumed to benefit the current and future fiscal periods; and (d) *intergovernmental*, when one government transfers resources to another. [NCGA Statement 1]

CLAIMS-MADE POLICY. Term used in connection with public entity risk pools. A type of policy that covers losses from claims asserted (reported or filed) against the policyholder during the policy period, regardless of whether the liability-imposing events occurred during the current or any previous period in which the policyholder was insured under the claims-made contract or other specified period before the policy period (the policy retroactive date). [SGAS 10]

CLAIMS-SERVICING POOL. One of four different types of public entity risk pools. An arrangement by which a pool manages separate accounts for each pool member from which the losses of that member are paid. Also referred to as "account pool." [SGAS 10]

CLASSIFIED PRESENTATION. The separate presentation on the statement of position of the current and long-term portions of assets and liabilities to permit the calculation of working capital. A classified presentation is required for the proprietary fund statement of net position.

CLOSED AMORTIZATION PERIOD. Term used in connection with the unfunded actuarial accrued liability associated with defined benefit pension and other post-employment benefit plans. A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth. [SGAS 25 and SGAS 43]

CLOSED-END MUTUAL FUND. An SEC-registered investment company that issues a limited number of shares to investors that are then traded as an equity security on a stock exchange. [SGAS 31]

COLLATERAL. Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit. [SGAS 3]

COLLATERAL POOL. A single financial institution collateral pool is a group of securities pledged by a single financial institution against all the public deposits it holds. A multiple financial institution collateral pool is a group of securities pledged by various financial institutions to provide common collateral for their deposits of public funds. In such a collateral pool, the assets of the pool and the power to make additional assessments against the members of the pool, if necessary, ensure there will be no loss of public funds because of the default of a member. [SGAS 3]

COMBINING FINANCIAL STATEMENTS. Financial statements that report separate columns for individual funds or component units. Combining financial statements normally is required in a comprehensive annual financial report to support each column in the basic financial statements that aggregates information from more than one fund or component unit.

COMMERCIAL PAPER. An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

COMMITTED FUND BALANCE. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Committed fund balances cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. [GASB Statement No. 54, ¶10]

COMMITTEE ON ACCOUNTING PROCEDURE (CAP). Authoritative private sector standard-setting body that preceded the Accounting Principles Board and the FASB. The CAP issued guidance in the form of *Accounting Research Bulletins.*

COMMODITIES PROGRAMS. The distribution of surplus agricultural products as a form of assistance.

COMPARABILITY. The principle according to which differences between financial reports should be due to substantive differences in the underlying transactions or the governmental structure rather than due to selection of different alternatives in accounting procedures or practices. [SGAC 1]

COMPARATIVE DATA. Information from prior fiscal periods provided to enhance the analysis of financial data in the current fiscal period.

COMPARATIVE FINANCIAL STATEMENTS. Financial statements providing all of the information required by GAAP for two or more fiscal periods.

COMPLIANCE SUPPLEMENT. Term used in connection with Single Audits. A publication of the U.S. Office of Management and Budget outlining compliance requirements for federal awards programs. The publication is designed to assist independent auditors performing Single Audits.

COMPONENT UNIT. A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. [SGAS 14]

COMPOSITE DEPRECIATION METHODS. Depreciation methods applied to groups of assets rather than to individual assets.

COMPREHENSIVE FRAMEWORK OF INTERNAL CONTROLS. A structure of internal control that provides for (a) a favorable control environment, (b) the continuing assessment of risk, (c) the design, implementation, and maintenance of effective control-related policies and procedures, (d) the effective communication of information, and (e) the ongoing monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

CONDENSED FINANCIAL STATEMENTS. Abbreviated financial statements sometimes required by GAAP to be presented within the notes to the financial statements in connection with component units, external investment pools, and segments. In addition, GAAP prescribe the presentation of condensed financial information for the prior fiscal year as part of management's discussion and analysis.

CONDUIT DEBT. Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital

financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. [IGAS 2]

CONNECTION FEES. Fees charged to join or to extend an existing utility system. Often referred to as *tap fees* or *system development fees*.

CONSISTENCY. The principle according to which once an accounting principle or reporting method is adopted, it will be used for all similar transactions and events. The concept of consistency in financial reporting extends to many areas such as valuation methods, basis of accounting, and determination of the financial reporting entity. [SGAC 1]

CONTROL CYCLE. Term used in connection with the evaluation of internal control. A series of logically connected transactions/processes and associated control-related policies and procedures.

CONTROL DEFICIENCY. When the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

COSO. Organization that published *Internal Control: An Integrated Framework* (i.e., the Committee of Sponsoring Organizations of the Treadway Commission on Fraudulent Financial Reporting).

COST-REIMBURSEMENT BASIS. Term used in connection with internal service funds. The setting of charges so that costs are systematically recovered on a break-even basis over time.

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION/OTHER POST EMPLOYMENT BENEFIT PLAN. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer. [SGAS 25 and SGAS 43]

COUNTERPARTY. Term used in connection with custodial credit risk. Another party to a transaction. In the case of deposits and investments made by governmental entities, a counterparty could be the issuer of security, a financial institution holding a deposit, a broker-dealer selling securities, or a third party holding securities or collateral. [SGAS 3]

COVERAGE RATIO. Ratio of pledged revenues to related debt service payments. [SGAS 44]

COVERED GROUP. Term used in connection with pension and other post-employment benefit plans to describe plan members included in an actuarial valuation. [SGAS 45]

CREDIT RISK. Risk that an issuer or other counterparty to an investment will not fulfill its obligations. [SGAS 40]

CROSSOVER REFUNDING. A type of advance refunding in which the escrow established with the proceeds of the refunding bonds only begins to secure repayment of the refunded debt at some designated future time, known as the "crossover date."

CURRENT ASSETS. Current assets include cash or other assets that are reasonably expected to be realized in cash or sold or consumed within a year.

CURRENT COSTS. Term used in connection with municipal solid-waste landfills. The amount that would be paid if all equipment, facilities, and services included in the estimate of closure and post closure care costs were acquired during the current period. [SGAS 18]

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and used solely for reporting the financial position and results of operations of governmental funds.

CURRENT REFUNDING. A refunding transaction in which the proceeds of the refunding debt are applied immediately to redeem the debt to be refunded. This situation differs from an advance refunding, where the proceeds of the refunding bonds are placed in escrow pending the call date or maturity of the debt to be refunded.

CUSTODIAL CREDIT RISK. The risk that a government will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. [Q&A]

DEBT SERVICE FUND. Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. [NCGA Statement 1]

DEDUCTION. Term used in connection with fiduciary funds. Decrease in the net assets of a fiduciary fund.

DEFEASANCE. In financial reporting, the netting of outstanding liabilities and related assets on the statement of net position. Defeased debt is no longer reported as a liability on the face of the statement of net position; only the new debt, if any, is reported as a liability. Most refundings result in the defeasance of the refunded debt. Defeasance also is sometimes encountered in conjunction with annuity contracts purchased in connection with lottery prizes and settlements of claims and judgments.

DEFERRED OUTFLOW OF RESOURCES. A deferred outflow of resources is a consumption of net assets by the school district applicable to a future reporting period. A consumption of net assets results in a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets. Has a positive effect on net position. [GASB Concepts Statement No. 4, ¶32-33]

DEFERRED INFLOW OF RESOURCES. A deferred inflow of resources is an acquisition of net assets by the school district that is applicable to a future reporting period. An acquisition of net assets results in an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets. Has a negative effect on net position. [GASB Concepts Statement No. 4, ¶34-35]

DEFERRED REVENUE. Deferred revenue is no longer a term that is allowed by GASB. Instead, school districts should use the following terms for revenue that is not yet available: unavailable revenue or unearned revenue, as applicable. The aforementioned terms describe revenue resources that do not yet meet the criteria for revenue recognition. Unearned amounts are reported either as unavailable or unearned revenue. A complete definition of unavailable revenue and unearned revenue is listed in this glossary.

DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT PLAN. Plan having terms that specify the amount of benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums). [SGAS 43]

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation. [SGAS 25]

DEFINED CONTRIBUTION PENSION/OTHER POST-EMPLOYMENT BENEFIT PLAN. A pension or OPEB plan having terms that (a) provide an individual account for each plan member and (b) specify how contributions to an active plan member's account are to be determined, rather than the income or other benefits the member or his or her beneficiaries are to receive at or after separation from employment. Those benefits will depend only on the amounts contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account. [SGAS 25 and SGAS 43]

DEFLATED DEPRECIATED REPLACEMENT COST. Method of measuring a capital asset impairment resulting from a change in the manner or duration of use of the asset. The method compares the book value of the asset with what would have been the book value of a different asset acquired at the same time for use in current circumstances (e.g., the book value of a school building constructed 10 years ago, but now used as warehouse space, versus what would have been the value of equivalent warehouse space constructed 10 years ago). [SGAS 42]

DEMAND BONDS. Long-term debt issuances with demand ("put") provisions that require the issuer to repurchase the bonds upon notice from the bondholder at a price equal to the principal plus accrued interest. To assure its ability to redeem the bonds, issuers of demand bonds frequently enter into short-term standby liquidity agreements and long-term "take out" agreements. [IGAS 1]

DERIVATIVE. Financial instrument 1) whose value derives from the application of some variable ("underlying") to a contractually determined amount ("notional amount") or from the association of an

underlying with a payment provision, 2) that involves little or no initial net investment, and 3) that allows for net settlement. [TB 2003-1]

DERIVED TAX REVENUES. Nonexchange revenues that result from assessments imposed on exchange transactions (for example, income taxes, sales taxes, and other assessments on earnings or consumption)**.** [SGAS 33]

DEVELOPER FEES. Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of development (e.g., parks, sidewalks).

DIRECT COSTING. Term used in connection with the valuation of capital assets. Use of source data (e.g., invoices) to establish the historical cost of a capital asset.

DIRECT DEBT. Debt that is to be repaid by the reporting government itself rather than by an overlapping or underlying government. [SGAS 44]

DIRECT EXPENSE. Expense that is specifically associated with a service, program, or department and, thus, is clearly identifiable to a particular function. [SGAS 34]

DIRECT RATE. Amount or percentage applied to a unit of a specific revenue base by the government preparing statistical information (e.g., a property tax rate of $1 per $1,000 of assessed property value; a sales tax rate of 5 percent of a retail sale; a water charge of a certain amount per 100 gallons of water used). [SGAS 44]

DISALLOWED COSTS. Claims for grantor resources that have been rejected by the grantor. Disallowed costs are to be distinguished from *questioned costs*, which are potential disallowed costs that have not yet been rejected by the grantor.

DISCRETE PRESENTATION. Method of reporting financial data of component units in a column or columns separate from the financial data of the primary government. [SGAS 14]

DISCUSSION MEMORANDUM. A due process document issued by the GASB soliciting comments from interested parties on various aspects of a technical issue that is the subject of research by the board.

DUE PROCESS. The procedures followed by the GASB to ensure that the views of all interested parties are solicited and considered prior to issuing an authoritative pronouncement. At a minimum, due process requires that all statements and interpretations be preceded by an exposure draft.

DURATION. In the context of investment disclosure, a measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. [SGAS 40]

EARLY RECOGNITION OPTION. Term used in connection with debt service funds. The option to recognize an expenditure in the current period in a debt service fund for principal and interest payments due early in the subsequent period. This option is available only in situations involving the nondiscretionary transfer of resources to a debt service fund in the current period for payments due

shortly after the end of the fiscal year (i.e., usually within one to several days, and never more than one month later).

ECONOMIC RESOURCES MEASUREMENT FOCUS. Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It also is used by business enterprises and nonprofit organizations in the private sector.

EFFECTIVENESS. Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives.

EFFICIENCY. Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives with the least use of scarce resources. Efficiency necessarily presupposes effectiveness.

ELIGIBILITY REQUIREMENTS. Term used in connection with government-mandated and voluntary nonexchange transactions**.** Conditions established by the provider of resources stipulating matters such as the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies. [SGAS 33]

EMBEDDED OPTION. Provision or term in a financial instrument that allows one party to change the timing or amount of one or more cash flows associated with that instrument (e.g., prepayment options on asset-backed securities). [SGAS 40]

EMERGING ISSUES TASK FORCE. Group established under the auspices of an authoritative standard-setting body and authorized to publish consensus positions on technical issues not specifically addressed by that body. The GASB has not established an emerging issues task force, although it is empowered to do so.

EMPLOYER CONTRIBUTIONS. Term used in the context of pension and other post-employment benefits to describe contributions actually made by the employer in relation to the annual required contribution (ARC) of the employer. [SGAS 43]

ENCUMBRANCES. Commitments related to unperformed (executory) contracts for goods or services. For financial reporting purposes, encumbrance accounting is restricted to governmental funds. [NCGA Statement 1]

ENTERPRISE FUND. Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services. [SGAS 34]

ENTITY DIFFERENCES. A difference between the budgetary basis of accounting and GAAP arising because 1) the appropriated budget includes organizations, programs, activities, or functions that are not within the financial reporting entity as defined by GAAP, or 2) the appropriated budget excludes

organizations program, activities, or functions that are part of the financial reporting entity. [NCGA Interpretation 10]

ENTRY AGE ACTUARIAL COST METHOD. Term used in connection with defined benefit pension plans. A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability. [SGAS 25]

EQUIVALENT SINGLE AMORTIZATION PERIOD. Term used in the context of pension and other post-employment benefit plans. The weighted average of all amortization periods used when components of the total unfunded actuarial accrued liability are separately amortized and the average is calculated. [SGAS 25 and SGAS 43]

ESCHEAT. The reversion of property to a governmental entity in the absence of legal claimants or heirs. The laws of many governmental entities provide that a rightful owner or heir can reclaim escheat property in perpetuity, provided the claimant can establish his or her right to the property. [SGAS 21]

ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY. Fair value of taxable real or personal property or a surrogate measure of fair value if actual fair value information is not available. In practice, fair value is often referred to as market value. The estimated actual value of taxable property may be determined in a variety of manners, such as through a system that tracks changes in market values by monitoring property sales or by dividing the assessed value of property by an assumed assessment percentage. [SGAS 44]

ETHICS RULE 202. Ethics rule established by the AICPA that places upon auditors the burden of proof for justifying any material departures from the guidance found on levels 2, 3, or 4 of the GAAP hierarchy.

ETHICS RULE 203. Ethics rule established by the AICPA that makes it an ethical violation for an auditor to state that financial statements are “fairly presented in conformity with GAAP” if those statements materially violate standards issued by the FASB, the GASB, or the Federal Accounting Standards Advisory Board. A special exception applies when unusual circumstances would make the application of an authoritative standard misleading.

EXCHANGE TRANSACTIONS. Transaction in which each party receives and gives up essentially equal values. [SGAS 33]

EXCHANGE-LIKE TRANSACTION. Transactions in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange. Examples include certain fees for regulatory or professional licenses and permits, certain tap fees, certain developer contributions, certain grants and donations, and other transactions that, regardless of the label applied to them, are based on an exchange of similar but not equal values. [SGAS 33]

EXPENDITURE-DRIVEN GRANTS. Government-mandated or voluntary nonexchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as *reimbursement grants*.

EXPENDITURE. Decreases in net financial resources under the current financial resources measurement focus not properly classified as *other financing uses*.

EXPLICIT MEASURABLE EQUITY INTEREST. Term used in connection with joint ventures. Asset resulting from a stipulation in the joint venture agreement that the participants have a present or future claim to the net resources of the joint venture and setting forth the method to determine the participants' shares of the joint venture's net resources. [SGAS 14]

EXPOSURE DRAFT. A due process document issued by the GASB soliciting comments from interested parties on a proposed authoritative pronouncement.

EXTERNAL AUDITORS. Independent auditors typically engaged to conduct the audit of a government's financial statements.

FAIR VALUE. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. Fair value is an exit price. [GASB Concepts Statement No. 6, ¶38-39]

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD (FASAB). Authoritative standard-setting body responsible for establishing GAAP for the federal government.

FIDUCIARY FUNDS. Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and agency funds. [SGAS 34]

FINAL AMENDED BUDGET. Term used in connection with budgetary reporting. The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized. [SGAS 34]

FINANCIAL ACCOUNTABILITY. Term used in connection with the definition of the financial reporting entity. The level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government. [SGAS 14]

FINANCIAL ACCOUNTING FOUNDATION (FAF). Nonprofit organization responsible for overseeing the operations of both the GASB and the FASB.

FINANCIAL ACCOUNTING STANDARDS ADVISORY COUNCIL (FASAC). Advisory group that assists the FASB. The FASAC includes representatives of all of the FASB's major constituents.

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB). The authoritative accounting and financial reporting standard-setting body for business enterprises and nonprofit organizations. The FASB is the direct successor of the Committee on Accounting Procedure and the Accounting Principles Board. The GASB and its predecessors have elected to apply a number of the FASB's standards, as well as those of its predecessors, to state and local governments.

FINANCIAL AUDITS. Audits designed to provide independent assurance of the fair presentation of financial information.

FINANCIAL REPORTING ENTITY. A primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements. [SGAS 4]

FINANCIAL REPORTING EXECUTIVE COMMITTEE (FinREC). An AICPA committee that is authorized to issue public statements on behalf of the AICPA without explicit consent from the AICPA's board of directors. FinREC determines the technical policies related to financial reporting standards.

FINANCIAL RESOURCES. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and prepaids (because they obviate the need to expend current available financial resources).

FINANCIAL SECTION. One of the three basic sections of a comprehensive annual financial report. The financial section is used to present the independent auditor's report on the financial statements, management's discussion and analysis, the basic financial statements (including the notes to the financial statements), required supplementary information, combining statements, individual fund statements and schedules, and supplementary information, as needed.

FINDING. Term used in connection with public sector auditing. Published communication of an internal control weaknesses or instance of noncompliance in connection with an audit conducted in accordance with GAGAS.

FISCAL ACCOUNTABILITY. The responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public monies in the

short term (usually one budgetary cycle or one year). This term is used in contrast to *operational accountability*. [SGAS 34]

FISCAL DEPENDENCE. Term used in connection with the definition of the financial reporting entity. Situation requiring the inclusion of a legally separate entity as a component unit within the financial reporting entity because the governing board of the primary government may *arbitrarily* override the financial decisions of the legally separate entity regarding (a) its budget, (b) the levying of taxes or the setting of rates or charges, or (c) the issuance of bonded debt.

FISCAL FUNDING CLAUSE. Term used in connection with capital leases. A clause in a lease agreement that generally provides that the lease is cancelable if the legislature or other funding authority does not appropriate the funds necessary for the government unit to fulfill its obligations under the lease agreement. [NCGA Statement 5]

FIVE PERCENT CRITERION. Second of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. This test is applied to the combined total assets, liabilities, revenues or expenses/expenditures of all governmental and enterprise funds for which the 10 percent criterion has been met.

FIXED BUDGETS. Term used in contrast with *flexible budgets*. Budgets that embody estimates of specific (fixed) dollar amounts. [NCGA Statement 1]

FIXED COUPON REPURCHASE-REVERSE REPURCHASE AGREEMENT. A repurchase agreement or a reverse repurchase agreement where the parties agree that the securities returned will have the same stated interest rate as, and maturities similar to, the securities transferred. [SGAS 3]

FLEXIBLE BUDGETS. Term used in contrast with *fixed budgets*. Budgets that embody dollar estimates that vary according to demand for the goods or services provided. [NCGA Statement 1]

FOOD STAMPS. A federal award program that is intended to improve the diets of members of low-income households by increasing their ability to purchase food. [SGAS 24]

FOREIGN CURRENCY RISK. Risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. [SGAS 40]

FORMULA GRANTS. Government-mandated or voluntary nonexchange transactions involving the provision of resources based upon established criteria (e.g., number of full-time equivalent students) other than the incurrence of qualifying expenditures**.**

FUNCTION. A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., *public safety*).

FUND. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. [NCGA Statement 1]

FUNDAMENTAL ANALYSIS. A method of estimating the fair value of a security when it is thinly traded or when quoted market prices are not available. Fundamental analysis considers assets, liabilities, operating statement performance, management, and economic environment of the issuer in estimating a fair value. [SGAS 31, Q&A]

FUND BALANCE. The difference between assets and liabilities reported on the Balance Sheet of the governmental funds.

FUND CLASSIFICATIONS. One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.

FUND FINANCIAL STATEMENTS. Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

FUND TYPE. One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and agency funds.

FUNDED MANDATE. Also known as a government-mandated nonexchange transaction. A situation where a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform). [SGAS 33]

FUNDED RATIO. The actuarial value of assets expressed as a percentage of the actuarial accrued liability. [SGAS 25 and SGAS 43]

GAAFR. The acronym for *Governmental Accounting, Auditing, and Financial Reporting*, a publication of the Government Finance Officers Association. Also known as the *Blue Book*, various editions of this book have been published since the mid-1930s.

GAAP HIERARCHY. Identification and ranking of the sources of GAAP set forth in SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report* and SAS No. 91, *Federal GAAP Hierarchy*.

GENERAL FUND. The general fund is one of five governmental fund types and typically serves as the chief operating fund of a government. The general fund is used to account for all financial resources except those required to be accounted for in another fund**.** [NCGA Statement 1]

GENERAL REVENUES. All revenues that are *not* required to be reported as program revenues in the government-wide statement of activities. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax—for example, sales tax, property tax, franchise tax, income tax. All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues. [SGAS 34]

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*.

GENERALLY ACCEPTED AUDITING STANDARDS (GAAS). The rules and procedures that govern the conduct of a financial audit. There are 10 basic GAAS classed into three broad categories: general standards, standards of fieldwork, and standards of reporting. The Auditing Standards Board of the AICPA publishes SASs and related interpretations to comment and expand upon these basic standards.

GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS). Standards for the conduct and reporting of both financial and performance audits in the public sector. The General Accounting Office promulgates GAGAS through its publication *Government Auditing Standards*, commonly known as the *Yellow Book*. The basic GAGAS are classed into three broad categories: general standards, fieldwork standards, and reporting standards. The general standards of GAGAS apply to both financial audits and performance audits. GAGAS establish separate fieldwork and reporting standards for financial audits and performance audits. The fieldwork standards and reporting standards used for financial audits build upon the standards of fieldwork and the standards of reporting of GAAS.

GOVERNMENT ACCOUNTABILITY OFFICE (GAO). The investigative arm of the U.S. Congress charged with improving the performance and accountability of the federal government. In the context of accounting, auditing, and financial reporting for state and local governments, the GAO is best known for issuing *Government Auditing Standards*, commonly known as the "Yellow Book," which sets generally accepted government auditing standards (GAGAS)**.**

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA). An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local government since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946. It also publishes *Governmental Accounting, Auditing, and Financial Reporting*, commonly known as the "Blue Book."

GOVERNMENTAL ACCOUNTING STANDARDS ADVISORY COUNCIL (GASAC). An advisory body established to assist the GASB. The membership of the GASAC represents all major groups with an interest in accounting and financial reporting for state and local governments.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the NCGA.

***GOVERNMENTAL ACCOUNTING, AUDITING, AND FINANCIAL REPORTING (GAAFR)*.** A publication of the Government Finance Officers Association. Also known as the *Blue Book*, various editions have been published since the mid-1930s.

GOVERNMENTAL ACTIVITIES. Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are usually reported in governmental funds and internal service funds. [SGAS 34]

GOVERNMENTAL ENTITY. For accounting and financial reporting purposes, an entity subject to the hierarchy of GAAP applicable to state and local governmental units. The criteria used to distinguish governmental entities from nongovernmental entities are set forth in the AICPA's *Audits of State and Local Governmental Units*.

GOVERNMENTAL EXTERNAL INVESTMENT POOL. An arrangement that commingles (pools) the monies of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio (one or more of the participants not being part of the sponsor's reporting entity). An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool only if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool. [SGAS 31]

GOVERNMENTAL FINANCIAL REPORTING MODEL. The minimum combination of financial statements, note disclosures, and required supplementary information prescribed for state and local governments by the GASB.

GOVERNMENTAL FUNDS. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS. Transactions that occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform). [SGAS 33]

GOVERNMENT-WIDE FINANCIAL STATEMENTS. Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net position and the statement of activities.

GUARANTEED INVESTMENT CONTRACT. A group annuity contract designed to provide guarantees of principal and interest on funds deposited with an insurance company for a specified period.

HEALTHCARE COST TREND RATE. In connection with other post-employment benefit healthcare plans, the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments. [SGAS 43]

IMPACT FEES. Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development (e.g., parks, sidewalks).

IMPAIRMENT. Significant, unexpected decline in the service utility of a capital asset. [SGAS 42]

IMPLEMENTATION GUIDES. Guidance on the proper implementation of authoritative accounting and financial reporting standards issued by the staff of the GASB. Implementation guides use a question-and-answer format and enjoy "level 4" status on the hierarchy of GAAP for state and local governments established by the AICPA's SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*. The GASB annually issues a Comprehensive Implementation Guide that consolidates, updates, and expands upon the guidance offered in the individual publications,

IMPOSED NONEXCHANGE REVENUES. Revenues that result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (for example, property taxes and fines). [SGAS 33]

IMPROVEMENT. An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

"IN-RELATION-TO" OPINION. An indication in the independent auditor's report that the auditor does *not* render an opinion on the fair presentation *per se* of certain information contained in the financial report (e.g., combining and individual fund financial statements), but does assert that the information in question is fairly presented *in relation to* the audited financial statements.

INCURRED BUT NOT REPORTED (IBNR) CLAIMS. Term used in connection with risk financing. Claims for insured events that have occurred but have not yet been reported to the governmental entity, public entity risk pool, insurer, or reinsurer as of the date of the financial statements. IBNR claims include (a) known loss events that are expected to be presented later as claims, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported. [SGAS 10]

INDEPENDENT AUDITOR. Auditors who are independent, both in fact and appearance, of the entities they audit. Both GAAS and GAGAS set specific criteria that must be met for an auditor to be considered to be independent.

INDEPENDENT AUDITOR'S REPORT. The official written communication of the results of an audit. In a financial audit, the independent auditor's report typically will offer (or disclaim) an opinion on whether a set of financial statements is fairly presented in conformity with GAAP (or some other comprehensive basis of accounting).

INDIRECT EXPENSES. Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category. [SGAS 34]

INDIVIDUAL INVESTMENT ACCOUNTS. An investment service provided by a governmental entity for other, legally separate entities that are not part of the same reporting entity. With individual investment accounts, specific investments are acquired for individual entities and the income from and changes in the value of those investments affect only the entity for which they were acquired. [SGAS 31]

INFLOW OF RESOURCES. An inflow of resources is an acquisition of net assets by the school district that is applicable to the reporting period. The acquisition of net assets occurs when net assets are obtained by the school district even if those net assets are consumed directly when acquired. An acquisition of net assets results in an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets. [GASB Concepts Statement No. 4, ¶28]

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. [SGAS 34]

IN-SUBSTANCE DEFEASANCE OF DEBT. A situation that occurs when debt is considered defeased for accounting and financial reporting purposes, even though a legal defeasance has not occurred. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

INSURED BENEFIT. A pension and other post-employment benefit financing arrangement whereby an employer accumulates funds with an insurance company, while employees are in active service, in return for which the insurance company unconditionally undertakes a legal obligation to pay the pension benefits of those employees or their beneficiaries, as defined in the employer's plan. From an employer perspective, an insured benefit resembles a defined contribution plan, while from an employee perspective it resembles a defined benefit plan. [SGAS 27 and SGAS 45]

INTANGIBLE ASSET. An intangible asset is an asset that does not manifest itself in physical form, such as the right to use intellectual property, easement or land use rights, (i.e., water rights, timber rights and mineral rights), copyrights, or computer software. It remains an asset so long as it is capable of providing services for the school district. [GASB Concepts Statement No. 4, ¶10]

INTEGRATED BUDGET. A situation in which the accounting system has been designed to automatically provide timely budgetary information concerning the uncommitted balance of appropriations and unrealized revenues.

INTEREST RATE RISK. Risk that changes in interest rates will adversely affect the fair value of an investment. [SGAS 40]

INTERFUND ACTIVITY. Activity between funds of the primary government, including blended component units. Interfund activities are divided into two broad categories: reciprocal and nonreciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Nonreciprocal interfund activity comprises interfund transfers and interfund reimbursements.

INTERFUND LOANS. Amounts provided between funds and blended component units of the primary government with a requirement for repayment. [SGAS 34]

INTERFUND REIMBURSEMENTS. Repayments from the funds or blended component units of the primary government responsible for particular expenditures or expenses to the funds or blended component units of the primary government that initially paid for them. [SGAS 34]

INTERFUND SERVICES PROVIDED AND USED. Sales and purchases of goods and services between funds and blended component units of the primary government for a price approximating their external exchange value. [SGAS 34]

INTERFUND TRANSFERS. Flows of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for repayment. [SGAS 34].

INTERNAL AUDITING. An appraisal of the diverse operations and controls within a government entity to determine whether acceptable policies and procedures are followed, established standards are met, resources are used efficiently and economically, and the organization's objectives are being achieved. The term covers all forms of appraisal of activities undertaken by auditors working for and within an organization.

INTERNAL CONTROL FRAMEWORK. An integrated set of policies and procedures designed to assist management in achieving its goals and objectives. To be truly comprehensive, a government's internal control framework must (a) provide a favorable control environment, (b) provide for the continuing assessment of risk, (c) provide for the design, implementation, and maintenance of effective control-related policies and procedures, (d) provide for the effective communication of information, and (e) provide for the ongoing monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

INTERNAL FINANCIAL REPORTING. Financial reporting specifically designed to meet the needs of management.

INTERNAL SERVICE FUNDS. Proprietary fund type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. [SGAS 34]

INTERPERIOD EQUITY. The state in which current period inflows of resources equal current period costs of services. The interperiod equity determines the period to which an outflow (or inflow) of resources is applicable, for resource flows statements, by using the economic resources measurement focus. Interperiod equity is an accountability metric. [GASB Concepts Statement No. 4, ¶27]

INTRODUCTORY SECTION. The first of three essential components of any comprehensive annual financial report. The introductory section typically provides general information on a government's structure and personnel as well as information useful in assessing the government's economic condition. The key element of the introductory section is the letter of transmittal. The contents of the introductory section normally fall outside the scope of the independent audit of the financial statements.

NET INVESTMENT IN CAPITAL ASSETS. One of three components of net position that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose,

includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

INVESTING ACTIVITIES. Term used in connection with cash flows reporting. Investing activities include making and collecting loans (except program loans) and acquiring and disposing of debt or equity instruments. [SGAS 9]

INVESTMENT SECTION. One of the sections of a comprehensive annual financial report of an investment pool or public employee retirement system.

INVESTMENT TRUST FUNDS. Fiduciary fund type used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government. [SGAS 34]

INVITATION TO COMMENT. A due-process document that may be released by the GASB to solicit the views of interested parties on a topic under study by the board prior to the release of an exposure draft.

ISSUER. In the context of investment disclosure, the entity that has the authority to distribute a security or other investment. A bond issuer is the entity that is legally obligated to make principal and interest payments to bondholders. In the case of mutual funds, external investment pools, and other pooled investments, "issuer" refers to the entity invested in, not the investment company manager or pool sponsor. [SGAS 40].

JOINT VENTURE. A legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the joint venture participants directly, or for the benefit of the public or specific service recipients. [SGAS 14]

JOINTLY GOVERNED ORGANIZATION. A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. [SGAS 14]

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS. Costs incurred to provide for the protection of the environment that occur near or after the date that a municipal solid waste landfill stops accepting solid waste and during the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (e.g., leachate collection systems and final cover) as well as the cost of services (e.g., postclosure maintenance and monitoring costs). [SGAS 18]

LAPSE PERIOD. A specified time at the beginning of a given budget period during which encumbrances outstanding at the end of the prior budget period may be liquidated using the prior year's budgetary authority. Many governments avoid the use of a lapse period by automatically appropriating as part of each new budget an amount sufficient to cover encumbrances outstanding at the end of the prior budget period (a process known as "reappropriation").

LEGAL DEBT MARGIN. The excess of the amount of debt legally authorized over the amount of debt outstanding.

LEGAL DEFEASANCE. A situation that occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

LEGAL LEVEL OF BUDGETARY CONTROL. The level at which a government's management may not reallocate resources without special approval from the legislative body.

LENT SECURITIES. The securities lent by the lender to the borrower in a securities lending transaction. Also referred to as *underlying securities*. [SGAS 28]

LEVEL (1-4) GUIDANCE. In the context of the hierarchy of GAAP for state and local governments, a reference to the relative authority of a given source of GAAP guidance.

LEVEL OF EFFORT REQUIREMENT. A requirement that a grant recipient not use grant resources to reduce its own participation in a given program or activity.

LIABILITIES. Liabilities are present obligations to sacrifice resources that the school district has little or no discretion to avoid. An obligation is a social, legal, or moral requirement, such as a duty, contract, or promise that compels one to follow or avoid a particular course of action. A present obligation that is a liability is a duty or responsibility to sacrifice resources that the government has little or no discretion to avoid. For a liability to be a present obligation the event that created the liability has taken place. The reason that many liabilities cannot be avoided is that they are legally enforceable, meaning that a court could compel the school district to fulfill the obligation. [GASB Concepts Statement No. 4, ¶17-23]

LIEN DATE. For property (ad valorem) taxes, the date when an enforceable legal claim to taxable property arises. Generally, the lien date is specified in the relevant enabling legislation. Many governments use the term *lien date* even though a lien is not formally placed on the property at that date. Alternatively, the term *assessment date* is used to describe this same date. [SGAS 33]

LOAN PREMIUM OR FEE. Term used in connection with securities lending arrangements. Payments from the borrower to the lender as compensation for the use of the underlying securities when the securities lending arrangement is backed either by a letter of credit or by securities that cannot be pledged or sold absent a default. [SGAS 28]

MAJOR FUND. A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements and subject to a separate opinion in the independent auditor's report. The general fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding unusual or infrequent items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be

reported as a major fund if the government's officials believe that fund is particularly important to financial statement users. [SGAS 34]

MAJOR PROGRAM. Term used in the context of Single Audits. As part of the Single Audit, the independent auditor must gain an understanding of internal controls over compliance for each major federal award program and then test those controls. In addition, the independent auditor must render an opinion on whether the government complied with laws, regulations, and provisions of contracts or grant agreements that could have a direct and material effect on each major federal award program.

MANAGEMENT LETTER. A term used in connection with the independent audit of the financial statements. A formal communication by the auditor to management that focuses on internal control weaknesses discovered in the course of the audit of the financial statements. A management letter typically would be redundant in an audit conducted in accordance with GAGAS, which require that the independent auditor publish internal control weaknesses and instances of noncompliance in conjunction with a formal report on internal control and compliance. The management letter, as just described, should be distinguished from the management *representation* letter. The latter is a communication by management to the independent auditor in which management takes formal responsibility for the fair presentation of the financial statements and makes certain specific representations regarding their contents and circumstances.

MANAGEMENT'S DISCUSSION AND ANALYSIS. A component of required supplementary information used to introduce the basic financial statements and provide an analytical overview of the government's financial activities. [SGAS 34]

MARKET ACCESS RISK. In the context of disclosures for derivatives, the risk that arises when a government enters into a derivative in anticipation of entering the credit market at a later date, but may ultimately be prevented from doing so, thereby frustrating the purpose of the derivative.

MATCHING REQUIREMENT. A requirement that a grant recipient contribute resources to a program that equal or exceed a predetermined percentage of amounts provided by the grantor.

MATERIAL WEAKNESS. A significant deficiency (or combination of significant deficiencies) that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

MATERIALITY. In the context of financial reporting, the notion that an omission or misstatement of accounting information is of such significance as to make it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

MATRIX PRICING. A method of estimating the fair value of a security when it is thinly traded or when quoted market prices are not available. Matrix pricing estimates a security's fair value by considering coupon interest rates, maturity, credit rating, and market indexes as they relate to the security being valued and to similar issues for which quoted prices are available. [Q&A]

MEASUREMENT APPROACH. Act or process of determining a value for the elements presented in financial statements. Elements of financial statements include assets, liabilities, deferred outflows of

resources, deferred inflows of resources, net position, outflows of resources, and inflows of resources. The measurement approach identifies the point in time to which the amount reported for an element of financial statements directly refers. [GASB Concepts Statement No. 6, ¶5-6]

- **Initial-Transaction-Date-Based Measurement** (Initial Amount) – The transaction price or amount assigned when an asset was acquired or a liability was incurred, including subsequent modifications to that price or amount that are derived from the amount at which the asset or liability was initially reported. [GASB Concepts Statement No. 6, ¶6]

- **Current-Financial-Statement-Date-Based Measurement** (Remeasured Amount) – The amount assigned when an asset or liability is remeasured as of the financial statement date. [GASB Concepts Statement No. 6, ¶6]

MEASUREMENT FOCUS. Types of balances (and related changes) reported in a given set of financial statements (i.e., economic resources, current financial resources, assets, and liabilities resulting from cash transactions).

MODIFIED ACCRUAL BASIS OF ACCOUNTING. Basis of accounting used in conjunction with the current financial resources measurement focus that modifies the accrual basis of accounting in two important ways 1) revenues are not recognized until they are measurable and available, and 2) expenditures are recognized in the period in which governments in general normally liquidate the related liability rather than when that liability is first incurred (if earlier).

MODIFIED APPROACH. The election *not* to depreciate infrastructure assets that are part of a network or subsystem of a network that meet two requirements. First, the government manages the eligible infrastructure assets using an asset management system that has certain specified characteristics; second, the government documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. [SGAS 34]

MODIFIED OPINION. Term used in connection with financial auditing. A modification of the independent auditor's report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditor's general assertion that the financial statements are fairly presented.

MONEY MARKET INVESTMENT. A short-term, highly liquid debt instrument, including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Asset-backed securities, derivatives, and structured notes are not included in this term. [SGAS 31]

MULTI-PURPOSE GRANTS. Term used in connection with the identification of program revenues. Grants intended to finance activities reported in different functional categories in the government-wide statement of activities. Multipurpose grants that do not provide for specific identification of the programs and amounts should be reported as general revenues. [SGAS 34]

MUNICIPAL FINANCE OFFICERS ASSOCIATION. Original name of the Government Finance Officers Association of the United States and Canada.

MUNICIPAL SOLID WASTE LANDFILL. A discrete area of land or an excavation that receives household waste, and that is not a land application unit, surface impoundment, injection well, or waste pile, as those terms are defined in regulations of the Environmental Protection Agency. It may also receive other types of Resource Conservation and Recovery Act Subtitle D wastes, such as commercial solid waste, nonhazardous sludge, and industrial solid waste. The term *municipal* indicates the primary type of solid waste received by the landfill, not its ownership. [SGAS 18].

NATIONAL ADVISORY COUNCIL ON STATE AND LOCAL BUDGETING (NACSLB). A working group created by eight public sector organizations to establish a comprehensive framework for public sector budgeting that could be used by state and local governments as an ideal against which to measure and improve the quality of their own budget practices. The Government Finance Officers Association has formally recommended the NACSLB's guidelines to its members.

NATIONAL COMMITTEE ON GOVERNMENTAL ACCOUNTING. A committee of the Municipal Finance Officers Association that served as the authoritative accounting and financial reporting standard-setting body for local governments from 1946 until the establishment of the National Council on Governmental Accounting in the 1970s.

NATIONAL COUNCIL ON GOVERNMENTAL ACCOUNTING (NCGA). The immediate predecessor of the GASB as the authoritative accounting and financial reporting standard-setting body for state and local governments. The NCGA issued 7 statements and 11 interpretations prior to its dissolution in June 1984. These statements and interpretations remain effective unless superseded by a subsequent GASB pronouncement.

NATIONAL COMMITTEE ON MUNICIPAL ACCOUNTING (NCMA). A committee of the Municipal Finance Officers Association that served as the authoritative accounting and financial reporting standard-setting body for local governments prior to 1946. The NCMA was one of the predecessors of the GASB.

NEGOTIABLE CERTIFICATES OF DEPOSIT. Transferable certificates of deposit normally sold in $1 million units that can be traded in a secondary market. Because they are transferable, negotiable certificates of deposit are subject to custodial credit risk. [Q & A]

NET COST. Term used in the context of the government-wide statement of activities. The difference between functional expenses and program revenues.

NET GENERAL OBLIGATION DEBT. General obligation debt reduced by the amount of any accumulated resources restricted to repaying the principal of such debt. [SGAS 44]

NET INVESTMENT IN CAPITAL ASSETS. Component of net position that consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should also be included in the net investment in capital assets portion of net position. [GASB Statement No. 63, ¶9]

NET PENSION/OTHER POST-EMPLOYMENT BENEFIT OBLIGATION. Term used in connection with defined benefit pension and other post-employment benefit plans. The cumulative difference between annual pension cost and the employer's contributions to the plan, including the pension/other post-employment benefit liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related/other post-employment benefit-related debt. [SGAS 27 and SGAS 45]

NET PENSION LIABILITY. The total pension liability less the amount of the pension plan's fiduciary net position (unfunded accrued liability). For cost-sharing plans, the net pension liability is equal to its proportionate share of the total net pension liability for all participating employers, calculated based on the school's proportionate share of total estimated long-term employer contributions. If the plan's valuation has not been performed as of the end of the pension plan's fiscal year, the total pension liability is required to be based on updated procedures to roll forward amounts from an earlier actuarial valuation. Liabilities associated with different pension plans may be displayed in the aggregate and should be displayed separately from aggregated pension assets. The school should recognize a liability in the governmental fund financial statements for 1) defined contribution plan contributions that are due and payable pursuant to legal or contractual requirements; and 2) defined benefit plan benefit payments that are due and payable and in excess of available resources in the pension trust.

NET POSITION. Net position is the residual of all other elements presented in a statement of financial position. Net position is measured by the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The amount of net position maintains a specific relationship with the net activity in the resource flows statement. The increase or decrease in net position from one period to the next equals the net of all activity reported in the resource flows statement for that period. [GASB Concepts Statement No. 4]

NO-COMMITMENT SPECIAL ASSESSMENT DEBT. Special assessment debt secured solely by liens on assessed properties and resources provided from bond proceeds and is not backed by either the full faith and credit of the government or by any other type of general government commitment.

NONCAPITAL FINANCING ACTIVITIES. Term used in connection with cash flows reporting. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction, or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments. [SGAS 9]

NONEXCHANGE TRANSACTIONS. A transaction in which a government (including the federal government, as a provider) either gives value (benefit) to another party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange. [SGAS 33]

NONFINANCIAL ASSETS. A term used in connection with the current financial resources measurement focus and the modified accrual basis of accounting. Assets that are expected to be used in the provision of goods or services rather than converted to cash. Financial statement preparers have the option of

treating prepaid items and the inventories of supplies as either a financial asset (consumption method) or as a nonfinancial asset (purchases method).

NONOPERATING REVENUES AND EXPENSES. A term used in connection with the proprietary fund operating statement. Revenues and expenses not qualifying as operating items, which typically include interest revenue and expense, taxes, and grants that are not equivalent to contracts for services.

NONPARTICIPATING INTEREST-EARNING INVESTMENT CONTRACTS. Investment contracts whose value is not affected by market (interest rate) changes (e.g., nonnegotiable certificates of deposit with redemption terms that do not consider market rates). This definition excludes investment contracts that are negotiable or transferable, or whose redemption value considers market rates. [SGAS 31]

NONRECIPROCAL INTERFUND ACTIVITY. The internal counterpart to nonexchange transactions. This category includes both interfund transfers and interfund reimbursements. [SGAS 34]

NONSPENDABLE FUND BALANCE. Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than nonspendable fund balance. [GASB Statement No. 54, ¶6]

NORMAL COSTING. Term used in connection with the valuation of capital assets. Estimate of historical cost based on current cost of reproduction new indexed by a reciprocal factor of the price increase of a specific item or classification from the appraisal date to the estimated date of acquisition. That is, the historical cost of an asset is estimated by taking the value of acquiring the asset new today and then discounting that amount by an appropriate inflation factor back to the date of acquisition.

NOTIONAL AMOUNT. In the context of a derivative, the number (e.g., current units, shares, bushels) to which an underlying is applied.

NUMBER OF FUNDS PRINCIPLE. The principle that only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration. [NCGA Statement 1]

OBJECT. A term used in connection with the classification of expenditures. The article purchased or the service obtained, rather than the purpose for which the article or service was purchased or obtained (e.g., *personal services, contractual services, materials and supplies*).

OBLIGATION/PRESENT OBLIGATION. An obligation is a social, legal, or moral requirement, such as a duty, contract, or promise that compels one to follow or avoid a particular course of action. A present obligation is a duty or responsibility to sacrifice resources that the government has little or no discretion to avoid. [GASB Concepts Statement No. 4, ¶18-23]

OFFICE OF MANAGEMENT AND BUDGET (OMB). An agency of the federal government with regulatory oversight of Single Audits. In fulfillment of this responsibility the OMB issued Circular A-133, Compliance Supplement, Audits of States, Local Governments, and Non-Profit Organizations. In 2013, OMB Circular A-133 was superseded by the issuance of 2 CFR §200, subpart F, which, among other things, increased the audit threshold to $750,000. The OMB Circular A-133 Compliance Supplement was later renamed 2 CFR Part 200, Appendix XI—Compliance Supplement. Auditors should use the most recent Compliance Supplement published by the OMB, which currently is the 2024 Compliance Supplement. The 2024 Compliance Supplement increased the audit threshold to $1,000,000.

ON-BEHALF PAYMENTS OF FRINGE BENEFITS AND SALARIES. Direct payments made by one entity (the paying entity or paying government) to a third-party recipient for the employees of another, legally separate entity (the employer entity or employer government). They include payments made by governmental entities on behalf of nongovernmental entities and payments made by nongovernmental entities on behalf of governmental entities, and may be made for volunteers as well as for paid employees of the employer entity. [SGAS 24]

OPEN AMORTIZATION PERIOD. Term used in connection with defined benefit pension and other post-employment benefit plans. An open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, 30 years), the period may increase, decrease, or remain stable. [SGAS 25 and SGAS 43]

OPEN-END MUTUAL FUND. An open-end mutual fund is one that continuously offers its shares for sale to the public, compared with a closed-end company, which may issue only a limited number of shares. Mutual funds generally do not issue share certificates; instead, they send out periodic statements showing deposits, withdrawals, and dividends credited to the investor's account. [SGAS 3]

OPERATING ACTIVITIES. Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. [SGAS 9]

OPERATING REVENUES AND EXPENSES. Cost of goods sold and services provided to customers and the revenue thus generated.

OPERATIONAL ACCOUNTABILITY. Governments' responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose, and whether they can continue to meet their objectives for the foreseeable future. [SGAS 34]

OPTION-ADJUSTED SPREAD MODELS. A method of estimating the fair value of an option when it is thinly traded or when quoted market prices are not available. Such models measure the spread provided from a security that is an option or includes an option. Using a benchmarked yield curve, separate cash flows are discounted according to their maturity. The result is a spread when compared to yields for risk-free investments. [Q&A]

OPTION CONTRACT. A contract giving the buyer (owner) the right, but not the obligation, to purchase from (call option) or sell to (put option) the seller (writer) of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable "strike" price on a given date or at any time on or before a given date. [SGAS 31]

OPTION-PRICING MODELS. A method of estimating the fair value of an option when it is thinly traded or when quoted market prices are not available. Under one such model (i.e., the Black-Scholes model) consideration is given to a security's return, the risk free interest rate, the time remaining until the option expires, and the relationship of the underlying security's price to the strike price of the option. [SGAS 31, Q&A]

ORIGINAL BUDGET. The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior year encumbrances. [SGAS 34]

OTHER FINANCING SOURCE. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the *other financing sources* category is limited to items so classified by GAAP.

OTHER FINANCING USE. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the *other financing uses* category is limited to items so classified by GAAP.

OTHER POST-EMPLOYMENT BENEFITS (OPEB). Post-employment benefits other than pension benefits. OPEB include post-employment health care benefits, regardless of the type of plan that provides them, and all post-employment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits. [SGAS 43]

OUTCOME MEASURES. Term used in connection with service efforts and accomplishments reporting. Indicators that measure accomplishments or results that occur (at least partially) because of services provided. Results also include measures of public perceptions of outcomes. [SGAC 2]

OUTFLOW OF RESOURCES. An outflow of resources is a consumption of net assets by the school district that is applicable to the reporting period. A consumption of net assets results in a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets. [GASB Concepts Statement No. 4, ¶24]

OUTPUT MEASURES. Term used in connection with service efforts and accomplishments reporting. Indicators that measure the quantity of services provided. Output measures include both measures of the *quantity of service provided* and measures of the *quantity of a service provided that meets a certain quality requirement*. [SGAC 2]

OVERLAPPING DEBT. In the context of the statistical section, the outstanding long-term debt instruments of governments that overlap geographically, at least in part, with the government preparing the statistical section information. That is, debt of another government that at least some of the reporting government's taxpayers will also have to pay in whole or in part. Lower levels of government are not required to treat debt of the state as overlapping debt, even though it technically meets this definition. Furthermore, states, regional governments, and counties are exempted from the requirement to present overlapping debt, although counties are still encouraged to do so. [SGAS 44]

OVERLAPPING GOVERNMENTS. In the context of the statistical section, all local governments located wholly or in part within the geographic boundaries of the reporting government.

OVERLAPPING RATE. In the context of the statistical section, an amount or percentage applied to a unit of a specific revenue base by governments that overlap geographically, at least in part, with the government preparing the statistical section information. [SGAS 44]

OWN-SOURCE REVENUES. In the context of the statistical section, revenues that are generated by a government itself (e.g., tax revenues; water and sewer charges; investment income) rather than provided from some outside source (e.g., intergovernmental aid and shared revenues). [SGAS 44]

PARTICIPATING INTEREST-EARNING INVESTMENT CONTRACTS. Interest-earning investment contracts whose value is affected by market (interest rate) changes (e.g., contracts that are negotiable or transferable, or whose redemption value considers market rates). [SGAS 31]

PASSENGER FACILITIES CHARGES (PFCs). A fixed fee authorized by the Federal Aviation Administration that airports may impose on each departing passenger for use in eligible construction projects or for related debt service. This charge is collected by whoever sells the ticket and then remitted to the airport.

PASS-THROUGH GRANTS. Grants and other financial assistance received by a governmental entity to transfer to, or spend on behalf of, a secondary recipient. [SGAS 24]

PAYMENT IN LIEU OF TAXES (PILOT). A payment that a property owner not subject to taxation makes to a government to compensate it for services that the property owner receives that normally are financed through property taxes.

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS. A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. [SGAS 34]

PENSION BENEFITS. Retirement income and all other benefits (e.g., disability benefits, death benefits, life insurance) except healthcare benefits, that are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement. Post-employment healthcare benefits are considered other post-employment benefits, regardless of how they are provided. [SGAS 43]

PENSION COST. Accrual measure of the periodic cost of an employer's participation in a defined benefit pension plan. [SGAS 27]

PENSION OBLIGATION BONDS. Bonds issued by employers to finance one or more elements of their pension obligation to employees. Pension obligation bonds may be used, for example 1) to reduce or eliminate the employer's net pension obligation, 2) to pay the employer's annual required contribution for the year, or 3) to reduce or eliminate the plan's unfunded actuarial accrued liability.

PENSION PLAN. An arrangement for the provision of pension benefits in which all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the plan. [SGAS 25]

PENSION-RELATED DEBT. All long-term liabilities of an employer to a pension plan, the payment of which is not included in the annual required contributions of a sole or agent employer or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple employer plan. [SGAS 27]

PENSION TREND DATA. Actuarially based data over time concerning the funding progress of a defined benefit pension plan and employers' actual and annual required contributions to the plan.

PERFORMANCE AUDITING. Auditing designed to evaluate the effectiveness or efficiency of an organization, program, or activity.

PERFORMANCE MEASUREMENT. Commonly used term for service efforts and accomplishments reporting.

PERMANENT ACCOUNTS. Accounts that appear on the Balance Sheet – Governmental Funds (i.e., assets, liabilities, and equity/net assets).

PERMANENT FUNDS. Governmental fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry. [SGAS 34]

PERSPECTIVE DIFFERENCES. Differences between the budgetary basis of accounting and GAAP that result when the structure of financial information used for GAAP financial reporting differs from the structure of financial information used for budgetary purposes. [NCGA Interpretation 10]

POLICYHOLDER DIVIDENDS. Term used in connection with public entity risk pools. Payments made or credits extended to the insured by the insurer, usually at the end of a policy year, which result in reducing the net insurance cost to the policyholder. These dividends may be paid in cash to the insured or applied by the insured to reduce premiums due for the next policy year. [SGAS 10]

POPULAR ANNUAL FINANCIAL REPORTING (PAFR). Supplementary financial reporting designed to meet the special needs of interested parties and intended to present a governmental entity's financial position, accomplishments, and activities for a given year in an easy-to-read format for those without a traditional financial background.

POPULAR ANNUAL FINANCIAL REPORTING AWARD. An awards program sponsored by the Government Finance Officers Association with the objective of encouraging and assisting governments to prepare and publish high quality popular annual financial reports.

POST-EMPLOYMENT. Period following termination of employment, including the time between termination and retirement. [SGAS 43]

POST-EMPLOYMENT HEALTHCARE BENEFITS. Medical, dental, vision, and other health-related benefits provided to terminated employees, retired employees, dependents, and beneficiaries. [SGAS 43]

PRELIMINARY PROJECT STAGE. Term used in connection with computer software developed or obtained for internal use. Costs incurred prior to the development stage of computer software (e.g., the conceptual formulation of alternatives, the evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives).

PRELIMINARY VIEWS. A due-process document issued by the GASB soliciting comments from interested parties on a proposed authoritative pronouncement prior to the issuance of an exposure draft.

PREMIUM DEFICIENCY. Term used in connection with public entity risk pools. A situation that occurs if the sum of expected claims costs (including incurred but not reported claims) and all expected claim adjustment expenses, expected dividends to policy holders or pool participants, and unamortized acquisition costs exceeds related unearned premiums. [SGAS 30]

PRESENT SERVICE CAPACITY. The existing capability of an asset to enable the school district to provide services. An example would be cash due to its present service capacity that is used by the school districts to pay for services for the students. [GASB Concepts Statement No. 4, ¶9]

PRIMARY GOVERNMENT. Term used in connection with defining the financial reporting entity. A state government or general purpose local government. Also, a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. The primary government is the focus of the financial reporting entities. [SGAS 14]

PRIMARY USERS OF GENERAL-PURPOSE EXTERNAL FINANCIAL REPORTS. Those groups of financial statement users whose needs guide the development of GAAP. For state and local governments, the primary users of general-purpose external financial reports are (a) those to whom government is primarily accountable (the citizenry), (b) those who directly represent the citizens (legislative and oversight bodies), and (c) those who lend or who participate in the lending process (investors and creditors). [SGAC 1]

PRIVATE-PURPOSE TRUST FUNDS. A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. [SGAS 34]

PROGRAM. Group activities, operations or organizational units directed to attaining specific purposes or objectives.

PROGRAM LOAN. Term used in connection with cash flows reporting. A loan made and collected as part of a governmental program that provides a *direct* benefit to *individual* constituents. [SGAS 9, Q&A]

PROGRAM REVENUE. Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues. [SGAS 34]

PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS). A state or local governmental entity entrusted with administering one or more pension plans; it also may administer other benefit plans, including post-employment healthcare plans and deferred compensation plans. A public employee retirement system also may be an employer that provides or participates in a pension plan or other types of employee benefit plans for employees of the system. [SGAS 25]

PUBLIC ENTITY RISK POOL. A cooperative group of governmental entities joining together to finance an exposure, liability, or risk. Risk may include property and liability, workers' compensation, or employee health care. A pool may be a stand-alone entity or included as part of a larger governmental entity that acts as the pool's sponsor. [SGAS 10]

PURE CASH CONDUIT. Term used in connection with pass-through grants. A grantor that merely transmits grantor-supplied moneys without having administrative or direct financial involvement in the program. [SGAS 24]

PURPOSE RESTRICTIONS. Term used in connection with government-mandated and voluntary nonexchange transactions. Legal limitations that specify the purpose or purposes for which resources are required to be used (as distinguished from eligibility requirements). [SGAS 33]

PUT OPTION. An option contract giving the buyer (owner) the right, but not the obligation, to sell to the writer of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable "strike" price on a given date or at any time on or before a given date. [SGAS 31]

QUALIFIED OPINION. Term used in connection with financial auditing. A modification of the independent auditor's report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditor's general assertion that the financial statements are fairly presented.

QUESTIONED COST. Term used in connection with Single Audits. A determination by the independent auditor that an expenditure under a federal grant does not meet all of the grantor's requirements and therefore may be subject to refund to the grantor.

REALIZED GAINS AND LOSSES. Difference between the carrying value of an asset and its price at the time of sale if the asset had been reported at other than fair value. (The term *unrealized gains and losses* is used to describe the difference between carrying value and fair value prior to sale).

REAPPROPRIATION. The inclusion of a balance from the prior year's budget as part of the budget of the subsequent fiscal year. Reappropriation is common for encumbrances outstanding at the end of a fiscal year that a government intends to honor in the subsequent fiscal year.

REASONABLE ASSURANCE. A term used in connection with financial auditing. The principle that the goal of the independent audit of the financial statements is to ensure that financial statements are free from *material* misstatement. The principle of reasonable assurance rests upon the assumption that it is not cost beneficial to attempt to ensure that financial statements are free of *immaterial* misstatements.

REBATABLE ARBITRAGE. A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

RECIPROCAL INTERFUND ACTIVITY. The interfund counterpart to exchange and exchange-like transactions. This category includes both interfund loans and interfund services provided and used. [SGAS 34]

REFUNDING. The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). [SGAS 23]

REGULATED ENTERPRISES. Enterprises for which (a) rates for regulated services or products are either established by, or subject to approval by an independent, third-party regulator (or the governing board itself if it is empowered by statute or contract to establish rates that bind customers), (b) the regulated rates are designed to recover the specific enterprise's costs of providing regulated services or products, and (c) it is reasonable to assume that the regulated activity can set and collect charges sufficient to recover its costs. Regulated enterprises have the *option* of adopting certain specialized guidance issued by the FASB. In practice, the term "regulated enterprise" normally is applied only to enterprises that elect this option.

REIMBURSEMENT GRANT. A grant for which a potential recipient must first incur qualifying expenditures to be eligible. Reimbursement grants are also referred to as *expenditure-driven grants*.

REINSURANCE. A transaction in which an assuming enterprise (reinsurer), for a consideration (premium), assumes all or part of a risk undertaken originally by another insurer (ceding enterprise). However, the legal rights of the insured are not affected by the reinsurance transaction, and the ceding enterprise issuing the original insurance contract remains liable to the insured for payment of policy benefits. [SGAS 10]

RELATED ORGANIZATION. Term used in connection with defining the financial reporting entity. An organization for which a primary government is accountable because that government appoints a voting majority of the board, but is not *financially* accountable. [SGAS 14]

RELATED PARTY TRANSACTION. A transaction that an informed observer might reasonably believe reflects considerations other than economic self-interest based upon the relationship that exists between the parties to the transaction. The term often is used in contrast to an *arm's-length transaction*.

RELATIVE ORDER OF LIQUIDITY. An order for presenting assets and liabilities on the statement of net assets based upon how readily they may be converted to cash or will require the use of cash. [SGAS 34]

RELEVANCE. The principle that there should be a close logical relationship between the financial information provided and the purpose for which it is needed. Information is relevant if it is capable of making a difference in a user's assessment of a problem, condition, or event. [SGAC 1]

RELIABILITY. The principle that financial information should be verifiable, free from bias, and faithfully represent what it purports to represent. [SGAC1]

REPLACEMENT COST. The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the measurement date. [GASB Concepts Statement No. 6, ¶40-41]

REPORTABLE CONDITION. Term used in connection with financial auditing prior to the issuance of SAS 112, *Communicating Internal Control Related Matters Identified in an Audit,* effective for periods ending on or after December 15, 2006. A significant deficiency in internal controls discovered in the course of the financial statement audit that must be communicated by the independent auditor to the entity's audit committee or its equivalent.

REPORTING DATE. Date of the financial statements; the last day of the fiscal year.

REPORTING PACKAGE. Term used in connection with Single Audits. A package that the independent auditor must communicate to the Federal Audit Clearing House that includes (a) the government's financial statements, (b) the government's supplementary schedule of expenditures of federal awards, (c) the auditor's reports, (d) a summary schedule of prior audit findings, and (e) a corrective action plan. The reporting package must be accompanied by a special data collection form that summarizes the information contained in the reporting package.

REPURCHASE AGREEMENT. A transaction in which the governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the governmental entity and promises to repay the cash plus interest in exchange for the return of the same securities. [SGAS 3]

REQUIRED SUPPLEMENTARY INFORMATION. Statements, schedules, statistical data, or other information that the GASB has determined to be necessary to supplement, although not required to be a part of, the basic statements of a governmental entity. [SGAS 43]

RESTRICTED FUND BALANCE. The portion of a governmental fund's net position that is not available for appropriation. Amounts that are restricted to specific purposes. Fund balance should be reported as restricted when constraints placed on the use of resources are either:

a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
b. Imposed by law through constitutional provisions or enabling legislation. [GASB Statement No. 54, ¶8]

RESTRICTED NET POSITION. The restricted component of net position that consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. [GASB Statement No. 63, ¶10]

RESET DATE. Time that a bond's variable coupon is repriced to reflect changes in a benchmark index. [SGAS 40]

RESOURCE. A resource is a supply or other means that can be drawn on when needed. An item that can be drawn on to provide services to the citizenry. [GASB Concepts Statement No. 4, ¶6]

RESTORATION COST APPROACH. Method for measuring the impairment of a capital asset as a result of physical damage that uses estimated restoration costs to establish a ratio (restoration cost/replacement cost or deflated restoration cost/original cost) for determining the portion of the book value of the asset that should be written off.

RESTRICTED NET ASSETS. Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. [SGAS 34]

RESTRICTED NET POSITION. A component of net position calculated by reducing the carrying value of restricted assets by the amounts repayable from those assets, excluding capital-related debt.

RETROSPECTIVELY (EXPERIENCE) RATED POLICY. Term used in connection with public entity risk pools. An insurance policy for which the final amount of the premium is determined by adjusting the initial premium based on actual experience during the period of coverage (sometimes subject to maximum and minimum limits). A retrospectively rated policy is designed to encourage safety by the insured and to compensate the insurer if larger than expected losses are incurred. [SGAS 10]

REVENUE AND CLAIMS DEVELOPMENT TREND DATA. Required supplementary information mandated by the GASB for public-entity risk pools.

REVENUE ANTICIPATION NOTE. Short-term, interest-bearing note issued by a government in anticipation of revenues to be received at a later date. The note is retired from the revenues to which it is related.

REVERSE REPURCHASE AGREEMENT. An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfer securities to

the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for the same securities or for different securities. [SGAS 3]

RISK-SHARING POOLS. One of four different types of public entity risk pools. An arrangement by which governments pool risks and funds and share in the cost of losses. [SGAS 10]

ROLL-OVER RISK. In the context of disclosures for derivatives, the risk that arises when a derivative associated with a government's variable rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative.

SALARY-RELATED PAYMENTS. Term used in connection with compensated absences. Payments by an employer that are directly and incrementally associated with payments made for compensated absences on termination. Such salary-related payments include the employer's share of Social Security and Medicare taxes and also might include, for example, the employer's contributions to pension plans. [SGAS 16]

SCHEDULE OF EMPLOYER CONTRIBUTIONS. Term used in connection with defined benefit pension and other post-employment benefit plans. Trend data on employers' annual required contribution to a plan and actual contributions.

SCHEDULE OF FUNDING PROGRESS. Term used in connection with defined benefit pension and other post-employment benefit plans. Trend data on the relationship between the actuarial value of plan assets and the related actuarial accrued liability.

SEC 2A7-LIKE POOLS. An external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 (17 Code of Federal Regulations §270.2a-7). Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term to maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the market value of the portfolio deviates from amortized cost by a specified amount. [SGAS 31]

SECURITIES LENDING TRANSACTIONS. Transactions in which governmental entities transfer their securities to broker-dealers and other entities for collateral—which may be cash, securities, or letters of credit—and simultaneously agree to return the collateral for the same securities in the future. [SGAS 28]

SEGMENT. An identifiable activity (or grouping of activities) reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately.

SEGMENTED TIME DISTRIBUTION. In the context of investment disclosure, segmented time distribution groups investment cash flows into sequential time periods in tabular form. [SGAS 40]

SEGREGATION OF INCOMPATIBLE DUTIES. Term used in connection with the evaluation of internal control. The principle that no single employee should be placed in a position that allows that employee both to commit and conceal an irregularity in the ordinary course of the employee's duties.

SERVICE EFFORTS AND ACCOMPLISHMENTS REPORTING. Term used by the GASB to describe the presentation of performance measures in connection with general purpose external financial reporting.

SERVICE UNITS APPROACH. Method of measuring capital asset impairments resulting from either 1) changes in environmental factors (e.g., laws, regulations), 2) technological developments and obsolescence, or 3) a change in the manner or expected duration of use of the asset. The method is based on a comparison of service units before and after an impairment occurs.

SETTLEMENT AMOUNT. Amount at which an asset could be realized or a liability could be liquidated with the counterparty, other than in an active market. A settlement amount can be either (a) the amount that the counterparty would accept to settle the liability or would pay to satisfy a receivable at the measurement date or (b) the amount that will be realized from an asset or will be needed to liquidate the liability in due course according to the terms of the arrangement between the government and the counterparty. A settlement amount may be an undiscounted amount or a discounted amount. [GASB Concepts Statement No. 6, ¶42]

SIGNIFICANT DEFICIENCY. A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. [SAS 112]

SIMULATION MODELS. Models that estimate changes in an investment's or a portfolio's fair value, given hypothetical changes in interest rates. Various models or techniques are used, such as "shock tests" or value-at-risk. [SGAS 40]

SINGLE AUDIT. An audit performed in accordance with the Single Audit Act of 1984 (as amended) and the Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI—Compliance Supplement. Auditors should use the most recent Compliance Supplement published by the OMB, which currently is the 2024 Compliance Supplement. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal grantor agencies.

SINGLE AUDIT ACT OF 1984. Federal legislation that provides for state and local government recipients of federal financial awards to have one audit performed to meet the needs of all federal grantor agencies. The Single Audit Act was amended in 1996.

SINGLE-PROGRAM GOVERNMENTS. Term used in connection with financial reporting. A government that budgets, manages, and accounts for its activities as a single program. Single-program governments

that use only governmental funds have the option to combine their fund financial statements and their government-wide financial statements into a single, combined presentation.

SPECIAL ASSESSMENT. A compulsory levy made against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

SPECIAL ITEMS. Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. [SGAS 34]

SPECIAL REVENUE FUND. A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. [NCGA Statement 1]

SPECIAL TERMINATION BENEFITS. Benefits offered by an employer for a short period of time as an inducement to employees to hasten the termination of services. For example, to reduce payroll and related costs, an employer might offer enhanced pension benefits or OPEB to employees as an inducement to take early termination, for employees who accept the offer within a 60-day window of opportunity. [SGAS 43]

SPECIFIC IDENTIFICATION. In the context of the interest rate risk disclosure for investments, the listing of each investment, its amount, its maturity date, and any call options. [SGAS 40]

SPONSOR. In the context of pension and other post-employment benefits, the entity that established the plan. [SGAS 43]

STABILIZATION ARRANGEMENTS. Amounts formally set aside by governments for use in emergency situations or when revenue shortages or budgetary imbalances arise. Those amounts are subject to controls that dictate the circumstances under which they can be spent. Stabilization amounts may be expended only when certain specific circumstances exist. [GASB Statement No. 54, ¶20]

STAND-ALONE PLAN FINANCIAL REPORT. In the context of pension and other post-employment benefits, a report that contains the financial statements of a plan and is issued by the plan or by the public employee retirement system that administers the plan. The term *stand-alone* is used to distinguish such a financial report from plan financial statements that are included in the financial report of the plan sponsor or employer. [SGAS 43]

STANDARD COSTING. Method of estimating the historical cost of a capital asset by establishing the average cost of obtaining the same or a similar asset at the time of acquisition.

STATISTICAL SECTION. The third of three essential components of any comprehensive annual financial report. The statistical section 1) provides information on financial trends, 2) provides information on revenue capacity, 3) provides information on debt capacity, 4) provides demographic and economic information, and 5) provides operating information.

STOCK RIGHTS. Rights given to existing stockholders to purchase newly issued shares in proportion to their holdings at a specific date. [SGAS 31]

STOCK WARRANTS. Certificates entitling the holder to acquire shares of stock at a certain price within a stated period. Warrants often are made part of the issuance of bonds or preferred or common stock. [SGAS 31]

STRIKE PRICE. A fixed or determinable price on a given date or at any time on or before a given date at which the buyer (owner) may purchase from (call option) or sell to (put option) the seller (writer) of an option contract a fixed number of items (such as shares of equity securities). [SGAS 31]

STRUCTURED SETTLEMENT. Term used in connection with risk financing. A means of satisfying a claim liability, consisting of an initial cash payment to meet specific present financial needs combined with a stream of future payments designed to meet future financial needs, generally funded by annuity contracts. [SGAS 10]

SUBOBJECT. A subdivision within an expenditure object classification (e.g., *regular employees* is a possible subobject classification within the *personal services—salaries and wages* expenditure object classification).

SUBSTANTIVE PLAN. Terms of an OPEB plan as understood by the employer(s) and plan members. [SGAS 43]

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP). The first of the notes to the financial statements or a separate section immediately preceding the notes to the financial statements. The basic contents should include a discussion of 1) any selection of an accounting treatment when GAAP permit more than one approach, 2) accounting practices unique to state and local governments, and 3) unusual or innovative applications of GAAP.

SUPPLEMENTARY INFORMATION. Financial information presented together with basic financial statements that is not included within the scope of the audit of those statements. When the presentation of certain supplementary information is mandated by the GASB it is referred to as *required supplementary information*.

SUSCEPTIBLE TO ACCRUAL. Term used in connection with the application of the modified accrual basis of accounting. Revenues that are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. [NCGA Statement 1]

SWAP (PRINCIPAL/INTEREST). Contract in which the parties agree to make future payments to each other designed to achieve a net effect equivalent to each assuming the debt service burden of the other.

SYSTEM DEVELOPMENT FEES. Fees charged to join or to extend an existing utility system. Also referred to as *tap fees* or *connection fees*.

TAKE-OUT AGREEMENT. Term used in connection with demand bonds. An arrangement with a financial institution to convert demand bonds to an installment loan payable over a specified period, sometimes as long as 10 years or more. A take-out agreement is used to provide long-term financing in the event

the remarketing agency is unable to resell demand bonds within a specified period (usually three to six months) subsequent to the exercise of the "demand" feature by bondholders. [IGAS 1]

TAP FEES. Fees charged to join or to extend an existing utility system. Also referred to as *system development fees* or *connection fees*.

TANGIBLE ASSETS. Tangible assets are those assets that take on a physical for, such as buildings and equipment. Tangible assets remain assets of the school district so long as they are still capable of providing services for the district. For example, a piece of equipment is considered an asset if the present service capacity embodied in the equipment either (a) can be used to provide services or (b) has economic benefit. [GASB Concepts Statement No. 4, ¶10]

TAX ANTICIPATION NOTE. Short-term, interest-bearing note issued by a government in anticipation of tax revenues to be received at a later date. The note is retired from the tax revenues to which it is related.

TAX-INCREMENT FINANCING. Financing secured by the anticipated incremental increase in tax revenues, resulting from the redevelopment of an area.

TECHNICAL AGENDA. Term used in connection with the operation of the GASB. A list of research projects formally undertaken by the GASB as part of its development of authoritative standards of accounting and financial reporting.

TECHNICAL BULLETIN. A document issued by the staff of the GASB to provide guidance for applying GASB statements and interpretations and resolving accounting issues not directly addressed by them. [TB 84-1]

TEMPORARY ACCOUNTS. Accounts that close to net assets at the end of an accounting period (e.g., revenues and expenses).

TEN PERCENT CRITERION. The first of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. For governmental funds, this test is applied to the total assets, liabilities, revenues, and expenditures of all governmental funds. For enterprise funds, this test is applied to the total assets, liabilities, revenues, and expenses of all enterprise funds. The criteria needs to be met for only one of these four items.

TERMINATION PAYMENTS METHOD. A method of calculating the liability for earned sick leave for which it is probable that the benefits will result in termination payments. Under this method, the amount of the liability is estimated based on a governmental entity's past experience of making termination payments for sick leave, adjusted for the effect of changes in its termination policy and other factors. [SGAS 16]

TERMINATION RISK. In the context of disclosures for derivatives, the risk that an unscheduled termination of a derivative could have an adverse effect on the government's asset or liability strategy or could lead to potentially significant unscheduled payments.

TIMELINESS. The principle that financial statements must be issued soon enough after the reported events to affect decisions. [SGAC 1]

TIMING DIFFERENCES. Differences between the budgetary basis of accounting and GAAP that occur when the period used for budgeting differs from the period used for GAAP reporting (e.g., a special revenue fund that uses a grant-year budget rather than a fiscal-year budget).

TOTAL DIRECT RATE. In the context of the statistical section, the weighted average of all individual direct rates applied by the government preparing the statistical section information. [SGAS 44]

TRI-PARTY ARRANGEMENT. Term used in connection with repurchase agreements. An arrangement in which the custodian serves as agent both of the buyer-lender and of the seller-borrower by agreeing, in the event of default by one, to protect the interests of the other. The custodian holds the securities underlying the agreement in the names of both repurchase agreement parties (the buyer-lender as pledgee and seller-borrower as owner). [Q&A]

TYPE A PROGRAM. Term used in connection with the determination of major programs for purposes of Single Audits. Type A programs are defined on the basis of the relationship between program expenditures and total federal awards expended.

TYPE B PROGRAM. Term used in connection with the determination of major programs for purposes of Single Audits. A Type B program is any program with insufficient program expenditures to qualify as a Type A program.

UNALLOCATED CLAIM ADJUSTMENT EXPENSES. Term used in connection with risk financing. Costs that cannot be associated with specific claims but are related to claims paid or in the process of settlement, such as salaries and other internal costs of the pool's claims department. [SGAS 10]

UNALLOCATED DEPRECIATION. Term used in connection with the government-wide statement of activities. Depreciation not properly reported as a direct expense of a functional category.

UNASSIGNED FUND BALANCE. Is the residual classification for government's general fund and includes all spendable amounts not contained in the other fund balance categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

UNAVAILABLE REVENUE. Resource inflows that do not yet meet the criteria for revenue recognition are classified as unavailable revenue.

UNDERLYING. In the context of a derivative, a variable that is applied to a notional amount (e.g., a specified interest rate, price index, foreign exchange rate, commodity price), or is associated with a payment provision.

UNDERSTANDABILITY. The principle that information in financial reports should be expressed as simply as possible. [SGAC 1]

UNASSIGNED FUND BALANCE. Available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., designations).

UNDIVIDED INTEREST. An arrangement (also known as a *joint operation*) that resembles a joint venture but no entity or organization is created by the participants. An undivided interest is an ownership arrangement in which two or more parties own property in which title is held individually to the extent of each party's interest. Implied in that definition is that each participant is also liable for specific, identifiable obligations (if any) of the operation. Because an undivided interest is not a legal entity, borrowing to finance its operations often is done individually by each participant. An additional consequence of the absence of a formal organizational structure is that there is no entity with assets, liabilities, expenditures/expenses, and revenues—and thus, equity—to allocate to participants. [SGAS 14]

UNEARNED REVENUE. Specific type of revenue that does not involve the application of the availability criterion, and therefore applies equally to both accrual and modified accrual financial statements.

UNFUNDED ACTUARIAL ACCRUED LIABILITY. The excess of the actuarial accrued liability over the actuarial value of assets. This value may be negative, in which case it may be expressed as a *negative unfunded actuarial accrued liability, the excess of the actuarial value of assets over the actuarial accrued liability,* or the *funding excess*. [SGAS 43]

UNMODIFIED OPINION. An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNQUALIFIED OPINION. An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNREALIZED GAINS AND LOSSES. Term used in connection with the valuation of investments. Difference between the carrying value of an asset and its fair value prior to sale.

UNREALIZED REVENUES. Term used in connection with budgeting. The difference between estimated revenues and actual revenues.

UNRESTRICTED NET POSITION. The unrestricted component of net position that is comprised of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. [GASB Statement No. 63, ¶11]

VARIABLE RATE INVESTMENT. In the context of investment disclosure, an investment with terms that provide for the adjustment of its interest rate on set dates (such as the last day of a month or calendar quarter) and that, upon each adjustment until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a fair value that will be unaffected by interest rate changes. [SGAS 40]

VESTING METHOD. A method of calculating the liability for earned sick leave for which it is probable that the benefits will result in termination payments. Under this method, the amount of the liability is

estimated based on the sick leave accumulated at the date of the statement of position for those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. In calculating the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or classes or groups of employees will become eligible to receive termination payments. [SGAS 16]

VOLUNTARY NONEXCHANGE TRANSACTIONS. Transactions that result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (for example, certain grants and private donations). [SGAS 33]

VOTING MAJORITY. Term used in connection with defining the financial reporting entity. A situation in which the number of the primary government's appointees to a component unit's board is sufficient to control decisions of the component unit. [SGAS 14, Q&A]

VULNERABILITY ASSESSMENT. Term used in connection with evaluations of internal controls. The risk-based systematic prioritization of internal control evaluations.

WEIGHTED AVERAGE MATURITY. In the context of investment disclosure, a weighted average maturity measure that expresses investment time horizons—the time when investments become due and payable—in years or months, weighted to reflect the dollar size of individual investments within an investment type. [SGAS 40]

WIDELY RECOGNIZED AND PREVALENT PRACTICE. Term used in connection with the hierarchy of GAAP for state and local governments established by *SAS No. 69, The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*. The principle that accounting and financial reporting practice should itself serve as a source of GAAP in the absence of high level guidance.

YELLOW BOOK. Term used in connection with public-sector auditing. A non-technical term commonly used to describe the Government Accountability Office's publication *Government Auditing Standards*, the source of GAGAS.

YIELD MAINTENANCE REPURCHASE—REVERSE REPURCHASE AGREEMENT. A repurchase agreement or a reverse repurchase agreement where the parties agree that the securities returned will provide the seller-borrower with a yield as specified in the agreement. [SGAS 3]

Acronyms

AICPA – American Institute of Certified Public Accountants

ADA – Average Daily Attendance

ALN – Assistance Listings Number

ACFR – Annual Comprehensive Financial Report

CFR – Code of Federal Regulations

ESEA – Elementary and Secondary Education Act

ESSA – Every Student Succeeds Act

FASB – Financial Accounting Standards Board

FDIC – Federal Deposit Insurance Corporation

FIFO – First in – First out

FTE – Full-time equivalent

FSP – Foundation School Program

GAAP – Generally Accepted Accounting Principles

GAGAS – Generally Accepted Government Auditing Standards

GAO – Government Accountability Office

GASB – Governmental Accounting Standards Board

GCAF – General Capital Asset Fund

GFOA – Government Finance Officers Association

GLTDF – General Long Term Debt Fund

LEA – Local Education Agency

LIFO – Last in – First out

NCGA – National Council on Governmental Accounting

NCLB – No Child Left Behind

NSLP – National School Lunch Program

OMB – Office of Management and Budget

OPEB – Other Post-employment Benefits

SBP – School Breakfast Program

SEC – Securities and Exchange Commission

SFSP – Summer Food Service Program

SMP – School Milk Program

TAC – Texas Administrative Code

TEC – Texas Education Code

TDA – Texas Department of Agriculture

TPPF – Texas Public Property Finance Act

TRS – Teacher Retirement System of Texas

TSDS PEIMS – Texas Student Data System Public Education Information Management System

USC – United States Code

USDA – United States Department of Agriculture

WADA – Weighted Average Daily Attendance

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