

Financial Accountability System Resource Guide, Update 16

# **Financial Accounting and Reporting**

## **Appendices**

**Texas Education Agency**

**2019**

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## Appendix A: Accounting Code Structure and Codes

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The purpose of this appendix is to specify the accounting code structure that must be used by the following local education agencies (LEAs):

- school district
- regional education service center (ESC)
- county education district

**The term “school district” or “district” is used throughout the appendix to refer to any of these LEAs.**

Your district’s financial accounting and reporting system must use the accounting code structure and accounting codes specified in this appendix.

In addition, your district must code all revenues, expenditures, and other financial resources in accordance with the:

- Governmental Accounting Standards Board (GASB),
- Texas Education Code (TEC),
- Texas Administrative Code (TAC),
- Code of Federal Regulations (CFR), and
- all other laws and rules that are applicable to the financial resource.

**For financial accounting information, specific to charter schools operated by a nonprofit organization or by a private or independent institution of higher education, see Module 2, Special Supplement—Charter Schools.**

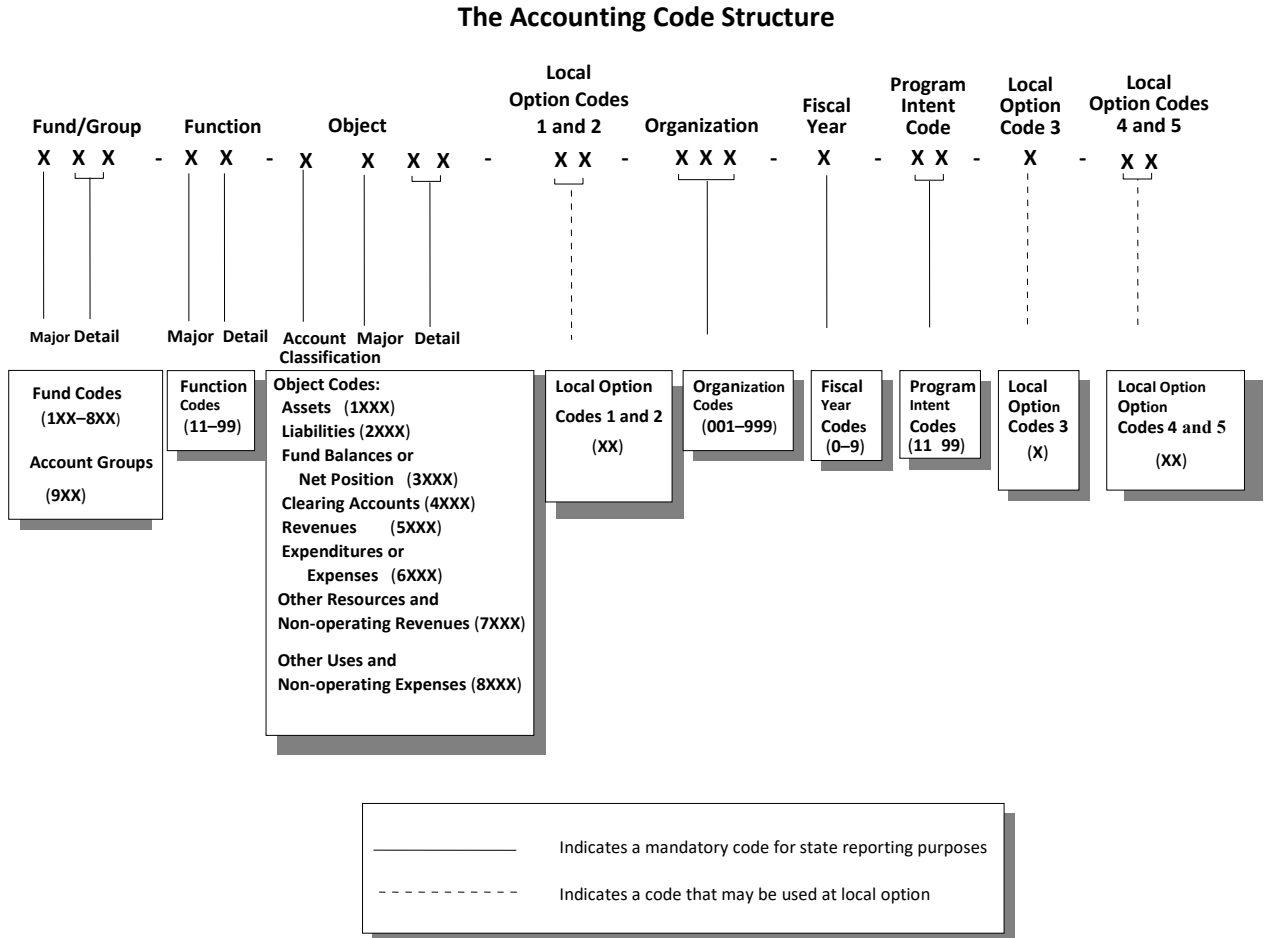
**Additional note:** In this appendix, “costs” means “expenses” or “expenditures.”



# A.1 Accounting Code Structure and Definitions

Exhibit A.1 illustrates the structure of the accounting code system.

## Exhibit A.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 Elementary and Secondary Education Act (ESEA), 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 your district 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, such as a high school, middle school, elementary school, or 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 (AskTED) specifies codes for each school district 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 2016 and ends in 2017 (fiscal year 2017). 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:

Your school district received a grant that began on July 1, 2016, and your district’s fiscal year starts September 1, 2016, and ends August 31, 2017; your district accounts for 15 months of the grant expenditures with fiscal year code 7 (fiscal year 2017) for the duration of the 15-month project.

## Program Intent Code

A two-digit code used to designate the intent of a program provided to students. Program intent codes 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 student group toward which the instructional or other service is directed) determines the program intent code (PIC), not the demographic makeup of the students served.

Example:

Program intent code 11 designates basic educational services, such as a physics class taught at the basic level.

## A.2 Fund Codes

A fund is a self-balancing set of accounts that records financial resources and liabilities designated for a distinct purpose. The fund’s purpose can be set by the state or federal government or by your district.

A fund code is 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  $\mathcal{R}$  by a fund code indicates that, if the fund applies to your district, the fund is required for the following reporting purposes:

- [Public Education Information Management System \(PEIMS\)](#) and the [Texas Student Data System \(TSDS\)](#),
- annual financial and compliance report (AFR), or
- the PEIMS, TSDS, and the AFR.

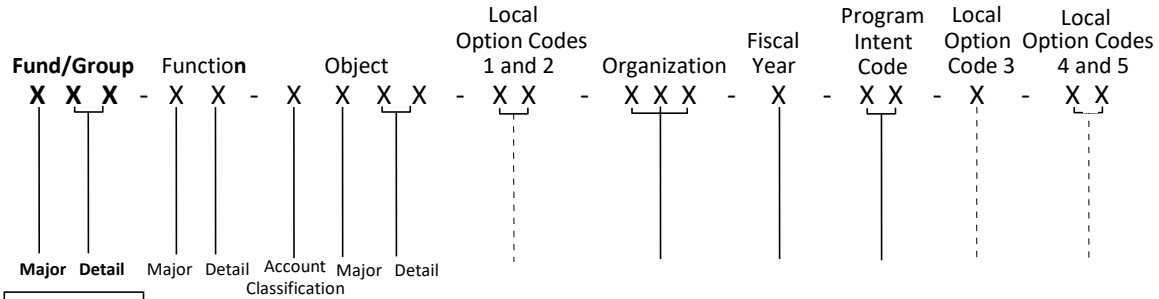
**Note:** Your district must account for grant funding on a project basis.

Only the minimum number of funds required by law and necessary to meet operating requirements should be established. Unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

Exhibit A.2 illustrates the position of the fund codes in the accounting code system.

**Exhibit A.2 Fund Code Structure**

**The Fund Code Structure**



**Fund Codes & Net Asset Codes**  
(1XX–8XX)

**Account Groups**  
(9XX)

————— Indicates a mandatory code for state reporting purposes

----- Indicates a code that may be used at local option

**100–600**

**GOVERNMENTAL FUND TYPES**

Texas school districts use the following five governmental fund types:

- **General Fund**—Used to account for all financial resources except those required to be accounted for in another fund
- **Special Revenue**—Used to account for the proceeds of specific revenue sources, other than trusts for individuals, private organizations, or other governments or major projects. Expenditures are for a specified purpose other than the debt service or capital projects funds.
- **Debt Service**—Used to account for the accumulation of resources for, and the payment of, general long-term debt, principle, and interest. The financial resources in the debt service fund are restricted, committed, or assigned to expenditures for principal and interest of general long-term debt.

- **Capital Projects**—Used to account for financial resources to be used for acquisition or construction of major capital projects
- **Permanent Funds**—Used to report resources legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the district’s programs.

## 100 GENERAL FUND

The general fund is a governmental fund that records transactions resulting from your district’s ongoing organizations and activities using a variety of revenue sources. To ensure compliance with laws and rules related to specific revenue purposes, your district must use the general fund classifications and codes defined below.

### ℞ 101 Food Service

This code is used to account for a district’s food service program in the general fund. For the criteria for determining which fund to use for food service, see 1.3.2 Food Service Operations.

The balance of the food service fund must be used exclusively for an allowable child nutrition program. ([Assistance Listings](#) [formerly, the Catalog of Federal Domestic Assistance, or CFDA] program numbers 10.553, breakfast; 10.555, lunch)

**Note:** See also fund codes 240 and 701, which are alternative methods of accounting for food service funds. Use of these alternative codes depends on how your district accounts for its food service.

The Summer Food Service Program funded by the US Department of Agriculture (USDA) (CFDA 10.559) must not be classified in this fund, but rather in the special revenue fund, code 242.

### ℞ 102 ESC State Support (Regional Education Service Centers [ESCs] Only)

This code is used to account for funds to operate the ESC and to develop, maintain, and deliver core services for student and school district performance or other areas identified by the commissioner of education.

## 161–198 Locally Defined Classifications

These codes are used, at the option of your school district, to further classify specific revenues and related expenditures for local

requirements. For PEIMS reporting, your district must convert these codes to code 199.

## **199**

### **General Fund**

This code must be used to account for funds managed by your school district’s board of trustees, which has wide discretion in using this code as provided by law. This fund usually includes the following:

- transactions that result from revenues from local maintenance and operations (M&O) taxes
- payments in lieu of taxes
- foundation entitlements
- state and county revenues
- other Foundation School Program (FSP) sources that are not required to be accounted for in another fund

This code is also used to record transactions involving the instructional facilities allotment for lease-purchase.

**(Note:** Code 699, debt service fund, is used to record transactions involving the instructional facilities allotment for bonded indebtedness [voter-approved debt]).

Your district must convert any locally defined codes to code 199 for PEIMS reporting.

## **200, 300, 400**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are governmental funds used to account for revenue sources that are legally restricted to specific purposes. These sources do not include expendable trusts and major capital projects. These funds utilize the modified accrual basis of accounting.

Special revenue funds are grouped in the following categories:

Codes	Category and Description
201–289	<p><b>Special Revenue: Federal Programs</b></p> <p>This group of codes is used to account for:</p> <ul style="list-style-type: none"> <li>• special revenue funds from federal sources and</li> <li>• your district’s portion of a federally funded shared services arrangement (if your district is a member of one).</li> </ul> <p>Each federal fund has a number assigned in the <a href="#">Assistance Listings</a>. The applicable CFDA number is shown at the end of each fund code’s definition.</p>
291–379	<p><b>Special Revenue: Shared Services Arrangements—Federally Funded</b></p> <p>This group of codes is used to account for the fiscal agent portion of a shared services arrangement that is federally funded.</p> <p>Each federal fund has a number assigned in the Assistance Listings<sup>1</sup>. The applicable CFDA number is shown at the end of each fund code’s definition.</p>
381–429	<p><b>Special Revenue: State-Funded Programs</b></p> <p>This group of codes is used to account for state-funded special revenue funds.</p>
431–459	<p><b>Special Revenue: Shared Services Arrangements—State Funded or Locally Funded</b></p> <p>This group of codes is used to account for the fiscal agent portion of a shared services arrangement that is state funded or locally funded.</p>
461–499	<p><b>Special Revenue: Local Programs</b></p> <p>This group of codes is used to account for special revenue funds from local sources.</p>

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<sup>1</sup> [Assistance Listings](#) [Formerly the Catalog of Federal Domestic Assistance]



**201–289 SPECIAL REVENUE: FEDERAL PROGRAMS**

School districts not acting as a fiscal agent for a shared services arrangement use codes 201 through 289 for moneys from federal programs. Districts must apply for most of these grants through the online eGrants system.

**℞203 Child Care and Development Block Grant**

This code is used to account for funds granted under [Title XX of the Social Security Act](#).<sup>2</sup> (CFDA 93.575)

**℞205 Head Start**

This code is used to account for funds granted for the Head Start Program. (CFDA 93.600)

**℞206 ESEA, Title X, Part C—Education for Homeless Children and Youth**

This code is used to account for funds granted for a variety of staff-development and supplemental services, including in-service training, counseling, psychological services, and tutoring. (CFDA 84.196)

**℞209 Energy Conservation for Institutional Buildings**

This code is used to account for funds granted for energy conservation by the US Department of Energy. (CFDA 81.052)

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

This code is used to account for funds to help LEAs improve teaching and learning in high-poverty schools in particular for children failing, or most at-risk of failing, to meet challenging State academic standards. (To provide opportunities for children to acquire the knowledge and skills to meet the state’s student performance standards.) (CFDA 84.010A)

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

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<sup>2</sup> Social Security Act, [Title XX](#) <sup>3</sup> [NCLB Act, §1003\(g\)](#)

- ℞ 212 ESEA, Title I, Part C—Education of Migratory Children**
- This code is used to account for funds granted for programs benefiting children of migrant agriculture or agriculture-related workers and children of migrant fishermen. (CFDA 84.011)
- ℞ 218 ESEA, Title V, Part D, Subpart 6—Jacob K. Javits Gifted and Talented Students Education Act of 2001**
- This code 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. (CFDA 84.206B)
- ℞ 220 Adult Basic Education (ABE)—Federal**
- This code 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 (ESL), and
  - secondary-level competencies for acquisition of a high school diploma or equivalent.
- If your school district receives funding provided under more than one section, it may be required maintain separate accountability and may do so by using one of the locally defined codes. (CFDA 84.002)
- ℞ 222 National and Community Service Trust Act—Learn and Serve America**
- This code is used to account for funds allocated to enable students to apply classroom learning to real-life experiences. (CFDA 94.004)  
(Corporation for National and Community Services)
- ℞ 223 Temporary Assistance for Needy Families (TANF)**
- This code is used to account for funds granted to provide education services to undereducated adult recipients of cash assistance under

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.

(CFDA 93.558)

**℞224 IDEA—Part B, Formula**

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

**℞225 IDEA—Part B, Preschool**

This code is used to account for funds granted for preschool children with disabilities. (CFDA 84.173)

**℞226 IDEA—Part B, Discretionary**

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

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

(CFDA 84.027)

**℞227 IDEA—Part B, Deaf**

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

**℞228 IDEA—Part B, Preschool Deaf**

This code is used to account for funds granted for preschool children with disabilities. (CFDA 84.173)

- ℞ 229 IDEA—Part D, Deafblind**
- This code is used to account for federal grant funds for the Texas Deafblind Project for Children Who Are Deafblind. (CFDA 84.326B; CFDA 84.025)
- ℞ 230 IDEA—Part D, Personnel Training**
- This code 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.
- ℞ 236 Substance Abuse Prevention and Treatment Block Grants**
- This code is used to account for funds granted through the Texas Department of State Health Services (TDSHS) for intervention services for young people up to age 18. (CFDA 93.959)
- ℞ 238 Substance Abuse Prevention and Treatment Block Grant—Females**
- This code 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. (CFDA 93.959)
- ℞ 239 Substance Abuse Prevention and Treatment Block Grant—Prevention**
- This code is used to account for funds granted through the Texas Department of State Health Services for prevention services for young people. (CFDA 93.959)
- ℞ 240 School Breakfast Program and National School Lunch Program**
- This code is used to account for food services in a special revenue fund when the service is subsidized with federal reimbursement revenues from the USDA.
- (CFDA 10.553, breakfast; CFDA 10.555, lunch)
- For information on whether to account for food services in the general fund (code 101), a special revenue fund (code 240), or an enterprise fund (code 701), see 1.3.2 Food Service Operations.
- ℞ 241 Regional Education Service Center Child Nutrition**
- The regional education service centers use this code to account for funds to operate a regional program of administrative support for the child nutrition program.

**R 242 Summer Food Service Program for Children, Texas Department of Agriculture (TDA)**

This 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 your district's School Breakfast Program and National School Lunch Program are accounted for in the general fund (code 101), a special revenue fund (code 240), or an enterprise fund (code 701) (For more information, see 1.3.2 Food Service Operations). (CFDA 10.559)

**R 244 Career and Technical Education—Basic Grant**

This 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.

(CFDA 84.048)

**R 245 Career and Technical Education—Single Parent**

This 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. (CFDA 84.048A)

**R 246 Career and Technical Education—Sex Equity**

This 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 career and technical education. (CFDA 84.048A)

**R 247 Career and Technical Education—Curriculum Development**

This 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. (CFDA 84.048A)

**R 248 Career and Technical Education—Professional Development**

This code is used to account for funds used for career and technical education teachers and academic teachers who are working with students in career and technical education. 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. (CFDA 84.048A)

**R 250 Career and Technical Education—Apprenticeship**

This 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

(CFDA 84.048A)

**R 251 Career and Technical Education—Quality Work Force**

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

**R 253 IDEA, Part C, Early Intervention (Deaf)**

This 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, from birth through two years of age, who are hearing impaired. The services are provided by trained, certified teachers. (CFDA 84.181A)

**R 255 ESEA, Title II, Part A—Teacher and Principal Training and Recruiting**

This code is used to account for funds used:

- to improve student academic achievement by:

- improving teacher and principal quality and
- increasing the number of highly qualified teachers, principals, and assistant principals in schools, and
- to hold districts accountable for improving student academic achievement.

(CFDA 84.367A)

**℞258 Public Charter Schools**

This code is used to account for funds granted to public charter schools for planning, designing, and implementing programs; assisting other schools; and/or sending out information about the charter school. (CFDA 84.282)

**℞259 Matching Funds for Library Purchases**

This code is used to account for federal matching funds received by the district 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. State Consolidated Administrative Funds

**℞263 Title III, Part A—English Language Acquisition and Language Enhancement**

This 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. (CFDA 84.365A)

**℞264 Community Service Grant Program**

This 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.

**℞265 Title IV, Part B—21st Century Community Learning Centers**

This 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. (CFDA 84.287)

**R 267 Improving Academic Achievement (Grants for State Assessments and Related Activities)**

This 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.

(CFDA 84.369)

**R 268 Improving Academic Achievement (Grants for Enhanced Assessment Instruments)**

This 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.

(CFDA 84.368)

**R 270 ESEA, Title VI, Part B, Subpart 2—Rural and Low Income School Grant Program**

This code is used to account for funds allocated to enable your district to address the unique needs of rural school districts. (CFDA 84.358A)

**R 271 Workforce Investment Act Youth Activities**

This code is used to account for funds allocated to districts 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.

(CFDA 17.259) (US Department of Labor)

**R 272 Medicaid Administrative Claiming Program—MAC**

This code is used to account for funds allocated to districts 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. (CFDA 93.778)



**R 273 Mathematics and Science Partnerships**

This code is used to account for funds granted to eligible partnerships to improve the academic achievement of students in mathematics and science by:

- providing professional development to improve teaching and
- recruiting math, engineering, and science majors to teaching.

(CFDA 84.336B)

**R 274 GEAR UP**

This 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 school districts 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.

(CFDA 84.334B)

**R 275 School Dropout Prevention**

This code is used to account for funds granted

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

**R 276 Title I School Improvement Program (SIP) Academy Grant**

The [No Child Left Behind Act of 2001 \(NCLB Act\)](#) authorizes funds to help TEA and districts address the needs of campuses in improvement, corrective action, and restructuring in order to improve student achievement.<sup>3</sup> In addition, a portion of SIP funds<sup>4</sup> must be used to leverage change and improve technical assistance<sup>5</sup> provided through TEA's and districts' targeting activities toward measurable outcomes as

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<sup>3</sup> [NCLB Act, §1003\(g\)](#)

<sup>4</sup> [NCLB Act, §1003\(a\)](#)

<sup>5</sup> [NCLB Act, §1116 and §1117](#)

required by the US Department of Education (USDE). 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.

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

## **℞286**

### **Title I School Improvement Program (SIP) Academy Grant—ARRA (Stimulus)**

The [NCLB Act](#) authorizes funds to help TEA and districts address the needs of campuses in improvement, corrective action, and restructuring in order to improve student achievement.<sup>6</sup> In addition, a portion of School Improvement Program funds<sup>7</sup> must be used to leverage change and improve technical assistance<sup>8</sup> provided through the TEA’s and districts’ targeting activities toward measurable outcomes as required by the US 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.<sup>9</sup>

This grant has been named the “SIP Academy” grant in Texas by the state Title I Committee of Practitioners.

## **288**

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

Your district has the option to use this code to classify federally funded special revenue funds not specifically defined elsewhere. For PEIMS reporting, these codes are converted to code 289.

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<sup>6</sup> [NCLB Act, §1003\(g\)](#)

<sup>7</sup> [NCLB Act, §1003\(a\)](#)

<sup>8</sup> [NCLB Act, §1116 and §1117](#)

<sup>9</sup> [American Recovery and Reinvestment Act \[ARRA\] of 2009, Title VIII](#)

**R 289**      **Federally Funded Special Revenue Funds**

This code 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 PEIMS reporting.

**291–379**      **SPECIAL REVENUE: SHARED SERVICES ARRANGEMENTS—  
FEDERALLY FUNDED**

The special revenue funds listed below (codes 291 through 379) are used to account for federal funds held by a fiscal agent school district or regional education service center that either:

- provides and pays for all services to member districts,
- provides and pays for some services to member districts and sends a portion of the grant to each member district to expend, or
- sends all of the grant to member districts to expend.

Amounts the fiscal agent sends to districts that are members of a shared services arrangement are reported by those school districts as revenues and expenditures of the special revenue fund in the appropriate fund (codes 201 through 289). Federally funded shared services arrangements are accounted for in the same manner as grants in the special revenue fund. At the end of each fiscal year, the fiscal agent must submit financial data, by member district, through PEIMS in a special record for shared services arrangements.

**R 292**      **Shared Services Arrangements—Child Care Development Block Grant**

The fiscal agent of a shared services arrangement uses this code to account for funds granted under Title XX of the Social Security Act. (CFDA 93.575)

**R 294**      **Shared Services Arrangements—Head Start**

The fiscal agent of a shared services arrangement uses this code to account for funds granted for the Head Start Program by the US Department of Health and Human Services. (CFDA 93.600)

**R 298**      **Shared Services Arrangements—Energy Conservation for Institutional Buildings**

The fiscal agent of a shared services arrangement uses this code to account for funds granted for energy conservation by the US Department of Energy. (CFDA 81.052)

**R 300 Shared Services Arrangements—ESEA, Title I, Part A—Improving Basic Programs Operated by Local Educational Agencies**

The fiscal agent of a shared services arrangement uses this code to account for funds allocated to districts to provide opportunities for children to acquire the knowledge and skills to meet the state’s student performance standards. (CFDA 84.010A)

**Note:** This code is also used for ESEA, Title I, Part D, Subpart 2—Local Agency Programs with locally operated correctional facilities, and [Title I—Improving the Academic Achievement of The Disadvantaged](#), or [Title I, Section 1003, School Improvement](#).

**R 301 Shared Services Arrangements—ESEA, Title I, Part C—Education of Migratory Children**

The fiscal agent of a shared services arrangement uses this code to account for funds granted for programs benefiting children of migrant agriculture or agriculture-related workers and children of migrant fishermen. (CFDA 84.011)

**R 307 Shared Services Arrangements—ESEA, Title V, Part D, Subpart 6—Jacob K. Javits Gifted and Talented Students Education Act**

The fiscal agent of a shared services arrangement uses this code to account for funds granted for programs designed to meet the educational needs of gifted and talented students, including training personnel in educating gifted and talented students and in using gifted and talented services, materials, and methods for all students. (CFDA 84.206)

**R 309 Shared Services Arrangements—Adult Basic Education (ABE)—Federal**

The fiscal agent of a shared services arrangement uses this code 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 not enrolled in school. Services may include workplace literacy, family literacy, and English literacy programs ([Workforce Investment Act of 1998](#), §225 and §231). Funds may also be used for professional development ([Workforce Investment Act of 1998](#), §223). A fiscal agent that receives funding under more than one section must maintain separate accountability by using one of the locally defined codes. (CFDA 84.002)

- ℞311 Shared Services Arrangements—National and Community Service Trust Act—Learn and Serve America**
- The fiscal agent of a shared services arrangement uses this code to account for funds allocated to enable students to apply classroom learning to real-life experiences.
- ℞312 Shared Services Arrangements—Temporary Assistance for Needy Families (TANF)**
- The fiscal agent of a shared services arrangement uses this code 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 instruction, and secondary-level competencies for acquisition of a high school diploma or its equivalent. (CFDA 93.558)
- ℞313 Shared Services Arrangements—IDEA—Part B, Formula**
- The fiscal agent of a shared services arrangement uses this code to account for funds granted to operate educational programs for children with disabilities. This fund classification includes capacity building and improvement (sliver) subgrants. (CFDA 84.027)
- ℞314 Shared Services Arrangements—IDEA—Part B, Preschool**
- The fiscal agent of a shared services arrangement uses this code to account for funds granted for preschool children with disabilities. (CFDA 84.173)
- ℞315 Shared Services Arrangements—IDEA—Part B, Discretionary**
- The fiscal agent of a shared services arrangement uses this code to account for funds used to support a regional education service center basic special education component and also:
- targeted support to LEAs
  - regional day school programs for the deaf
  - private residential placements
  - priority projects
  - other emerging needs
- (CFDA 84.027)

- ℞316 Shared Services Arrangements—IDEA—Part B**  
The fiscal agent of a shared services arrangement uses this code to account for funds granted to operate educational programs for children with disabilities. This code includes capacity building and improvement (sliver) deaf subgrants. (CFDA 84.027)
- ℞317 Shared Services Arrangements—IDEA—Part B**  
The fiscal agent of a shared services arrangement uses this code to account for funds granted for preschool children with disabilities. (CFDA 84.173)
- ℞319 Shared Services Arrangements—IDEA—Part D, Personnel Training**  
The fiscal agent of a shared services arrangement uses this code to account for funds granted for programs related to the training and preparation of school personnel who provide educational services to students with disabilities.
- ℞325 Shared Services Arrangements—Substance Abuse Prevention and Treatment Block Grant—Intervention**  
The fiscal agent of a shared services arrangement uses this code to account for funds granted through the Texas Department of State Health Services for intervention services for youths up to age 18. (CFDA 93.959)
- ℞327 Shared Services Arrangements—Substance Abuse Prevention and Treatment Block Grant—Females**  
The fiscal agent of a shared services arrangement uses this code to account for funds granted through the Texas Department of State Health Services for intervention services for females under the age of 18. (CFDA 93.959)
- ℞328 Shared Services Arrangements—Substance Abuse Prevention and Treatment Block Grant—Prevention**  
The fiscal agent of a shared services arrangement uses this code to account for funds granted through the Texas Department of State Health Services for substance abuse prevention services for youths. (CFDA 93.959)

**R 329 Shared Services Arrangements—Summer Food Service Program, Texas Department of Agriculture**

The fiscal agent of a shared services arrangement uses this code to account for funds received from the Texas Department of Agriculture that are awarded based on the average number of daily participants. (CFDA 10.559)

**R 331 Shared Services Arrangements—Career and Technical Education—Basic Grant**

The fiscal agent of a shared services arrangement uses this code to account for funds granted to provide career and technical education(CTE) to develop new or improved CTE programs for paid and unpaid employment. Full participation in the basic grant is for individuals who are members of special populations:

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

(CFDA 84.048)

**R 332 Shared Services Arrangements—Career and Technical Education—Single Parent**

The fiscal agent of a shared services arrangement uses this code to account for funds granted to develop marketable skills through programs, services, and activities (includes dependent care and transportation) for people who are single parents, displaced homemakers, or single pregnant women. (CFDA 84.048A)

**R 333 Shared Services Arrangements—Career and Technical Education—Sex Equity**

The fiscal agent of a shared services arrangement uses this code to account for funds granted for programs, services (including preparatory services, support services, and comprehensive career guidance and counseling), and activities to eliminate sex bias and stereotyping in career and technical education. (CFDA 84.048A)

**R 334 Shared Services Arrangements—Career and Technical Education—Curriculum Development**

The fiscal agent of a shared services arrangement uses this code to account for funds granted to develop, disseminate, and field test curriculum. This especially includes curriculum that integrates vocational and academic methods and provides a coherent sequence of

courses through which academic and occupational skills may be measured. (CFDA 84.048A)

**℞335 Shared Services Arrangements—Career and Technical Education—Professional Development**

The fiscal agent of a shared services arrangement uses this code to account for funds used for career and technical education (CTE) teachers and academic teachers 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 particular emphasis on training minority teachers. (CFDA 84.048A)

**℞337 Shared Services Arrangements—Career and Technical Education—Apprenticeship**

The fiscal agent of a shared services arrangement uses this code 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.

(CFDA 84.048A)

**℞338 Shared Services Arrangements—Career and Technical Education—Quality Work Force**

The fiscal agent of a shared services arrangement uses this code to account for funds granted to operate a quality workforce planning committee (partnership between educators and employers). (CFDA 84.048A)

**℞340 Shared Services Arrangements—IDEA, Part C, Early Intervention (Deaf)**

The fiscal agent of a shared services arrangement uses this code to account for funds granted for programs in local regional day schools for the deaf and the Texas School for the Deaf. The programs use certified and trained teachers to provide direct services to hearing impaired infants and toddlers, ages birth through two years. (CFDA 84.181A)



**R 342 Shared Services Arrangements—Title II, Part A—Teacher and Principal Training and Recruiting**

The fiscal agent of a shared services arrangement uses this code to account for financial assistance to districts to:

- increase student academic achievement by:
  - improving teacher and principal quality and
  - increasing the number of highly qualified teachers in classrooms and highly qualified principals and assistant principals in schools and
- hold districts and schools accountable for improving student academic achievement.

(CFDA 84.367A)

**R 347 Shared Services Arrangements—ESEA, Title VI, Part B, Subpart 2—Rural and Low Income School Program**

The fiscal agent of a shared services arrangement uses this code to account for funds allocated to districts to enable them to address the unique needs of rural school districts. (CFDA 84.358B).

**R 350 Shared Services Arrangements—Title III, Part A—English Language Acquisition, Language Enhancement, and Academic Achievement Act**

The fiscal agent of a shared services arrangement uses this code to account for funds granted to help children who have limited English proficiency to learn English and meet standards for academic achievement. (CFDA 84.365A)

**R 352 Shared Services Arrangements—21st Century Community Learning Centers**

The fiscal agent of a shared services arrangement uses this code to account for funds granted to community learning centers to provide academic enrichment and other services to students and literacy-related educational development for their families. (CFDA 84.287)

**R 354 Shared Services Arrangements—Improving Academic Achievement (Grants for State Assessments and Related Activities)**

The fiscal agent of a shared services arrangement uses this code to account for funds granted to increase educational achievement through developing and administering state assessments and standards and through professional development aligned with student standards and assessments. (CFDA 84.369)

- ℞355 Shared Services Arrangements—Improving Academic Achievement (Competitive Grants for State Assessments)**
- The fiscal agent of a shared services arrangement uses this code to account for funds granted to increase educational achievement through developing and administering state assessments and standards and through professional development aligned with student standards and assessments. (CFDA 84.368)
- ℞357 Shared Services Arrangements—Mathematics and Science Partnerships**
- The fiscal agent of a shared services arrangement uses this code to account for funds granted to eligible partnerships to improve the academic achievement of students in mathematics and science by providing professional development to improve teaching and by recruiting math, engineering, and science majors to teaching. (CFDA 84.336B)
- ℞ 359 Shared Services Arrangements—ESEA, Title I, Part A—Improving Basic Programs—ARRA (Stimulus)**
- The fiscal agent of a shared services arrangement uses this code to account for funds allocated to districts to provide opportunities for children to acquire the knowledge and skills to meet the state’s student performance standards.<sup>10</sup>
- Note:** This code is also used for district programs with locally operated correctional facilities<sup>11</sup> and the Title I School Improvement Program.<sup>12</sup>
- ℞360 Shared Services Arrangements—Title I SIP Academy Grant—ARRA (Stimulus)**
- Only the fiscal agent of a shared services arrangement may use this code. The No Child Left Behind Act of 2001 (NCLB Act)<sup>13</sup> authorizes funds to help the TEA and districts address the needs of campuses in improvement, corrective action, and restructuring in order to improve student achievement. In addition, a portion of the School Improvement Program(SIP) funds<sup>14</sup> must be used to leverage change and improve

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<sup>10</sup> [ARRA of 2009, Title VIII](#)

<sup>11</sup> [34 CFR, §200.90–§200.91](#)

<sup>12</sup> [NCLB Act, Title I](#)

<sup>13</sup> [NCLB Act, §1003\(g\)](#)

<sup>14</sup> [NCLB Act, §1003\(g\)](#)

technical assistance<sup>15</sup> provided through TEA’s and districts’ targeting activities toward measurable outcomes as required by the USDE.

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.<sup>16</sup>

This grant has been named the “SIP Academy” grant in Texas by the state Title I Committee of Practitioners.

**℞ 364 Shared Services Arrangements—IDEA—Part B, Formula—ARRA (Stimulus)**

The fiscal agent of a shared services arrangement uses this code to account for funds granted to operate educational programs for children with disabilities. This code includes capacity building and improvement (sliver) subgrants.<sup>17</sup>

**℞ 365 Shared Services Arrangements—IDEA—Part B, Preschool—ARRA (Stimulus)**

The fiscal agent of a shared services arrangement uses this code to account for funds granted for preschool children with disabilities.<sup>18</sup>

**℞ 367 Shared Services Arrangements—ESEA, Title X, Part C—Education for the Homeless Children and Youths—ARRA (Stimulus)**

The fiscal agent of a shared services arrangement uses this code to account for funds granted for a variety of staff development and supplemental services, including in-service training, counseling, psychological services, and tutoring.<sup>19</sup>

**368–378 Federally Funded Shared Services Arrangements—Locally Defined**

The fiscal agent of a shared services arrangement has the option to use these codes to account for federally funded shared services

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<sup>15</sup> [NCLB Act, §1116](#) and [§1117](#)

<sup>16</sup> [ARRA, Title VIII](#)

<sup>17</sup> [ARRA, Title VIII](#)

<sup>18</sup> [ARRA, Title VIII](#)

<sup>19</sup> [ARRA, Title VIII](#)

arrangements not specifically defined elsewhere. For PEIMS reporting, these codes are converted to code 379.

**℞379**      **Federally Funded Shared Services Arrangements**

The fiscal agent of a shared services arrangement uses this code to account for federally funded shared services arrangements not listed elsewhere. Any locally defined codes that are used at the local option are converted to code 379 for PEIMS reporting.

**381–429**      **SPECIAL REVENUE: STATE-FUNDED PROGRAMS**

Codes 381 through 429 are used to account for state program funds, including funds your district receives through a fiscal agent from a shared services agreement (SSA) of which your district is a member. However, your district does not use these codes if it is acting as the fiscal agent for an SSA.

**℞381**      **Adult Basic Education (ABE)—State**

This code is used to account for funds granted to provide or support programs for adult education and literacy services to people 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.

**℞382**      **Temporary Assistance for Needy Families (TANF)—State**

This code 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 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.<sup>20</sup>

**℞383**      **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. Your district 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

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<sup>20</sup> [TEC, §29.252](#)

funds directly to provide training and staff development in technology and innovative teaching practices.<sup>21</sup>

**R 384****Texas After-School Initiative**

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

**R 385****State Supplemental Visually Impaired (SSVI)**

This 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.

**R 386****Regional Day School for the Deaf**

This code is used to account for funds allocated for the staff and activities of the regional day school program for the deaf (RDSPD). Your district must not use these funds to pay salaries of teachers

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

**R 387****Quality Work Force Planning—State**

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

**R 388****Innovative Education Grants**

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

**R 390****Early Childhood Limited English Proficient (LEP) Summer Program**

This 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.<sup>22</sup>

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<sup>21</sup> [TEC, §21.047](#)

<sup>22</sup> [TEC, §29.060](#)

**R 391 Year-Round Schools Incentive**

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

**R 392 Noneducational Community-Based Support**

This 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.<sup>23</sup>

**R 393 Texas Successful Schools Program**

This code is used to account for grant moneys your district applied for after receiving notice from TEA of eligibility based on criteria for the academic performance indicators.<sup>24</sup>

**R 395 Comprehensive Developmental Guidance Program on Elementary Campuses for Students in At-Risk Situations**

This 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.<sup>25</sup>

**R 396 Communities in Schools**

This code is used to account for funds granted for an in-school multidisciplinary approach to decreasing the dropout rate in the school

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<sup>23</sup> [TEC, §29.013](#)

<sup>24</sup> [TEC, §39.261](#)

<sup>25</sup> [TEC, §33.005](#)

district by increasing each participant’s chance of being successful in school.

**℞397      Advanced Placement Incentives**

This code is used to account for funds awarded to your district under the Texas Advanced Placement Incentive Program.<sup>26</sup>

**℞398      Children’s Trust Fund of Texas**

This 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.

**℞399      Investment Capital Funds or Campus Deregulation and Restructuring to Improve Student Achievement**

This code is used to account for funds to help individual campuses implement practices and procedures consistent with school 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.<sup>27</sup>

**℞400      School Health (Regional Education Service Centers [ESCs] Only)**

ESCs must use this code for funds to operate a program of comprehensive school health services.

**℞402      Texas Ready to Read Program**

This 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.

**℞403      Certification (Regional Education Service Centers [ESCs] Only)**

ESCs must use this code to account for funds to operate a program of regional certification of officers.

**℞404      Student Success Initiative**

This code is used to account for funds granted for teacher training and allocations to schools to implement scientific, research-based programs

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<sup>26</sup> [TEC, §§28.051–28.058](#)

<sup>27</sup> [TEC, §7.024](#)

for students who have been identified as unlikely to achieve the third grade STAAR reading standard by the end of the third grade.

- ℞ 405 Gifted and Talented (Regional Education Service Centers [ESCs] Only)**  
ESCs must use this code to account for funds to support school district efforts in the area of gifted and talented education.
- ℞ 406 Teacher Recruitment (Regional Education Service Centers [ESCs] Only)**  
ESCs must use this code to account for funds to operate a program of teacher recruitment.
- ℞ 407 Bilingual Education (Regional Education Service Centers [ESCs] Only)**  
ESCs must use this code to account for funds to support school district efforts in the area of bilingual education and English as a second language.
- ℞ 408 Technology (Regional Education Service Centers [ESCs] Only)**  
ESCs must use this code to account for funds to support school district efforts in the area of technology.
- ℞ 409 High School Completion and Success and Texas High School Project**  
This code is used to account for funds granted for programs to improve high school graduation rates and postsecondary readiness.
- ℞ 410 State Instructional Materials Fund**  
This code is used to account for funds awarded to your district under the instructional materials allotment. Instructional materials include textbooks, software, supplemental materials, DVDs and CD-ROMs, online services, open-source materials, and other means of conveying information electronically.<sup>28</sup>
- ℞ 412 Public School Child Care Services**  
This code is used to account for funds awarded to your district for child care service for school-age children.<sup>29</sup>

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<sup>28</sup> [TEC, §31.0211](#)

<sup>29</sup> [TEC, §33.902](#)



- R 414**      **Texas Reading Initiative and Texas Reading, Math, and Science Initiative**
- This 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.
- R 415**      **Kindergarten and Prekindergarten Grants**
- This code is used to account for funds granted to implement or expand a kindergarten or prekindergarten program beyond the required program.<sup>30</sup>
- R 416**      **State Head Start**
- This 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.
- R 419**      **Head Start—Ready to Read or Early Childhood School Readiness**
- This 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.
- R 422**      **Matching Funds for Library Purchases**
- This code is used to account for matching funds your district receives for expenditures for books and other school library materials that are catalogued and circulated from a central source in each school building. The Texas Education Agency 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.
- 427**      **State-Funded Special Revenue Funds—Locally Defined**
- This code is used to account for funds that are received from the state and that are not listed elsewhere. For PEIMS reporting, convert this code to code 429.

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<sup>30</sup> [TEC, §29.153](#)

**R 429 State-Funded Special Revenue Funds**

This 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 PEIMS reporting.

**431–459 SPECIAL REVENUE: SHARED SERVICES ARRANGEMENTS—STATE FUNDED OR LOCALLY FUNDED**

The special revenue funds listed below (codes 431–459) are used to account for state or local funds held by a fiscal agent school district or regional education service center that either:

- provides and pays for all services to member districts;
- provides and pays for some services to member districts and sends a portion of the grant to each member district to expend;
- receives funds from member districts to expend on shared personnel, etc.; or
- sends all of the grant to member districts to expend.

The member districts of a shared services arrangement receive amounts from the fiscal agent and account for them as revenues and expenditures of the special revenue fund, using the appropriate code (codes 381–429).

Federally funded shared services arrangements are accounted for in the same manner as grants are accounted for in the special revenue fund. At the end of each fiscal year, the fiscal agent must submit financial data, by member district, through PEIMS in a special record for shared services arrangements.

**R 431 Shared Services Arrangements—Adult Education—State or Educational Technology (Ed Tech) Pilot**

This code is used by the fiscal agent of a shared services arrangement to account, on a project basis, 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. Funds can be used for the same purposes as federal funds for adult education funds.

**R 432 Shared Services Arrangements—Temporary Assistance for Needy Families (TANF)—State**

This code is used by the fiscal agent of a shared services arrangement to account, on a project basis, 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 instruction, and secondary-level competencies for earning a high school diploma or its equivalent.<sup>31</sup>

**℞ 433 Shared Services Arrangements—Professional Staff Development**

This code is used by the fiscal agent of a shared services arrangement to account for funds used to provide preservice training and staff development in technology and innovative teaching practices for teachers and administrators. Public schools and regional education service centers may:

- serve as fiscal agents for establishing a center for professional development under the direction of an institution of higher education<sup>32</sup> or
- receive funds directly to provide training and staff development in technology and innovative teaching practices.

**℞ 434 Shared Services Arrangements—State Supplemental Visually Impaired (SSVI)**

This code is used by the fiscal agent of a shared services arrangement to account for state supplemental visually impaired (SSVI) funds.

**℞ 435 Shared Services Arrangements—Regional Day School for the Deaf**

This code is used by the fiscal agent of a shared services arrangement to account for funds allocated for the staff and activities of the regional day school program for the Deaf (RDSPD).

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<sup>31</sup> [TEC, §21.047](#)

These funds must not be used to pay salaries of teachers who

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

**℞436 Shared Services Arrangements—Quality Workforce Planning—State**

This code is used by the fiscal agent of a shared services arrangement to account for funds for the benefit of a quality workforce planning committee.

**℞437 Shared Services Arrangements—Special Education**

This code is used by the fiscal agent of a shared services arrangement to account for funds for special education, other than regional day school for the deaf and state supplemental visually impaired (SSVI).

**℞438 Shared Services Arrangements—Public School Child Care Services**

This code is used by the fiscal agent of a shared services arrangement to account for funds awarded to school districts for child care service for school-age children.<sup>33</sup>

**℞439 Shared Services Arrangements—Texas Reading Initiative or Texas Reading, Math, and Science Initiative**

This code is used by the fiscal agent of a shared services arrangement to account for funds awarded to school districts to implement scientific, research-based programs, including the costs of:

- instructional or diagnostic reading materials,
- instructional staff, and
- professional staff development of educators.

**℞441 Shared Services Arrangements—Head Start, Ready to Read, or Early Childhood School Readiness**

This code is used by the fiscal agent of a shared services arrangement to account for funds granted to preschool programs to provide scientific, research-based prereading instruction for three- and four-year-old children.

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<sup>33</sup> [TEC, §33.902](#)

**℞442 Shared Services Arrangements—Limited English Proficient (LEP) Student Success Initiative**

This code is used by the fiscal agent of a shared services arrangement to account for funds granted to schools to provide intensive programs of instruction for limited English-proficient (LEP) students and teacher training resources specific to instruction of LEP students.<sup>34</sup>

**446–458 State-Funded or Locally Funded Shared Services Arrangements—Locally Defined**

These codes are used, at the option of your school district, for state-funded or locally funded shared services arrangements not specifically defined elsewhere. For PEIMS reporting, these codes must be converted to code 459.

**℞459 Shared Services Arrangements—State-Funded and Locally Funded Educational Programs (Includes State or Local Supplement to Federal Funding)**

This code is used to account for state-funded and locally funded shared services arrangements not listed above. Any locally defined codes that are used at the local option must be converted to code 459 for PEIMS reporting.

**461–478 SPECIAL REVENUE: LOCAL PROGRAMS**

Codes 461 through 478 and 480 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.

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<sup>34</sup> [TEC, §39.0241\(d\)](#)

**R 461      Campus Activity Funds (See Code 865 for Student Activity Funds)**

This code is used to account for transactions related to a principal's activity fund if the moneys generated are not subject to recall into the general fund by the school district'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.

**472–478      Permanent Funds—Locally Defined**

These codes are used, at the option of your school district, to classify permanent funds not defined elsewhere. For PEIMS reporting, these codes must be converted to code 479.

**479      PERMANENT FUND**

According to GASB, permanent funds should be used to account for and report resources that are 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. Permanent funds do not include private-purpose trust funds.

**R 479      Permanent Fund**

This code is used to account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the reporting organization's programs (permanent funds do not include private-purpose trust funds).

**480–499      SPECIAL REVENUE: LOCAL PROGRAMS**

Codes 461 through 478 and 480 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.

**480–498      Locally Funded Special Revenue Funds—Locally Defined**

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

**R 499 Locally Funded Special Revenue Funds**

This 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 PEIMS reporting.

**500 DEBT SERVICE FUNDS**

A debt service fund is a governmental fund, with budgetary control, that must be used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated. A separate bank account must be kept for this fund. Principal and interest payments for operating indebtedness, including warrants, notes, and short-term lease-purchase agreements, must be made from the fund for which the debt was incurred. This fund uses the modified accrual basis of accounting.

**511–598 Debt Service Funds—Locally Defined**

These codes are used, at the option of your school district, to account for specific debt services. For PEIMS reporting, these accounts are converted to code 599.

**R 599 Debt Service Funds**

This code is used to combine all debt service funds for reporting. School districts are encouraged to use locally defined debt service funds (codes 511–598) to provide separate accountability for each type or issue of debt and convert those accounts to code 599 for PEIMS reporting.

This code is also used to record transactions involving the Foundation School Program instructional facilities allotment for bonded indebtedness (voter-approved debt).

**Note:** Code 199, general fund, is used to record transactions involving the instructional facilities allotment for lease-purchase.

**600 CAPITAL PROJECTS FUNDS**

This code is used for a capital projects fund, which is a governmental fund that must be used for projects financed by the proceeds from bond issues or for capital projects otherwise mandated to be accounted for in this fund. The capital projects fund uses the modified accrual basis of accounting.

**616–698 Capital Projects Funds—Locally Defined**

These codes are used, at the option of the school district, to classify capital projects on a project-by-project basis. For PEIMS reporting, these accounts are converted to code 699.

**℞ 699 Capital Projects Funds**

This code is used to combine all capital projects funds for reporting. Each capital project should be recorded in a locally defined fund (codes 616–698) and converted to code 699 for PEIMS reporting.

**700****PROPRIETARY FUND TYPES**

These codes are used to account for your district’s ongoing organizations and activities in which net income and capital maintenance are measured. All related assets, liabilities, equities, revenues, expenses, nonoperating revenues and expenses, and transfers are accounted for through the fund affected.

Generally accepted accounting principles that apply to similar businesses in the private sector apply to proprietary funds because net income and financial position must be determined. These funds use the accrual basis of accounting.

The two types of proprietary fund are enterprise funds and internal service funds.

Your district’s board of trustees is not required to approve a budget for proprietary funds except for a child nutrition program accounted for under code 701. Code 701 is the only proprietary fund that must be reported to the state through PEIMS.

**701–749 ENTERPRISE FUNDS**

An enterprise fund is a proprietary fund accounted for on the accrual basis and not required to be budgeted. The exception is for child nutrition operations accounted for in an enterprise fund in accordance with generally accepted accounting principles for which a budget must be submitted to the state through PEIMS. Generally accepted accounting principles of the private sector apply because financial position, results of operations, and cash flows must be determined.

Expenses of an enterprise operation, including depreciation, are generally intended to be financed or recovered primarily through user charges rather than from government grants or subsidies.



An example of an operation to be accounted for in the enterprise fund is a district-owned concession stand that serves the general public at school-sponsored events, and the primary intent of operations is to realize a profit as a result of sales.

Codes 701–749 are used to account for enterprise funds.

**701 Enterprise Fund—School Breakfast Program and National School Lunch Program (NSLP) (Report Budget and Actual Expenditures through PEIMS)**

This code is used to account for budgeted food service operations when your school district intends for the food service operations to be financed from the NSLP program and user charges, rather than from general fund subsidies.

For information on whether to account for food services in the general fund (code 101), a special revenue fund (code 240), or an enterprise fund (code 701), see 1.3.2 Food Service Operations.

Summer feeding programs funded by the Department of Agriculture must be accounted for in a special revenue fund using code 242. (CFDA 10.553, breakfast; CFDA 10.555, lunch)

**711–748 Enterprise Funds—Locally Defined**

These codes are used, at the option of your school district, to account for enterprise funds not defined elsewhere. These codes are not reported through PEIMS and are converted to code 749 only for PEIMS payroll reporting.

**749 Enterprise Funds**

This code is used to classify enterprise funds not defined elsewhere. (This code is reported to the payroll record only through PEIMS.)

**751–799 INTERNAL SERVICE FUNDS**

Internal service funds are proprietary funds accounted for on the accrual basis. No budget is required for internal service funds.

These funds are not required to be reported through PEIMS, except the payroll data. Internal service funds apply the same generally accepted accounting principles as the enterprise fund.

Your district may use this type of fund to account for financing goods or services provided by one organizational unit of your district to other organizational units of the district, or to other districts or governmental

units, on a cost-reimbursement basis. For example, an internal service fund would be used to account for transactions related to a print shop operated by a school district.

Your district may use local detail codes to further account for internal services.

According to [GASB Statement No. 10: Accounting and Financial Reporting for Risk Financing and Related Insurance Issues](#), public entity risk pools must be accounted for in the internal service fund. A public entity risk pool is a shared services arrangement group of governmental entities joined together to finance an exposure, liability, or risk, such as employee health care, general liability, unemployment

compensation, and workers' compensation. Codes 751 through 799 are used to account for internal service funds.

#### ***R*751      **Transportation****

This code is used to account for transactions related to transportation services provided to other organizational units of your district or other districts or governmental units on a cost-reimbursement basis. (Your district may use this code to allocate these costs to other accounts.)

**This code is not reported through the PEIMS.**

#### ***R*752      **Print Shop****

This code is used to account for transactions related to print shop services provided to other organizational units of your district or to other districts or governmental units on a cost-reimbursement basis. (Your district may use this code to allocate these costs to other accounts.)

**This code is not reported through the PEIMS.**

#### ***R*753      **Insurance****

This code is used to account for transactions related to self-insurance activities of the school district. (Your district may use this code to allocate these costs to other accounts.) Your district must use distinct, locally defined codes when necessary to maintain separate accountability for each self-insurance program. **This code is not reported through the PEIMS.**

#### ***R*754      **Computer Operations****

This code is used to account for transactions related to computer services provided to other organizational units of the district or other districts or governmental units on a cost-reimbursement basis. (Your

district may use this code to allocate these costs to other accounts.)

**This code is not reported through the PEIMS.**

### **℞755**

#### **Public Entity Risk Pool**

This code is used to account for transactions related to a public entity risk pool. A public entity risk pool must be accounted for in the internal service fund. A public entity risk pool is a shared services arrangement of governmental entities joined to finance an exposure, liability, or risk, such as employee health care, general liability, unemployment compensation, and workers' compensation. If your district is the fiscal agent for more than one type of risk pool, it may use locally defined codes to provide appropriate accounting. **This code is not reported through the PEIMS.**

### **770–798**

#### **Internal Service Funds—Locally Defined**

These codes are used, at the option of your school district, to classify internal service funds not defined elsewhere. **These codes are not reported through the PEIMS.**

### **799**

#### **Internal Service Funds**

This fund is used to account for internal funds not specified elsewhere. **This code is not reported through PEIMS.**

## **800**

### **FIDUCIARY FUND TYPES AND SIMILAR COMPONENT UNITS**

This group of codes is used to account for assets held by your school district in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. These assets can include pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Almost all Texas school districts provide benefits through the Teacher Retirement System (TRS) of Texas and do not provide benefits through a local pension trust fund.

### **811–859**

#### **TRUST FUNDS**

These codes are used to account for fiduciary funds using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment health care plans (refer to for guidance on recognition of these liabilities). Trust funds must not be reported through PEIMS.

**811–829****PRIVATE-PURPOSE TRUST FUNDS—LOCALLY DEFINED**

These codes are used to account for fiduciary funds with the economic resources measurement focus and the accrual basis of accounting. Reporting activities focus on net position and changes in net position. Resources accounted for with this code include scholarship funds received by your district to be awarded to current and former students for postsecondary education purposes. Private-purpose trust funds are not reported through PEIMS. Codes 811 through 829 are used to account for private-purpose trust funds.

**816–828****Private-Purpose Trust Funds—Locally Defined**

These codes are used to account for locally defined private-purpose trust funds. These codes are not reported through PEIMS.

**829****Private-Purpose Trust Funds**

This code is used to account for private-purpose trust funds not defined elsewhere. This code is not reported through PEIMS.

**831–849****INVESTMENT TRUST FUNDS**

These codes are used to account for fiduciary funds on the economic resources measurement focus and the accrual basis of accounting. Reporting activities focus on net position and changes in net position. Investment trust funds are not reported through PEIMS. Codes 831 through 849 are used to account for investment trust funds.

**836–848****Investment Trust Funds—Locally Defined**

These codes are used to account for locally defined investment trust funds. These codes are not reported through PEIMS.

**849****Investment Trust Funds**

This code is used to account for investment trust funds not defined elsewhere. This code is not reported through PEIMS.

**851–859****PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**

These codes are used to account for local pension and other employee benefit funds that are provided by a school district in lieu of or in addition to the Teacher Retirement System of Texas. Reporting activities focus on net position and changes in net position. Codes 851 through 859 are used to account for pension and other employee benefit trust funds.

**851–858 Pension and Other Employee Benefit Trust Funds—Locally Defined**

These codes must be used for locally defined pension and other employee benefit trust funds. These codes are not reported through PEIMS.

**859 Pension and Other Employee Benefit Trust Funds**

This code is used to account for pension and other employee benefit funds not defined elsewhere. This code is not reported through PEIMS.

**861–899 AGENCY FUNDS**

These codes are used to account for funds using the economic resources measurement focus and the accrual basis of accounting. These funds are held in a custodial capacity by a school district, and they consist of funds that are the property of students or others. Agency funds do not involve measurement of results of operations, and they have no fund equity because assets are equal to liabilities.

Examples of agency funds include class funds that are the property of the students. Locally raised revenues used for general operating purposes, such as certain principal’s activity accounts, are not agency funds, and must be budgeted and accounted for in the special revenue fund, or in some instances, in the general fund. Furthermore, deferred compensation funds must be accounted for in the agency fund if the district serves as trustee of the plan. The agency funds must not be reported through PEIMS. Codes 861 through 899 are used to account for agency funds.

***R*861 Agency Fund for Tax Collections**

This code is used to account for taxes collected on behalf of another taxing unit, including consolidated taxing districts. The collecting school district holds these funds in a custodial capacity and may not commingle them with its own funds. This code uses the economic resources measurement focus and the accrual basis of accounting. This code is not reported through PEIMS.

***R*862 Agency Fund for Instructional Material Waiver Refunds**

This code was used for a clearing account for refunds received from the Texas Education Agency (TEA) because of waivers granted for instructional materials. The TEA discontinued the instructional materials waiver process beginning with the 2011–2012 school year. This code is not reported through PEIMS.

- R 865      Student Activity Account (See Code 461 for Campus Activity Funds)**  
This code is used for an agency account for student “club” funds or “class” funds. This code is not reported through PEIMS.
- 876–898      Locally Defined Agency Funds**  
These codes are used for locally defined agency funds not listed above. These codes are not reported through PEIMS.
- 899      Agency Funds**  
This code is used to account for agency funds not specified elsewhere. This code is not reported through PEIMS.
- 900      GENERAL CAPITAL ASSETS AND LONG-TERM DEBT**  
These codes are used to record general capital assets and long-term debt involving governmental activities.
- R 901      General Capital Assets**  
This code uses an accrual basis of accounting to account for general capital assets not recorded in the proprietary funds or fiduciary funds. This code is for specific pieces of property such as equipment, land, and buildings as well as all associated costs. This code is not reported through PEIMS.
- R 902      Long-Term Debt**  
This code is used to account for noncurrent debts under an accrual basis of accounting. Long-term debts of proprietary funds and fiduciary funds are accounted for through those fund types and are not included in this code. This code is not reported through PEIMS.

**A.2.2 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 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
<b>100–600, Governmental Fund Types</b>		
<b>100, General Fund</b>		
	104, 105	103 106–160
<b>200, 300, 400, Special Revenue Funds</b>		
<b>201–289, Special Revenue: Federal Programs</b>		
	202	201
	204	282
	207, 208	
	210	
	213–217	
	219	
	221	
	231–235	
	237	
	243	
	249	
	252	
	254	
	256, 257	
	260–262	
	266	
	269	
	277–281	
	283–285	
	287	
<b>291–379, Special Revenue: Shared Services Arrangements— Federally Funded</b>		

Category of Funds	Unavailable	Reserved for Future State Definition
	291	305
	293	308
	295–297	344
	299	346
	302–304	362, 363
	306	
	310	
	318	
	320–324	
	326	
	330	
	336	
	339	
	341	
	343	
	345	
	348, 349	
	351	
	353	
	356	
	358	
	361	
	366	
<b>381–429, Special Revenue: State-Funded Programs</b>		
	389	
	394	
	401	
	411	
	413	
	417	
	418	
	420, 421	
	423–426	
	428	
<b>431–459, Special Revenue: Shared Services Arrangements—State Funded or Locally Funded</b>		
		440, 443–445
<b>461–499, Special Revenue: Local Programs</b>		
		462–469
		470–471
<b>500, Debt Service Funds</b>		



Category of Funds	Unavailable	Reserved for Future State Definition
		501–510
<b>600, Capital Projects Funds</b>		
	601	602–615
<b>700, Proprietary Fund Types</b>		
<b>701–749, Enterprise Funds</b>		
	702	703–710
<b>751–799, Internal Service Funds</b>		
		756–769
<b>800, Fiduciary Fund Types and Similar Component Units</b>		
<b>811–829, Private-Purpose Trust Funds</b>		
	811–815	
<b>831–849, Investment Trust Funds</b>		
	831	832
	833	834
		835
<b>851–859, Pension and Other Employee Benefit Trust Funds</b>		
<b>861–899, Agency Funds</b>		
	866–872	863, 864
		873–875
<b>900, General Capital Assets and Long-Term Debt</b>		
		903–999

## A.3 Function Codes

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

An **R** by a function indicates that the function is required for reporting purposes (Public Education Information Management System [PEIMS], annual financial and compliance report, or both) if your district used that function.

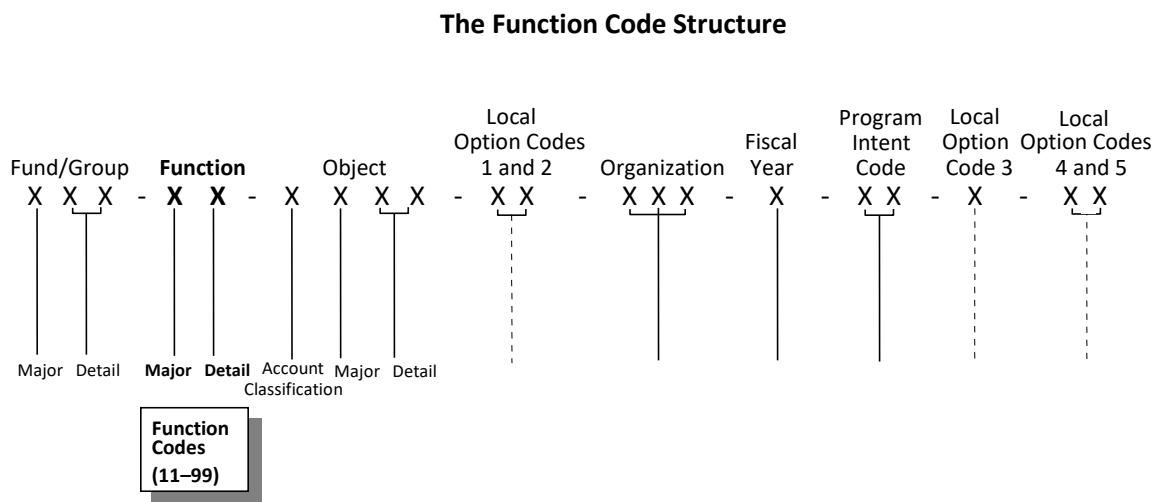
**Note:** “Costs” means “expenditures” or “expenses” in this appendix.

Exhibit A.3 illustrates the position of the function codes in the accounting code system.

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### Exhibit A.3 Function Code Structure

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————— Indicates a mandatory code for state reporting purposes.  
 - - - - - Indicates a code that may be used at local option.

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 Capital Outlay
- 90 Intergovernmental Charges

Each of these major areas includes specific function codes.

#### **Organization Codes and Program Intent Codes**

Certain costs must be accounted for by organization code and program intent code (PIC). See [A.6 Organizational Codes](#) and [A.8 Program Intent Codes](#) for information about which costs must be accounted for with these codes.

Your school district is 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, your district should weigh the benefits to district management against the effort required to allocate costs before allocating costs that are not required to be allocated.

If your school district does not use specific PICs for costs that do not require them, it must use program intent code 99 (Undistributed) for those costs. If your district 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 or 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 **an approved** medium such as television, radio, telephone, telecommunications, multimedia, correspondence, computer, internet, or online. This code includes costs for direct classroom instruction, other instruction, and activities that enhance or direct the delivery of instruction to students.

<b>Function Code 11—Costs to Include:</b>	<b>Function Code 11—Costs to Exclude (correct function code appears in parentheses):</b>
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ classroom teachers</li> <li>○ teacher aides</li> <li>○ classroom assistants</li> <li>○ graders</li> <li>○ employees working in the classroom on a dedicated basis</li> <li>○ adult basic education teachers</li> <li>○ substitute teachers</li> <li>○ substitute teachers who provide instruction while instructional staff members attend staff development or in-service training</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ department heads (function code 13)</li> <li>○ curriculum writers (function code 13)</li> <li>○ program directors (function code 21)</li> <li>○ school leadership, such as principals and assistant principals, and their staffs (function code 23)</li> <li>○ network managers for noninstructional networks (function code 53)</li> <li>○ webmasters (excluding costs attributable to instructional settings) (function code 53)</li> </ul> </li> </ul>

<b>Function Code 11—Costs to Include:</b>	<b>Function Code 11—Costs to Exclude (correct function code appears in parentheses):</b>
<ul style="list-style-type: none"> <li>○ teachers who deliver instruction through telecommunications, television, satellite, etc.</li> <li>○ school bus aides for special education</li> <li>○ teachers for computer labs used for instruction</li> <li>○ webmasters in an instructional setting</li> <li>○ technology coordinators for instructional networks</li> <li>○ network managers for instructional networks</li> <li>● 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</li> <li>● distance learning</li> <li>● classes taught to students by regional education service centers</li> <li>● adult basic education</li> <li>● special education instructional and related services, including speech, occupational, and physical therapy</li> <li>● health instruction</li> <li>● food used to instruct students on food preparation</li> <li>● field trips</li> <li>● encyclopedias and other reference books in the classroom</li> </ul>	<ul style="list-style-type: none"> <li>○ management information services (MIS) directors (function code 53)</li> <li>○ information technology (IT) developers, programmers, testers, or systems analysts (excluding costs attributable to instructional settings) (function code 53)</li> <li>● curriculum development (function code 13)</li> <li>● IT 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)</li> <li>● security for technology networks, data, or systems (excluding costs attributable to instructional settings) (function code 53)</li> <li>● supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> <li>● tuition for students attending classes in another district because the resident district does not offer certain grade levels (function code 99)</li> </ul>

<b>Function Code 11—Costs to Include:</b>	<b>Function Code 11—Costs to Exclude (correct function code appears in parentheses):</b>
<ul style="list-style-type: none"> <li>• instructional materials</li> <li>• upkeep and repairs to instructional materials and equipment in the classroom</li> <li>• band instruments purchased by the district or donated by band boosters or other groups</li> <li>• networks, software, licensing fees, maintenance, supplies, and staffs for computers used for instruction</li> <li>• testing materials for tests developed and administered by teachers</li> <li>• instructional supplies, including but not limited to classroom supplies, grade books, grade book software, report cards, and student handbooks</li> <li>• graduation</li> <li>• pre- or postemployment physicals or drug testing for personnel classified with this function code</li> <li>• purchase of vehicles for instructional purposes, including driver’s education</li> <li>• insurance for driver’s education vehicles</li> <li>• after-hours tutorials and enrichment</li> <li>• tuition paid by the school district for students to attend college during the regular school day</li> </ul>	<ul style="list-style-type: none"> <li>• purchase of weighted average daily attendance (WADA) from either the state or other school districts under the Texas Education Code, Chapter 41 (function code 91)</li> <li>• testing materials for standardized tests (function code 31)</li> <li>• band uniforms (function code 36)</li> <li>• property insurance on band instruments, uniforms, and equipment (function code 51)</li> <li>• additional costs associated with serving as a coach; athletic director; band director; sponsor for a University Interscholastic League (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. (function code 36)</li> </ul>

**R.12**

**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):
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ librarians and library aides</li> <li>○ staff members who work in a media, resource, or audiovisual center; television studio; or similar work-study area</li> <li>○ substitute library staff members who work in the library while library staff members attend staff development or in-service training</li> <li>○ studio crews that record educational programs or program segments for broadcast</li> </ul> </li> <li>• selecting, preparing, cataloging, and circulating books and other printed materials</li> <li>• planning the use of the library by students and by teachers and other members of the instructional staff</li> <li>• building individuals’ ability to use library books and materials</li> <li>• selecting, preparing, maintaining, and making available to the instructional staff equipment, films, transparencies, tapes, television programs, software, CDs, DVDs, and similar materials</li> </ul>	<ul style="list-style-type: none"> <li>• salaries for following:                             <ul style="list-style-type: none"> <li>○ staff members who conduct in-service training on the use of technology (function code 13)</li> <li>○ network managers for noninstructional networks (function code 53)</li> <li>○ network managers for instructional networks (function code 11)</li> <li>○ technology coordinators for instructional networks (function code 11)</li> </ul> </li> <li>• encyclopedias and other reference books in the classroom (function code 11)</li> <li>• supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> <li>• instructional materials (function code 11)</li> <li>• instructional supplies (function code 11)</li> </ul>

Function Code 12—Costs to Include:	Function Code 12—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• planning, programming, writing, and presenting educational programs or program segments for broadcast</li> <li>• books, films, videocassettes, CDs, DVDs, and other media that are maintained by a resource center or library</li> <li>• library system software and software licenses, including stand-alone and networked software</li> <li>• supplies for binding and repairing books or other media contained in the library or resource center</li> <li>• upkeep of and repairs to library or resource center media, materials, and equipment</li> <li>• media and living science services provided by a regional ESC</li> <li>• pre- and postemployment physicals or drug testing for personnel classified with this function code</li> <li>• purchase of vehicles for instructional resources and media purposes</li> </ul>	<ul style="list-style-type: none"> <li>• 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. (function code 36)</li> </ul>

**R.13**

**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 school district’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.



<b>Function Code 13—Costs to Include:</b>	<b>Function Code 13—Costs to Exclude (correct function code appears in parentheses):</b>
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ staff members who research, develop, and modify instructional methods, techniques, and procedures</li> <li>○ 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 use of technology)</li> <li>○ curriculum coordinators (not responsible for supervising instructional staff members)</li> <li>○ subject area or grade level department heads and related support staffs</li> <li>○ assistant or deputy superintendents for curriculum</li> <li>○ department heads and curriculum writers</li> </ul> </li> <li>• curriculum development</li> <li>• fees for outside consultants conducting in-service training or staff development for instructional staff members and members of instruction-related staffs</li> </ul>	<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ technology coordinators for instructional networks (function code 11)</li> <li>○ substitute teachers who provide instruction while instructional staff members attend staff development or in-service training (function code 11)</li> <li>○ substitute library staff members who work in the library while library staff members attend staff development or in-service training (function code 12)</li> <li>○ assistant or deputy superintendents for instruction (function code 21)</li> <li>○ instructional supervisors (function code 21)</li> </ul> </li> <li>• 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)</li> <li>• supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> <li>• in-service training or staff development for staff members who are not classified with function code 11, 12, or 13 (applicable function code)</li> </ul>

Function Code 13—Costs to Include:	Function Code 13—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• travel and travel-related costs for instructional staff members and members of instruction-related staffs to attend in-service training or staff development</li> <li>• tuition and fees paid by the school district for instructional staff members to attend an institution of higher education for additional hours of credit</li> <li>• supplies, materials, and equipment for curriculum development or in-service training</li> <li>• upkeep of and repairs to equipment used for curriculum development or in-service training</li> <li>• paid sabbaticals for instructional staff members</li> <li>• staff development or in-service training provided by a regional education service center</li> <li>• pre- or postemployment physicals or drug testing for personnel classified with this function code</li> <li>• purchase of vehicles for instructional staff development or curriculum development</li> </ul>	<ul style="list-style-type: none"> <li>• 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. (function code 36)</li> </ul>

**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.

**R21**

**Instructional Leadership**

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

<b>Function Code 21—Costs to Include:</b>	<b>Function Code 21—Costs to Exclude (correct function code appears in parentheses):</b>
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ instructional supervisors</li> <li>○ coordinators or directors for special populations or educational programs (Title I, special education, career and technical education, etc.) and related support staffs</li> <li>○ assistant or deputy superintendents for instruction, instructional supervisors, or program directors or administrators for instruction</li> </ul> </li> <li>• upkeep of and repairs to materials and equipment related to instructional leadership</li> <li>• pre- or postemployment physicals or drug testing for personnel classified with this function code</li> <li>• purchase of vehicles for instructional leadership purposes</li> </ul>	<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ principals, assistant principals, and related staffs (function code 23)</li> <li>○ staff members who perform accounting, personnel, or other administrative functions (function code 41)</li> <li>○ staff members who provide staff development and in-service training (function code 13)</li> <li>○ assistant or deputy superintendents for curriculum (function code 13)</li> <li>○ curriculum coordinators who are not responsible for supervising instructional staff (function code 13)</li> </ul> </li> <li>• supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> </ul>

Function Code 21—Costs to Include:	Function Code 21—Costs to Exclude (correct function code appears in parentheses):
	<ul style="list-style-type: none"> <li>• 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. (function code 36)</li> </ul>

**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):
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ principals, assistant principals, and related staffs</li> <li>○ staff members who record, compile, and report student attendance data, including enrollment records</li> <li>○ campus staff members who maintain a principal’s activity fund or student activity fund</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• salaries for staff members who compile the superintendent’s annual report (function code 41)</li> <li>• electronic devices, personal computers, servers, or mainframe computers that are used for multiple functions, for example, general administration and school leadership (function code 53)</li> </ul>

Function Code 23—Costs to Include:	Function Code 23—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• teacher appraisal (even if appraisals are conducted by a teacher peer group)</li> <li>• upkeep of and repairs to equipment related to school leadership</li> <li>• electronic devices, including personal computers, that are used exclusively by the school leadership staff, whether the computers are networked or stand-alone</li> <li>• purchase of vehicles for school leadership purposes</li> <li>• pre- or postemployment physicals or drug testing for personnel classified with this function code</li> <li>• design of campus improvement plans</li> </ul>	<ul style="list-style-type: none"> <li>• supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> <li>• 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)</li> </ul>

**30 STUDENT SUPPORT SERVICES**

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

**℞31 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.

<b>Function Code 31—Costs to Include:</b>	<b>Function Code 31—Costs to Exclude (correct function code appears in parentheses):</b>
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ counselors and related staffs, including career and technical education or occupational counselors</li> <li>○ staff members who evaluate student performance using assessment instruments</li> <li>○ psychologists</li> <li>○ psychiatrists</li> <li>○ diagnosticians</li> <li>○ assistant or deputy superintendents for guidance and counseling</li> </ul> </li> <li>• mental health screening</li> <li>• student appraisal services</li> <li>• maintaining information on a student’s home and family background, standardized test results, and school performance</li> <li>• maintaining information on each student’s course of study</li> <li>• placement services</li> <li>• testing materials for standardized tests</li> <li>• contracted testing services for standardized tests</li> <li>• student or parent counseling</li> <li>• upkeep of and repairs to equipment related to guidance and counseling services</li> <li>• purchase of vehicles for guidance, counseling, and evaluation personnel</li> </ul>	<ul style="list-style-type: none"> <li>• supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> <li>• costs for providing physical health services to students (function code 33)</li> <li>• testing materials for student tests developed and administered by teachers (function code 11)</li> </ul>

Function Code 31—Costs to Include:	Function Code 31—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• supplies for guidance, counseling, and evaluation services</li> <li>• pre- or postemployment physicals or drug testing for personnel classified with this function code</li> </ul>	

**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):
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ social workers</li> <li>○ truancy or attendance officers</li> <li>○ staff members who transfer records of migrant students</li> <li>○ assistant or deputy superintendents for social services</li> <li>○ purchase of vehicles for social work services</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ staff members who record, compile, and report student attendance data (function code 23)</li> <li>○ staff members who record and compile the superintendent’s report on attendance (function code 41)</li> </ul> </li> </ul>

Function Code 32—Costs to Include:	Function Code 32—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>○ upkeep of and repairs to materials and equipment related to social work services</li> <li>○ supplies for social work services</li> <li>○ pre- or postemployment physicals or drug testing for personnel classified with this function code</li> </ul>	<ul style="list-style-type: none"> <li>○ liaisons or coordinators for parent education and involvement (function code 61)</li> <li>● supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> <li>● 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)</li> </ul>

**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):
<ul style="list-style-type: none"> <li>● salaries for the following:</li> </ul>	<ul style="list-style-type: none"> <li>● medical and health supplies to be used for athletics (function code 36, program intent code 91)</li> <li>● instruction in health (function code 11)</li> </ul>



Function Code 33—Costs to Include:	Function Code 33—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>○ 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</li> <li>○ industrial nurses</li> <li>● contracted medical services, including doctor visits, dentist visits, vision services, and nurse services</li> <li>● inoculations for staff members and students</li> <li>● medical and health supplies for the use of students to assist in health care</li> <li>● Medicaid administrative expenditures</li> <li>● physical health services, screenings, and referrals for students</li> <li>● upkeep of and repairs to materials and equipment related to health services</li> <li>● pre- or postemployment physicals or drug testing for personnel classified with this function code</li> <li>● purchase of vehicles for health services</li> </ul>	<ul style="list-style-type: none"> <li>● speech, health, physical, and occupational therapy to assist special education students in the learning process (function code 11)</li> <li>● supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> <li>● pre- or postemployment physicals or drug testing for personnel classified with other function codes (applicable function code)</li> <li>● physical examinations for purposes of athletics (function code 36)</li> </ul>

**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 career and technical education (CTE) services, special education services, or other special program services.

Your school district must record costs for regular bus routes to and from school, or for bus passes for transportation to and from school, using program intent code 99 (Undistributed) and organization code 999 (Undistributed) or 998 (Unallocated, Local Option).

Your district 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):
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ transportation supervisors and directors, bus drivers, and bus maintenance personnel</li> <li>○ assistant or deputy superintendents for transportation</li> </ul> </li> <li>• 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 program intent code must be used.)</li> <li>• Expenditures/expenses for regular bus routes to and from school for <b>eligible regular program students</b></li> <li>• fuel, tires, etc., for buses</li> <li>• contracted repair of buses</li> <li>• bus driver training and certification</li> <li>• fleet insurance for buses</li> <li>• surety bonds for bus drivers</li> </ul>	<ul style="list-style-type: none"> <li>• field trips (function code 11)</li> <li>• trips for members of student organizations, for example, Future Farmers of America (FFA), National Honor Society, etc. (function code 36)</li> <li>• 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)</li> <li>• financing costs, for example, principal and interest for acquisition of buses (function code 71)</li> <li>• principal and interest on school bus loans and capital leases (function code 71)</li> </ul>

Function Code 34—Costs to Include:	Function Code 34—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• bus passes</li> <li>• pre- or postemployment physicals or drug testing for personnel classified with this function code</li> <li>• initial purchase of school buses</li> </ul>	<ul style="list-style-type: none"> <li>• vehicles other than those used for student transportation (applicable function code)</li> </ul>

**R 35**

**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):
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ food service supervisors or directors and related staffs</li> <li>○ cooks</li> <li>○ snack bar staff members</li> </ul> </li> <li>• Summer Food Service Program</li> <li>• food</li> <li>• nonfood items such as plates, silverware, and napkins that are essential to providing food services to students</li> <li>• commodities</li> <li>• vehicles for transporting food from central locations to satellite locations and related costs</li> </ul>	<ul style="list-style-type: none"> <li>• food used to instruct students on food preparation (function code 11)</li> <li>• supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> <li>• concession stands at athletic events (function code 36)</li> <li>• snacks, food, and drinks for resale in an activity fund (function code 36)</li> </ul>

Function Code 35—Costs to Include:	Function Code 35—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• food service equipment (Contact the Food and Nutrition Division at the TDA [<a href="http://www.squaremeals.org/About/ContactFoodandNutrition.aspx">http://www.squaremeals.org/About/ContactFoodandNutrition.aspx</a>] to find out which equipment is eligible under the food service program.)</li> <li>• pre- or postemployment physicals or drug testing for personnel classified with this function code</li> <li>• vehicles used for food services</li> </ul>	

**℞ 36 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 your school district 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).

<b>Function Code 36—Costs to Include:</b>	<b>Function Code 36—Costs to Exclude (correct function code appears in parentheses):</b>
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ athletic directors, assistants, and trainers (program intent code 91)</li> <li>○ game officials (program intent code 91)</li> <li>○ gatekeepers, timers, and scorekeepers at athletic events (program intent code 91)</li> </ul> </li> <li>• athletic salary supplements paid exclusively for coaching, directing, or sponsoring extracurricular athletics, drill team, pep squad, or cheerleading (program intent code 91)</li> <li>• <b>insurance</b> to cover student injuries that occur while students participate in athletics (program intent code 91)</li> <li>• physical examinations for purposes of athletics (program intent code 91)</li> <li>• medical and health supplies to be used for athletics (program intent code 91)</li> <li>• athletic supplies and equipment, including uniforms (program intent code 91)</li> <li>• travel for coaches, trainers, sponsors, and students, including meals and lodging (program intent code 91)</li> <li>• travel for band directors, sponsors of debate and other activities, and student</li> </ul>	<ul style="list-style-type: none"> <li>• 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)</li> <li>• supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> <li>• property insurance for band uniforms, instruments, and other equipment (function code 51)</li> <li>• band instruments purchased by the school district or donated by band boosters or other groups (function code 11)</li> <li>• security for extracurricular events (function code 52)</li> <li>• property insurance for athletic uniforms and equipment (function code 51)</li> </ul>

<p>participants in extracurricular activities, including meals and lodging for student competition and extracurricular activities (program intent code 99)</p> <ul style="list-style-type: none"> <li>• trips for members of student organizations, for example, FFA, National Honor Society, etc.</li> <li>• membership fees and dues for coaches (program intent code 91)</li> <li>• 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. (program intent code 91 or 99)</li> <li>• band uniforms (program intent code 99)</li> <li>• items (snacks, food, drinks, pencils, pens, paper, etc.) for resale in an activity fund (program intent code 99)</li> <li>• concession stands at athletic events</li> <li>• pre- or postemployment physicals or drug testing for personnel classified with this function code</li> <li>• vehicles for extracurricular purposes</li> </ul>	
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**40**

**ADMINISTRATIVE SUPPORT SERVICES**

This function code series is for costs related to the overall general administrative support services of your school district.

**R 41**

**General Administration**

This code is for costs to manage or govern the school district 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 school district.

For all costs that your district records with function code 41, your district must use:

- program intent code 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.)

<b>Function Code 41—Costs to Include:</b>	<b>Function Code 41—Costs to Exclude (correct function code appears in parentheses):</b>
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ staff members who perform accounting, personnel, or other administrative functions</li> <li>○ staff members who compile the superintendent’s annual report</li> </ul> </li> <li>• costs for the board of trustees, including travel, training, and legal fees</li> <li>• portion of superintendent’s salary associated with performing administrative duties directly related to the superintendency</li> </ul>	<ul style="list-style-type: none"> <li>• portion of superintendent’s salary associated with other functions, such as instruction, campus leadership, and support services (applicable function code)</li> <li>• incremental costs of tax collection due to purchase of weighted average daily attendance (WADA) from either the state or other school districts (function code 92)</li> <li>• building and property insurance (function code 51)</li> <li>• supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> </ul>

<b>Function Code 41—Costs to Include:</b>	<b>Function Code 41—Costs to Exclude (correct function code appears in parentheses):</b>
<ul style="list-style-type: none"> <li>• other salaries and costs related to the office of the superintendent</li> <li>• salaries and other costs related to the following:                             <ul style="list-style-type: none"> <li>○ budgeting, accounting, and fiscal affairs, including payroll and internal auditing costs, property accounting (capital assets and fixed assets), inventory, and purchasing</li> <li>○ human resources (personnel services)</li> <li>○ tax office services for the school district</li> <li>○ the instructional materials custodian</li> <li>○ support services for aggregating attendance reports to the superintendent’s report on attendance and for compiling that report</li> <li>○ legal and risk management issues, including analysis of tax value limitation agreements</li> <li>○ planning and research</li> <li>○ community and public relations</li> </ul> </li> <li>• electronic devices, including personal computers and stand-alone or networked computers, used primarily by function code 41 personnel for administrative purposes</li> </ul>	<ul style="list-style-type: none"> <li>• salaries and other costs related to a warehouse operation (function code 51)</li> <li>• IT 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)</li> <li>• MIS directors (function code 53)</li> <li>• amounts collected as “costs” from a taxpayer and subsequently paid to an attorney for collecting delinquent taxes (liability object code 2110, Accounts Payable)</li> <li>• amounts paid to other governmental entities, such as county appraisal districts, for costs related to appraising property (function code 99)</li> </ul>



Function Code 41—Costs to Include:	Function Code 41—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• vehicles (including acquisition, maintenance, and supplies) for administrative personnel</li> <li>• insurance for administrative automobiles</li> <li>• surety bonds for administrative personnel</li> <li>• costs related to records management</li> <li>• liability insurance for the board of trustees and administrative personnel</li> <li>• design of the district improvement plan</li> <li>• pre- and postemployment physicals or drug testing for personnel classified with this function code</li> <li>• fees, travel, and other costs related to appraising property and collecting taxes when no other governmental entities are involved</li> <li>• amounts paid to other governmental entities, such as county appraisal districts, for costs related to collecting taxes</li> <li>• amounts paid for monitors, conservators, or management teams required by TEA</li> <li>• normal tax collection costs of the school district</li> <li>• normal legal and election costs of the school district</li> </ul>	

**50 SUPPORT SERVICES<sup>35</sup>**

This function code series is for costs for non-student-based school district 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.

Function Code 51—Costs to Include:	Function Code 51—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• salaries for supervisors, directors, and assistant or deputy superintendents for facilities maintenance and operations</li> <li>• salaries and other costs related to a warehouse operation</li> <li>• custodian services</li> <li>• building and appliance maintenance</li> <li>• equipment for maintenance and operation of facilities</li> <li>• property and casualty insurance</li> <li>• premiums for blanket casualty insurance for physical facilities, including food service operations</li> <li>• building and property insurance</li> </ul>	<ul style="list-style-type: none"> <li>• acquisition or purchase of land and buildings (function code 81)</li> <li>• remodeling or construction of buildings (function code 81)</li> <li>• major improvements to a site (function code 81)</li> <li>• initial installation or extension of service systems or other equipment (function code 81)</li> <li>• security and monitoring (function code 52)</li> </ul>

<sup>35</sup> 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):
<ul style="list-style-type: none"> <li>• property insurance for band instruments, uniforms, and equipment</li> <li>• property insurance for athletic uniforms and equipment</li> <li>• property insurance for other equipment</li> <li>• vehicles purchased for facilities maintenance and operations</li> <li>• supplies and contracted maintenance for vehicles used for facilities maintenance and operations, including food service operations</li> <li>• utilities for the entire school district, including for food service operations</li> <li>• supplies and services for maintaining buildings and grounds</li> <li>• pre- and postemployment physicals or drug testing for personnel classified with this function code</li> <li>• security systems that are part of a smoke detector system</li> </ul>	

**℞52 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):
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ security guards</li> <li>○ hall monitors for security purposes</li> <li>○ school bus security monitors</li> <li>○ school crossing guards</li> <li>○ campus police</li> </ul> </li> <li>• security and monitoring</li> <li>• security at school-sponsored events, including extracurricular events</li> <li>• communication devices for personnel classified with this function code</li> <li>• vehicles used for security and monitoring</li> <li>• supplies, equipment, and contracted services for the safekeeping of students and staff members, including metal detectors, drug dogs, surveillance devices, etc.</li> <li>• emergency management</li> <li>• pre- and postemployment physicals or drug testing for personnel classified with this function code</li> </ul>	<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ truancy or attendance officers (function code 32)</li> <li>○ social workers (function code 32)</li> <li>○ liaisons or coordinators for parent education and involvement (function code 61)</li> <li>○ school bus aides for special education (function code 11)</li> </ul> </li> <li>• security systems that are part of a smoke detector system (function code 51)</li> </ul>

**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, your district must use organization code 750.

Function Code 53—Costs to Include:	Function Code 53—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ network managers for noninstructional networks</li> <li>○ management information services (MIS) directors</li> <li>○ webmasters (excluding costs attributable to instructional settings)</li> <li>○ information technology developers, programmers, testers, and systems analysts (excluding costs attributable to instructional settings)</li> </ul> </li> <li>• 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</li> <li>• networked or stand-alone mainframes, servers, computers, or other electronic equipment that is used for multiple functions</li> <li>• applications such as the following:                             <ul style="list-style-type: none"> <li>○ student information systems</li> <li>○ financial accounting systems</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ technology coordinators for instructional networks (function code 11)</li> <li>○ webmasters in instructional settings (function code 11)</li> <li>○ staff members who prepare or conduct in-service training or staff development for instructional and instruction-related staffs (includes instructional technology) (function code 13)</li> </ul> </li> <li>• stand-alone or networked electronic devices used by a specific functional area (applicable function code)</li> <li>• peripheral devices, including monitors and printers (applicable function code)</li> <li>• networks, software, licensing fees, maintenance, supplies, and staffs, including computer lab teachers, for computers used for instruction (function code 11)</li> <li>• library system software and software licenses, including stand-alone and networked applications (function code 12)</li> </ul>

Function Code 53—Costs to Include:	Function Code 53—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>○ human resources or personnel systems</li> <li>• management of facilities that house computers, servers, or network equipment</li> <li>• computer processing</li> <li>• systems development</li> <li>• analysis of workflows, processes, and requirements</li> <li>• coding, testing, debugging, and documentation</li> <li>• systems integration</li> <li>• design of applications supporting IT infrastructure</li> <li>• interfacing costs associated with general types of technical assistance to data users</li> <li>• security for technology networks, data, or systems (excluding costs attributable to instructional settings)</li> <li>• vehicles used by personnel classified with this function code</li> <li>• pre- and postemployment physicals or drug testing for personnel classified with this function code</li> </ul>	<ul style="list-style-type: none"> <li>• supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> </ul>

**60**

**ANCILLARY SERVICES**

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

**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):
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ liaisons or coordinators for parent education and involvement</li> <li>○ staff members providing child care for teachers or working parents</li> <li>○ individuals providing child care for teen parents attending school</li> </ul> </li> <li>• salaries and related costs for community recreation services, such as the operation of a school library, swimming pool, or playground for the public</li> <li>• parenting programs</li> <li>• parental involvement programs</li> <li>• parental and education services for adults other than adult basic education</li> <li>• child care for teen parents attending school</li> <li>• after-hours babysitting and after-school daycare</li> <li>• salaries and related costs for amnesty programs</li> <li>• salaries and related costs for civic centers</li> </ul>	<ul style="list-style-type: none"> <li>• supplies and services for maintaining buildings and grounds, including utilities (function code 51)</li> <li>• Summer Food Service Program (function code 35)</li> <li>• after-hours tutorials and enrichment (function code 11)</li> <li>• adult basic education (function code 11)</li> </ul>

Function Code 61—Costs to Include:	Function Code 61—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• salaries and related costs for public health programs</li> <li>• salaries and related costs for conducting meetings with parental advisory committees</li> <li>• vehicles used by personnel classified with this function code</li> <li>• pre- and postemployment physicals or drug testing for personnel classified with this function code</li> </ul>	

**R 62**

**School District Administrative Support Services (for Use by Regional Education Service Centers Only)**

This code is used exclusively by regional education service centers (ESCs) for costs related to performing certain administrative services for school districts. These services include:

- indirect instructional services for students, such as guidance and counseling, social work, health services, and food services, and
- general administrative services, such as budget management, accounting, joint purchasing, tax administration, and preparing program applications.

This code includes costs for region-wide in-service education and development activities that ESCs provide to school district professional staff members classified with function codes **other than** 11, 12, and 13.

Function Code 62—Costs to Include:	Function Code 62—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• salaries for the following:                             <ul style="list-style-type: none"> <li>○ guidance and counseling staff members who provide services to students</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• salaries for staff members who provide instructional services to students (function code 11)</li> </ul>



Function Code 62—Costs to Include:	Function Code 62—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>○ social workers who provide services to students</li> <li>○ health staff members who provide services to students</li> <li>○ staff members who provide administrative services to students</li> <li>● administrative support services for school district personnel</li> <li>● vehicles used by personnel classified with this function code</li> <li>● pre- and postemployment physicals or drug testing for personnel classified with this function code</li> </ul>	

**70 DEBT SERVICE**

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

**R71 Debt Service**

This code is for costs to pay the following:

- principal and interest on debt and
- related debt service costs

For costs classified with this function code, your school district must use program intent code 99 (Undistributed) and either organization code 999 (Undistributed) or organization code 998 (Unallocated, Local Option).

**Note:** For financial reporting purposes, only, principal, interest, and related debt service costs are broken down further by more specific accounting codes. Refer to the sample annual financial and compliance report (AFR) in [Appendix F](#) and to the *AFR Data Feed Standards*,

available on the Financial Compliance Division’s [Electronic Submissions](#) web page.

Function 71—Costs to Include:	Function 71—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• principal and interest on:                             <ul style="list-style-type: none"> <li>○ bonds</li> <li>○ capital leases</li> <li>○ long-term debt</li> <li>○ school bus loans that exceed one year in duration</li> </ul> </li> <li>• interest on short-term debt</li> <li>• debt service costs and fees</li> </ul>	<ul style="list-style-type: none"> <li>• principal on short-term (12 months or less) debt (liability object code 2122, Loans Payable—Current Year) (record initial liability as a credit in notes payable liability account; record repayment as a debit in notes payable liability account)</li> <li>• acquisition or purchase of land and buildings financed with debt (function code 81)</li> </ul>

**80**

**CAPITAL OUTLAY**

This function code series is for costs for the acquisition, construction, or major renovation of school district facilities.

***R*81**

**Facilities Acquisition and Construction**

This code is for costs to acquire, equip, or make additions to real property and sites, including capital lease transactions.

Function Code 81—Costs to Include:	Function Code 81—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• acquisition or purchase of land, buildings, or both</li> <li>• remodeling or construction of buildings</li> <li>• major improvements to a site</li> <li>• initial installation or extension of service systems or other equipment</li> <li>• initial capital outlay to equip new facilities</li> </ul>	<ul style="list-style-type: none"> <li>• debt service costs associated with debt to finance capital construction (function code 71)</li> <li>• debt service costs associated with capital leases to finance capital items (function code 71)</li> </ul>

Function Code 81—Costs to Include:	Function Code 81—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• capital outlays under capital leases (these outlays do not include lease payments)</li> <li>• pre- and postemployment physicals or drug testing for personnel classified with this function code</li> </ul>	<ul style="list-style-type: none"> <li>• capital expenditures that do not relate to major renovation or construction (applicable function code)</li> <li>• equipment for maintenance and operation of facilities (function code 51)</li> </ul>

**90 INTERGOVERNMENTAL CHARGES**

“Intergovernmental” is a classification for circumstances in which one governmental unit transfers resources to another. Examples of intergovernmental charges are:

- the purchase of weighted average daily attendance (WADA) under the [TEC, Chapter 41](#), and
- payment by one school district to another school district for educating students.

***R*91 Contracted Instructional Services between Public Schools**

This code is used exclusively for the purchase of weighted average daily attendance (WADA) from either the state or other school districts.

The code is for costs for the following:

- purchasing attendance credits from the state under the [TEC, Chapter 41, Subchapter D](#)
- providing financial resources for services in another public school through a contract for education of nonresident students under the [TEC, Chapter 41, Subchapter E](#)

For costs classified with this function code, your school district must use program intent code 99 (Undistributed) and organization code 999 (Undistributed).

Function Code 91—Costs to Include:	Function Code 91—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• purchase of WADA from other school districts</li> <li>• purchase of WADA from the state</li> <li>• technology consortium costs under Option 4</li> <li>• career and technical education programs under the <a href="#">TEC, §41.125</a></li> </ul>	<ul style="list-style-type: none"> <li>• tuition paid by the school district for students to attend college during the regular school day (function code 11)</li> <li>• tuition paid by the school district for students attending classes in another school district because the resident school district does not offer certain grade levels (function code 99)</li> </ul>

**R92**

**Incremental Costs Associated with the Purchase of WADA under the Texas Education Code, Chapter 41**

This code is for costs to position a school district with excess wealth per student in weighted average daily attendance (WADA) to purchase attendance credits either from the state or from another school district.

For costs classified with this function code, your school district must use program intent code 99 (Undistributed) and organization code 999 (Undistributed).

Function Code 92—Costs to Include:	Function Code 92—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• salaries and expenditures related to the cost of collecting excess taxes to purchase WADA</li> <li>• salaries and expenditures related to the cost of legal fees or election expenses incurred to purchase WADA</li> </ul>	<ul style="list-style-type: none"> <li>• normal tax collection costs of the school district (function code 41)</li> <li>• normal legal and election costs of the school district (function code 41)</li> <li>• amounts collected as “costs” from a taxpayer and subsequently paid to an attorney for collecting delinquent taxes (liability object code 2110, Accounts Payable)</li> </ul>

**93**                      **Payments to the Fiscal Agent or Member Districts of Shared Services Arrangements**

This code is for costs for the following:

- payments from a member district to a fiscal agent of a shared services arrangement (SSA)
- payments from a fiscal agent to a member district of an SSA

For costs classified with this function code, your school district must use either organization code 999 (Undistributed) or organization code 998 (Unallocated, Local Option), as applicable.

Function Code 93—Costs to Include:	Function Code 93—Costs to Exclude:
<ul style="list-style-type: none"> <li>• payments from a member district to a fiscal agent of an SSA in circumstances in which the fiscal agent expends funds on behalf of the member district (expenditure object code 6492)</li> <li>• payments from a fiscal agent to member districts of an SSA under circumstances in which member districts expend funds (expenditure object code 6493)</li> </ul>	<ul style="list-style-type: none"> <li>• No other costs may be classified with this function code.</li> </ul>

**95**                      **Payments to Juvenile Justice Alternative Education Programs**

This code is for costs to provide financial resources for juvenile justice alternative education programs (JJAEPs) under the [TEC, Chapter 37](#).

This code is used to account for payments from your school district to a JJAEP in connection with students who are placed in discretionary or mandatory JJAEP settings.

For costs classified with this function code, your school district must use either organization code 999 (Undistributed) or organization code 998 (Unallocated, Local Option), as applicable.

Function Code 95 - Costs to Include:	Function Code 95 - Costs to Exclude:
<ul style="list-style-type: none"> <li>payments from the school district in which a student resides to a JJAEP (expenditure object code 6223)</li> </ul>	<ul style="list-style-type: none"> <li>No other costs may be classified with this function code.</li> </ul>

**℞97**      **Payments to Tax Increment Fund**

This code is for costs to provide financial resources paid into a tax increment fund under the [Texas Tax Code, Chapter 311](#). Revenues are recorded under fund code 199, object code 5746. Costs are recorded under fund code 199, object code 6499.

For costs classified with this function code, your school district must use either organization code 999 (Undistributed) or organization code 998 (Unallocated, Local Option), as applicable.

Function Code 97—Costs to Include:	Function Code 97—Costs to Exclude:
<ul style="list-style-type: none"> <li>payments into a tax increment fund under the <a href="#">Texas Tax Code, Chapter 311</a> (expenditure object code 6499)</li> </ul>	<ul style="list-style-type: none"> <li>No other costs may be classified with this function code.</li> </ul>

**℞98**      **Payments of Ad Valorem Tax Credits under Texas Economic Development Act (Texas Tax Code, Chapter 313)**

This code is for costs for value limitations under the [Texas Economic Development Act \(TEDA\)](#)<sup>36</sup>.

For costs classified with this function code, your school district must use fund code 199; object code 6499; either organization code 999 (Undistributed) or organization code 998 (Unallocated, Local Option), as applicable; and the applicable program intent code.

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[Texas Tax Code, Chapter 313](#)<sup>37</sup> [TEC, §25.039](#)

Function Code 98—Costs to Include:	Function Code 98—Costs to Exclude:
<ul style="list-style-type: none"> <li>• <b>payments of ad valorem tax credit</b> granted by a school district under the <a href="#">Texas Tax Code, Chapter 313</a> (expenditure object code 6499)</li> </ul>	<ul style="list-style-type: none"> <li>• No other costs may be classified with this function code.</li> </ul>

**99**

**Other Intergovernmental Charges**

This code is for recording intergovernmental charges not defined by any of the preceding codes. Costs classified with this code include the following:

- costs to obtain instructional services from another public school for grade levels not offered by your school district<sup>37</sup>
- set-aside amounts for private school services

Function Code 99—Costs to Include:	Function Code 99—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• salaries and related expenditures, including tuition, to obtain instructional services from another school district for grade levels not provided by the sending school district (expenditure object code 6222)</li> <li>• amounts paid to other governmental entities such as county appraisal districts for costs related to appraising property (expenditure object code 6213)</li> </ul>	<ul style="list-style-type: none"> <li>• tuition paid by the school district for students to attend college during the regular school day (function code 11)</li> <li>• fees, travel, and other related costs for the appraisal of property and the collection of taxes when no other governmental entities are involved (function code 41)</li> </ul>

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<sup>37</sup> [TEC, §25.039](#)

Function Code 99—Costs to Include:	Function Code 99—Costs to Exclude (correct function code appears in parentheses):
<ul style="list-style-type: none"> <li>• tuition paid by the school district for students attending classes in another school district because the resident school district does not offer certain grade levels</li> <li>• set-aside amounts for private school services</li> </ul>	

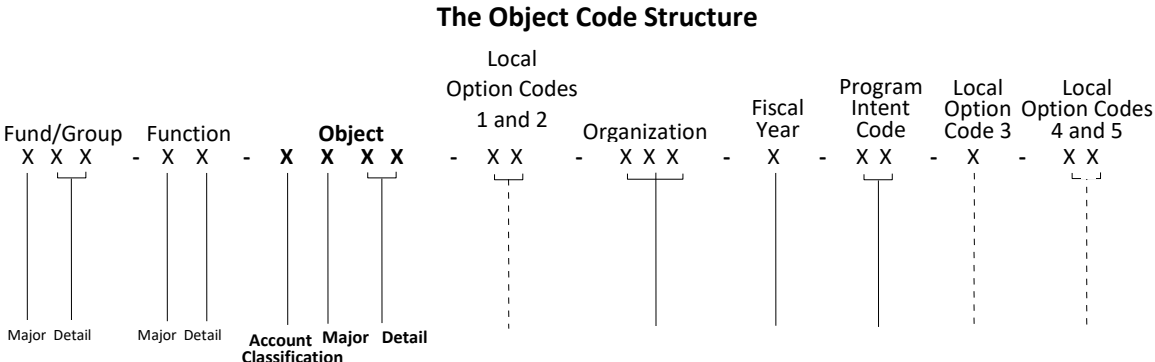


# A.4 Object Codes

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 A.4 illustrates the position of the object codes in the accounting code system.

**Exhibit A.4 Object Code Structure**



- Object Codes:**
- Assets (1XXX)**
  - Liabilities (2XXX)**
  - Fund Balances**  
**or Net Position (3XXX)**
  - Clearing Accounts (4XXX)**
  - Revenues (5XXX)**
  - Expenditures or Expenses (6XXX)**
  - Other Resources & Nonoperating**  
**Revenues (7XXX)**
  - Other Uses & Nonoperating**  
**Expenses (8XXX)**

————— Indicates a mandatory code for state reporting purposes

----- Indicates a code that may be used at local option

The **R** by a code indicates that the code is required for the following reporting purposes if the code applies to your district:

- Public Education Information Management System (**PEIMS**)

- Annual Financial and Compliance Report (AFR).

### **A.4.1 Asset Object Codes**

An asset is a probable future economic benefit obtained or controlled by your school district 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 [A.1 Accounting Code Structure and Definitions](#). These codes begin with the digit “1,” which distinguishes them from other types of object codes.

Your school district 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
- capital assets
- restricted assets

Other debits are recorded as debits in two categories:

- amounts to be provided for payment of debt principal
- amounts available for payment of debt principal

## **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 certificates of deposit or treasury bills) that can readily be converted to cash and are near their maturity.

Cash and cash equivalents of your school district 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.)**

Your school district 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.
- **Cash with Fiscal or Paying Agent**—This account, which is used for fiscal or paying agents of debt service, is debited as deposits are made with the coupon paying agents. As coupons and bonds are presented, the entries result in a credit to this account and a debit to either coupons or bonds payable.
- **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 district 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.

***R*1110 Cash and Cash Equivalents**

This code is used to record your district's cash on deposit and cash on hand as well as cash equivalents. Your district may choose to use the

preceding codes (1101–1109) to identify separately different cash and cash equivalents.

**R.1120 Investments—Current**

This code is used to record all securities that your district 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

- deferred inflow of resources (revenues) (in the instance of property taxes receivable),
- a revenue account,
- an allowance for uncollectible taxes, or
- a fund balance.

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

**R.1210 Property Taxes—Current**

This code is used to debit an account with the current year tax levy that is due.

**R.1220 Property Taxes—Delinquent**

This code is used to record past due taxes for the current year's tax levy and for previous years' levies.

**R.1230 Allowance for Uncollectible Taxes (Credit)**

This code is used to record a credit against taxes, penalties, and tax interest receivable based on historical tax collection data.

**1241–1249 Due from Other Governments**

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

***R*1241 Due from State**

This code is used to record amounts earned or allocated to your school district from state sources, including federal funds received from state sources, that exceed amounts received during the fiscal year.

***R*1242 Due from Federal Agencies**

This code is used to record amounts that:

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

***R*1243 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 school districts.

***R*1250 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.

**1261–1268 Due from Other Funds**

The codes in this series are used to record amounts due from other funds. This series includes the following accounts.

***R*1261 General Fund**

This code is used to record amounts due from the general fund to other funds of your school district.

***R*1262 Special Revenue Fund**

This code is used to record amounts due from the special revenue fund to other funds of your school district.

<b>R.1263</b>	<b>Debt Service Fund</b>
	This code is used to record amounts due from the debt service fund to other funds of your school district.
<b>R.1264</b>	<b>Capital Projects Fund</b>
	This code is used to record amounts due from the capital projects fund to other funds of your school district.
<b>R.1265</b>	<b>Enterprise Fund</b>
	This code is used to record amounts due from the enterprise fund to other funds of your school district.
<b>R.1266</b>	<b>Internal Service Fund</b>
	This code is used to record amounts due from the internal service fund to other funds of your school district.
<b>R.1267</b>	<b>Trust and Agency Funds<sup>38</sup></b>
	This code is used to record amounts due from the trust and agency funds to other funds of your school district.
<b>R.1268</b>	<b>Permanent Funds</b>
	This code is used to record amounts due from the permanent funds to other funds of your school district.
<b>R.1290</b>	<b>Other Receivables</b>
	This code is used to record all other accounts receivable not specifically identified above, such as amounts due from the following:
	<ul style="list-style-type: none"> <li>• employees</li> <li>• external sources (other than from other governments)</li> <li>• rents</li> <li>• fees</li> <li>• self-insurance recoveries</li> </ul>

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<sup>38</sup> Agency funds are funds 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.

**1300****INVENTORIES**

The 1300 series of codes includes 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.

If your district uses the purchases method, the district

- should record an immediate charge for inventory costs under the appropriate supply expenditure code and
- should not report inventories on the balance sheet unless there is a significant amount at the fiscal year-end.

An amount reported for inventories under the purchases method on the balance sheet is not available to finance current or future governmental fund expenditures or expenses because it has been recorded as an expenditure or expense in a prior year. As a result, the amount reported as inventories, excluding commodities, on the balance sheet is also reported as a credit to object code 3410, Reserve for Investment in Inventories.

**℞1310****Inventories—Supplies and Materials**

This code is used to record inventories of supplies and materials for school districts using the consumption method of accounting for inventories.

**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.

**℞1410****Deferred Expenditures or Expenses (Deferred Outflows of Resources for Expenditures or 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.

**R.1420 Capitalized Bond and Other Debt Issuance Costs**

This code is used to record certain bond and other debt issuance costs, including lease-purchase debt issuance costs that are capitalized.

**R.1490 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. School districts record capital assets at cost or estimated cost at the time of acquisition. If capital assets are donated to the district, they are recorded at estimated fair market value at the time of acquisition.

Capital assets of governmental fund types and expendable trust funds are recorded in the general capital asset account group, and capital assets of proprietary fund types and similar trust funds are recorded in those fund types.

**R.1510 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.

**R.1520 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:

\$5,000 cost per unit or more and

a useful life of more than one year (see the 6600 series of expenditure or expense object codes).

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.

**R.1531 Vehicles**

**R.1539 Furniture and Equipment**

**1540–1549 Capital Assets—District Defined**

This code is used at the discretion of your school district if district policy requires the capitalization of items that individually or, as a group,

- are less than the \$5,000 criterion identified in the 1530 series of accounts (see the 6600 series of expenditure or expense object codes), 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.

**R.1541 Vehicles**

**R.1549 Furniture and Equipment**

**1550–1559 Assets Purchased under Capital Leases**

The codes in this series are used to record capital lease transactions, which are authorized by law.<sup>39</sup> These transactions include the total value of items under long-term capital leases. These types of lease agreements may include a purchase provision. At the inception of the capital lease, the appropriate capital asset account using one of the codes shown below is debited in the amount of the net present value of the capital lease payments. Assets purchased under capital leases by governmental fund types and expendable trust funds are recorded in the general capital asset accounts, while those for proprietary fund

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<sup>39</sup> [Local Government Code, Chapter 271, Subchapter A](#)

types and similar trust funds are accounted for through the appropriate fund. The following types of capital assets may be under capital lease.

**℞1551 Buildings**

**℞1552 Vehicles**

Your district can purchase a fleet of vehicles, such as buses, under a capital lease.

**℞1559 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 capital 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.

**℞1569 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 capital asset is disposed of, its corresponding accumulated depreciation is removed as well.

The codes in this series are used in proprietary and trust funds in which capital maintenance must be measured.

<b>℞1571</b>	<b>Accumulated Depreciation—Buildings</b>
<b>℞1572</b>	<b>Accumulated Depreciation—Vehicles</b>
<b>℞1573</b>	<b>Accumulated Depreciation—Furniture and Equipment</b>
<b>℞1574</b>	<b>Accumulated Depreciation—Library Books and Media</b>
<b>℞1576</b>	<b>Accumulated Depreciation—Capital Leases</b>
<b>℞1577</b>	<b>Accumulated Depreciation—Infrastructure</b>
<b>℞1578</b>	<b>Accumulated Depreciation—Art, Collections, and Historical Treasures</b>
<b>℞1580</b>	<b>Construction in Progress</b>

This code is used to record expenses or expenditures as they are incurred. The capital projects fund or appropriate fund is debited with the value of construction that has been accepted by your district and for which a contractor has been or will be paid. When construction is complete, this account is credited, and the appropriate capital 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 your district 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. Capitalization of collections is encouraged, but is not required if certain conditions are met as prescribed in [GASB Statement No. 34](#). If items are not capitalized, then depreciation will not be recorded, as is common for inexhaustible assets such as artwork, historical treasures, and collections of either.

<b>R.1591</b>	<b>Infrastructure Assets—Roads</b>
<b>R.1592</b>	<b>Infrastructure Assets—Drainage Systems</b>
<b>R.1593</b>	<b>Infrastructure Assets—Water Systems</b>
<b>R.1594</b>	<b>Infrastructure Assets—Sewer Systems</b>
<b>R.1595</b>	<b>Infrastructure Assets—Lighting Systems</b>
<b>R.1596</b>	<b>Infrastructure Assets—Other</b>
<b>R.1597</b>	<b>Infrastructure Assets—Network or Subsystems of a Network</b>
<b>R.1598</b>	<b>Art and Collections</b>
<b>R.1599</b>	<b>Historical Treasures</b>
<b>1700</b>	<b>DEFERRED OUTFLOWS OF RESOURCES</b>
	A deferred outflow of resources is an outflow related to a future period
	Deferred outflows of resources of a school district are recorded in the 1700 series of accounts.
<b>1701–1799</b>	<b>Deferred Outflows of Resources (These codes are converted to object code 1700 for financial statement purposes.)</b>
	Deferred outflows of resources, like expenses, decrease net position, but the increase applies to a future period, not to the current period. This account has a positive effect on net position similar to assets. A key point is that the outflow of resources has already occurred but applies a future period; hence it is deferred. The following formula applies:
	Net Position = assets + deferred outflows of resources – liabilities – deferred inflows of resources.
	<a href="#">GASB Concepts Statement No. 4</a> indicates that recognition of deferrals should be limited to items specifically identified by GASB. See <a href="#">GASB Statement No. 65</a> paragraphs 5 through 33. Some examples of deferred outflows of resources are:
	<ul style="list-style-type: none"> <li>• grants paid in advance of meeting timing requirements</li> <li>• taxes received in advance</li> <li>• deferred amounts from refunding of debt</li> </ul>

- costs to purchase future revenues
- deferred loss from sale-leaseback
- debt issuance costs (not insurance)
- initial costs incurred in an operating lease by lessor
- acquisition costs for risk pools
- loan origination costs

## **1800 RESTRICTED ASSETS**

Restricted assets are assets that are set aside for specific purposes. Restrictions on assets generally occur in proprietary and fiduciary fund types. An example is a scholarship fund that must be used for a specific purpose.

### ***R*1810 Cash and Cash Equivalents**

This code is used to account for cash and cash equivalents that are restricted to specific uses.

### ***R*1890 Other Restricted Assets**

This code is used to account for assets, other than cash and cash equivalents, that are restricted to specific uses.

## **1900 OTHER ASSETS**

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

### ***R*1910 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. In governmental funds, the long-term investment balance is reflected under object code 3490, Other Restrictions of Fund Balance.

See object code 1110, Cash and Cash Equivalents.

### ***R*1920 Net Pension Assets**

This code is used to account for the district's net pension assets, which are the plan assets that are available to pay the retiree benefits.

**℞1990**

**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.

## A.4.2 Liability Object Codes

A liability is an amount a district is obligated to pay to persons or groups outside the district.

A liability object code is a four-digit code that comprises the sixth through ninth digits in the code structure described in [A. 1 Accounting Code Structure and Definitions](#). These codes begin with the digit “2,” which distinguishes them from other types of object codes.

Your district 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.

### *R*2110

#### 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.
- Attorney fees payable for collecting delinquent taxes—amounts collected as “costs” from a taxpayer and subsequently paid to an attorney for collecting delinquent taxes.
- Refund of overpaid taxes.

### 2120

#### BONDS AND LOANS PAYABLE—CURRENT YEAR

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



**R 2121 Bonds Payable—Current Year**

This code is used to record amounts due for current bond coupons or other bond principal payments. Since payments are considered as recurring transactions by generally accepted accounting principles, the corresponding debits are made to an expenditure account that uses code 6511, Bond Principal in the Debt Service Fund. Under the modified accrual accounting method, this code is used in the financial statements only if the payment is overdue.

**R 2122 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. For the accounting treatment for short-term debt (debt to be repaid within 12 months), see Module 1 section 1.2.6 Debt.

**R 2123 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 twelve months)

**R 2130 Capital Leases Payable—Current Year**

This code is used to record amounts due as a result of a capital lease agreement. In governmental fund types, the principal payment is recorded in the fund in which the lease proceeds amount was recorded. Under the modified accrual accounting method, this code is used in the financial statements only if the payment is outstanding.

**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](#)). Under the modified accrual accounting method, this code is used in the financial statements only if the payment is outstanding.

<b>R 2141</b>	<b>Bond Interest Payable</b>
<b>R 2142</b>	<b>Loan Interest Payable</b>
<b>R 2143</b>	<b>Capital Lease Interest Payable</b>
<b>2150</b>	<b>PAYROLL DEDUCTIONS AND WITHHOLDINGS</b>
	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.
<b>R 2151</b>	<b>Federal Income Taxes</b>
<b>R 2152</b>	<b>FICA and Medicare Taxes</b>
<b>R 2153</b>	<b>Group Health and Life Insurance</b>
<b>R 2154</b>	<b>Financial Institution—Payments to Financial Institutions for Deposit into Employee-designated Accounts</b>
<b>R 2155</b>	<b>Teacher Retirement</b>
<b>R 2159</b>	<b>Other</b>
<b>R 2160</b>	<b>Accrued Wages Payable</b>
	This code is used to record amounts earned by employees, but not yet paid.
<b>2170</b>	<b>DUE TO OTHER FUNDS</b>
	These codes are used to record amounts owed to one fund by another fund. The following types of accounts are included in this series:

<b>R 2171</b>	<b>General Fund</b>
<b>R 2172</b>	<b>Special Revenue Fund</b>
<b>R 2173</b>	<b>Debt Service Fund</b>
<b>R 2174</b>	<b>Capital Projects Fund</b>
<b>R 2175</b>	<b>Enterprise Fund</b>
<b>R 2176</b>	<b>Internal Service Fund</b>
<b>R 2177</b>	<b>Trust and Agency Funds</b>
<b>R 2178</b>	<b>Permanent Funds</b>
<b>2180</b>	<b>DUE TO OTHER GOVERNMENTS</b>
	These codes are used to record amounts owed to other governmental entities.
<b>R 2181</b>	<b>Due to State</b>
<b>R 2182</b>	<b>Due to Federal Agencies</b>
<b>R 2183</b>	<b>Due to Other Governments</b>
	This code is used to record amounts owed to governmental entities, including counties, councils of government, cities, and other school districts.
<b>R 2184</b>	<b>Due to Government Unit—Taxes</b>
	This code is used to record amounts owed to government units as a result of one governmental entity's collecting ad valorem tax revenues for another.
<b>R 2190</b>	<b>Due to Student Groups</b>
	These codes are used to record amounts owed to student groups within the agency funds. <sup>40</sup> Amounts recorded as Due to Student Groups equal

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<sup>40</sup> Agency funds should be 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.

the difference between amounts recorded as assets and any recorded liabilities of student groups, such as accounts payable (no amount may be reported under agency funds as fund balance pertaining to student groups).

**2200 ACCRUED EXPENDITURES OR EXPENSES**

***R*2210 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 (INFLOWS OF RESOURCES)**

***R*2310 Unavailable Revenue**

This code is used to credit an account for the amount of receipts not properly recognized at the time as revenues. For the general fund at the fiscal year-end, this amount is usually calculated as follows:

$$\text{Unavailable Revenue} = \text{Beginning Unavailable Revenue} + \text{Current Year Tax Levied} - \text{Current Year Tax Uncollectable} - \text{Tax Collections.}$$

Object Code 2310—Unavailable Revenue to Include:	Object Code 2310—Unavailable Revenue to Exclude:
<ul style="list-style-type: none"> <li>• advance payment of tuition</li> <li>• cash advance for a federally funded grant not yet expended</li> <li>• preseason football ticket sales</li> <li>• prepayment of long-term vendor contracts</li> <li>• current and delinquent property taxes due</li> <li>• overpayment of property taxes (current or delinquent) to be applied to future years</li> </ul>	<ul style="list-style-type: none"> <li>• all receipts recognized as revenues</li> </ul>

**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 proprietary and fiduciary fund types. An example is a payment due as a result of a scholarship grant.

**R2410****Construction Contract****R2420****Fiscal Agent****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. These amounts are recorded as credits in the general long-term debt fund. Whenever bonds become due, this account is debited and object code 2121, Bonds Payable—Current Year, is used to credit the debt service fund.

**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.<sup>41</sup>

**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.

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<sup>41</sup> Debt defeasance is satisfying or voiding a debt without its being repaid. Debt defeasance can be:

- legal, in which a debt is satisfied according to legal requirements in the debt instrument, or
- in-substance, in which a school district places funds in an irrevocable trust to be used to repay all interest and principal on a debt.

- ℞ 2516 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.
- ℞ 2520 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.
- This code is used to record long-term loans payable by proprietary fund types and similar trust funds (long-term loans of governmental fund types, and expendable trust funds are recorded in the general long-term debt fund).
- 2530 OTHER LONG-TERM DEBT PAYABLE**
- ℞ 2531 Capital Leases Payable—Long-Term**
- This code is used to record an amount due in future accounting periods as the result of a capital lease agreement. These amounts are recorded as credits in the general long-term debt fund for governmental fund types and expendable trust funds and in the appropriate fund for proprietary fund types and similar trust funds. The amount recorded for a capital lease is the current value of the future lease payments.
- ℞ 2532 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.
- ℞ 2540 Net Pension Liabilities**
- This code is used to account for the district’s net pension liabilities, which is the amount by which the total pension liability exceeds the pension plan’s net position (formerly known as the plan net assets).
- ℞ 2545 Net Other Post-Employment Benefits Liabilities (OPEB) (Other than pensions)**
- This code is used to account for the district’s net OPEB liabilities (other than pension plans), which is the district’s proportionate share of the collective net OPEB liability, as reported by TRS.

**℞ 2590 Other Long-Term Liabilities**

This code is used to record long-term liabilities not defined elsewhere. This code represents amounts due after more than one year from the balance sheet date (recognized as accrued long-term liabilities) for miscellaneous liabilities, including compensated absences, workers' compensation, self-funded insurance, legal claims and judgments, certain pension plan liabilities, and other long-term liabilities (debt to be repaid beyond the following 12-month period).

**2600 DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of a school district are recorded using the 2600 series of codes.

Deferred inflows, like revenues, increase net position, but the increase applies to a future period, not to the current period. This account has a negative effect on net position similar to that of liabilities. A key point is that the inflow of resources has already occurred but applies to a future period; hence it is deferred. The following formula applies:

Net Position = assets + deferred outflows – liabilities – deferred inflows.

[GASB Concepts Statement No. 4](#) indicates that recognition of deferrals should be limited to items specifically identified by GASB. See [GASB Statement No. 65](#) paragraphs 5 through 33. Some examples of deferred inflows of resources are as follows:

- grants received in advance of meeting timing requirements
- taxes received in advance
- deferred amounts from refunding of debt (credit entries – cr)
- proceeds from sales of future revenues
- deferred gain from sale-leaseback
- unavailable revenue in governmental funds (deferred revenue)
- loan origination fees not including points
- commitment fees related to exercise or expiration of contract options
- fees for sale of loans

**2601–2699 Deferred Inflows of Resources (These codes are converted to object code 2600 for financial statement purposes.)**

These codes are used, at the option of the school district, to record the district's deferred inflows of resources. A school district may elect to use these codes to separately identify different deferred inflows of resources. School districts may elect to maintain separate accounts for various deferred inflow types. Deferred inflows of resources include the following (the list is not all-inclusive):

**Operating activities**

- receipts from customers
- interest received
- dividends received
- income tax refunds
- refunds from supplies
- receipts from lawsuits
- other income producing activities

**Investing activities**

- plant asset sales
- sales of real estate
- proceeds from sales and maturities of debt and equity
- securities not classified as cash equivalent

**Financing activities**

- proceeds from stock issuance
- proceeds from bond issuance
- proceeds from loans from financial institutions
- proceeds from debt for specific investing activities





### ***A.4.3 Fund Balances and Net Position Object Codes***

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 [A.1 Accounting Code Structure and Definitions](#). These codes begin with the digit “3,” which distinguishes them from other types of object codes.

Your school district may choose to account for transactions at a more detailed level than the level indicated.

## **3000**

### **FUND BALANCES AND NET POSITION**

Fund balances and net position are recorded as credits to eight categories since the implementation of [GASB Statement No. 54](#) and [GASB Statement No. 63](#):

- net investment in capital assets
- restricted net position
- unrestricted net position
- nonspendable fund balance
- restricted fund balance
- committed fund balance
- assigned fund balance
- unassigned fund balance

The first three categories apply to the government-wide financial statements, while the last five categories apply to governmental fund financial statements.

## **3200**

### **NET INVESTMENT IN CAPITAL ASSETS**

This code is used to record the net position component—invested in capital assets—which represents total capital assets less accumulated depreciation less debt directly related to capital assets. This code is reported in the government-wide financial statements and in financial statements for proprietary fund types or fiduciary funds of a school district or both.

**3400–3600****FUND BALANCE****3400****NONSPENDABLE OR RESTRICTED FUND BALANCE**

These codes are used to record nonspendable or restricted fund balances. A restricted or nonspendable fund balance is that portion of fund balance that is not available for appropriation. A restricted fund balance is that portion of fund balance that has been legally separated for a specific purpose.

***R*3410****Nonspendable Inventories**

This code is used to record the nonspendable portion for investment in inventories, which must agree with the inventory balance recorded using object code 1310, Inventories—Supplies and Materials, except for commodity inventories. Commodity inventories received through the US Department of Agriculture are offset with unavailable revenue and not nonspendable inventories.

***R*3415****Nonspendable Long-Term Loans or Notes Receivable**

This code is used to record the nonspendable amount of long-term loans or notes receivable.

***R*3425****Nonspendable Endowment Principal**

This code is used to record the nonspendable principal amount of a permanent fund.

***R*3430****Nonspendable Prepaid Items**

This code is used to record the nonspendable portion of a fund balance to indicate that prepaid items included in assets do not represent expendable available financial resources.

***R*3445****Nonspendable Other**

This code is used to account for any other items meeting the definition of nonspendable.

***R*3450****Restricted for Food Service or for Federal or State Grants Balances**

This code is used to record the amount available for the food service program under the mandates of the National School Lunch Program

and the Breakfast Program. This code reflects restrictions for any federal or state grant balances.

**R3460 Restricted for Fund Balances of Consolidated School Districts**

This code is used to record restricted fund balances of school districts that were consolidated under the [TEC, §§41.251—41.257](#).<sup>42</sup> Amounts restricted under this statute may be used only for the benefit of the schools of the previously existing individual school districts that generate the funds.

**R3470 Restricted for Capital Acquisitions and Contractual Obligations**

This code is used to record the restriction for contractual obligations issued, representing funds available to purchase personal property items under the district's Resolution or Order Authorizing the Sale of Contractual Obligations. Examples include contractual obligations issued directly by a district, or those issued through participation in a program such as the Capital Acquisition Program (CAP).

**R3480 Restricted for Retirement of Long-Term Debt**

This code is used to record the restriction of the debt service fund for retirement of long-term debt, which represents the amounts necessary to retire long-term debt principal.

**R3490 Other Restrictions of Fund Balance**

This code is used to record other restrictions of fund balance not described above.

**3500 COMMITTED OR ASSIGNED FUND BALANCE**

This series of codes is used to report the committed or assigned fund balance, which represents tentative plans for the future use of financial resources. Commitments require board action to earmark fund balance for bona fide purposes that will be fulfilled within a reasonable period. Assignments do not require approval in the board minutes and can also be made by an official or body to which the board has delegated authority. For funds, other than the general fund, the remainder fund balance is reported when assigned.

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<sup>42</sup> [TEC, Chapter 41, Subchapter H, Consolidation by Commissioner](#)<sup>43</sup> GASB Codification Section 1600.106

- R3510 Committed Fund Balance—Construction**  
This code is used to record the commitment for construction plans by your school district for construction projects not funded by bonded debt.
- R3520 Committed Fund Balance—Claims and Judgments**  
This code is used to record the commitment for claims and judgments and represents funds earmarked for payment for such purposes.
- R3525 Committed Fund Balance—Retirement of Loans and Notes Payable**  
This code is used to record the commitment for loans and notes payable and represents funds earmarked for payment for such purposes. This code relates to loans and notes payable committed by the board rather than the restrictive terms of the bond.
- R3530 Committed Fund Balance—Capital Expenditures for Equipment**  
This code is used to record the commitment for planned major capital expenditures for equipment not funded by bonded debt or CAP funds.
- R3540 Committed Fund Balance—Self-Insurance**  
This code is used to record the commitment for self-insurance representing funds set aside by your district for actuarial liabilities of self-insurance programs.
- R3545 Other Committed Fund Balance**  
This code is used to record other commitments of fund balance not described above.
- R3550 Assigned Fund Balance—Construction**  
This code is used to record the assignment for planned construction by your district for construction projects not funded by bonded debt.
- R3560 Assigned Fund Balance—Claims and Judgments**  
This code is used to record the assignment for claims and judgments and represents funds earmarked for payment for such purposes.
- R3565 Assigned Fund Balance—Retirement of Loans and Notes Payable**  
This code is used to record the assignment for loans and notes payable and represents funds earmarked for payment for such purposes.

**R3570 Assigned Fund Balance—Capital Expenditures for Equipment**

This code is used to record the assignment for planned major capital expenditures for equipment not funded by bonded debt or CAP funds.

**R3580 Assigned Fund Balance—Self-Insurance**

This code is used to record the assignment for self-insurance representing funds set aside by your district for actuarial liabilities of self-insurance programs.

**R3590 Assigned Fund Balance**

This code is used to record other assignments of fund balance not described above.

**R3600 Unassigned Fund Balance**

This code is used to record unassigned fund balance, which represents that portion of fund balance that is currently available to finance expenditures or expenses not already approved by the board of trustees or described under [GASB Statement No. 54](#) as the amount in excess of nonspendable, restricted, committed, and assigned fund balance (surplus).

**3700 BUDGETARY FUND BALANCE—LOCALLY DEFINED**

The budgetary fund balance code may be used to offset the following object codes:

- 5010, Estimated Revenues—Control—Locally Defined
- 6010, Appropriated Expenditures and Expenses—Control—Locally Defined
- 7010, Estimated Other Resources and Nonoperating Revenues—Control—Local Option
- 8010, Appropriated Other Uses and Nonoperating Expenses—Control —Locally Defined

This account will have a zero balance at fiscal year-end.

**R3800 Restricted Net Position**

This code is used to record the net position component—restricted net position—which represents net resources restricted by a source external to the district. This account is reported in your district’s financial statements for government-wide funds, proprietary funds, and fiduciary funds.

**R3900****Unrestricted Net Position**

This code is used to record the net position component—unrestricted net position—which is reported in your district’s financial statements for government-wide funds, proprietary funds, and fiduciary funds. Unrestricted net position represents any resources not classified in accounts 3200, Invested in Net Investment in Capital Assets, and 3800, Restricted Net Position.

### ***A.4.4 Clearing Account Object Codes***

A clearing account is one that is used to balance the accounting records during interim periods. They are closed to other accounts at the end of the fiscal year and are not shown on your district's financial statements.

A clearing account 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 "4," which distinguishes them from other types of object codes.

#### **4000**

#### **CLEARING ACCOUNTS**

Your school district may choose to account for transactions at a more detailed level than the level indicated and may use additional clearing accounts as needed.

#### **4301–4310**

#### **ENCUMBRANCE RESERVES**

Governmental Accounting Standards Board (GASB) defines an encumbrance as an amount set aside to pay for goods and services your district contracted for but did not receive before the end of the fiscal year.

#### **4310**

#### **Reserve for Encumbrances—Locally Defined**

This code is used to record a credit entry when an encumbrance, such as making a purchase order, is incurred. The corresponding debit entry account is 6020, Encumbrances—Control—Locally Defined (or 8020, Encumbered Other Uses and Nonoperating Expenses—Control—Locally Defined for an encumbrance for other uses). To liquidate an encumbrance, this account is debited, and 6020 or 8020 is credited, as appropriate. Any remaining balance is closed, and an entry for assigned fund balance reduces unassigned fund balance. An unliquidated encumbrance may be reopened in the following fiscal year.

### ***A.4.5 Revenue Object Codes***

Revenue is an increase in a school district'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.

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

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

If your district needs to use codes in addition to the mandatory codes for managerial purposes, the district should use the optional codes provided for local use in the code structure.

GASB states that revenues and other governmental fund financial resource increments are recognized when they are susceptible to accrual, which means they must be both measurable and available. Revenues are measurable when the amount of the revenues is subject to reasonable estimation. To be available, revenues must be subject to collection within the current period, or after the end of the period but in time to pay liabilities outstanding at the end of the current period.<sup>43</sup>

Revenues recorded in the proprietary fund type and similar trust funds are recognized when earned in essentially the same manner as in commercial accounting.

School districts must account for a variety of revenues, including property taxes, foundation fund entitlements, user charges, and grants.

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<sup>43</sup> GASB Codification Section 1600.106



**5000****REVENUE CONTROL ACCOUNTS**

These codes are used for accounts that summarize estimated (budgeted) and actual (realized) revenues. These are optional codes and accounts that your district may use in financial accounting applications.

**5010 Estimated Revenues—Control—Locally Defined**

This code is used to debit an account at the beginning of the period for the amount of revenues anticipated. The credit entry is to the object code 3700, Budgetary Fund Balance—Locally Defined, and this account is closed at year-end. This control account is used at the option of your district.

**5020 Realized Revenues—Control—Locally Defined**

This code is used to credit an account for the total revenues realized, including any accrued amounts, during the period. The postings to the revenue ledger (detailed revenue accounts) must be equal to this total realized revenue control account. The debit entry is to cash or a receivable account. At the end of the period, this account is closed to fund balance. This control account is used at the option of your district.

**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**

All revenues from local real and personal property taxes are recorded in this code class. Your district should carefully classify tax (actual levy) and other tax revenues, such as penalties and interest, because tax collections affect state funding. This code class applies to school districts, including component school districts of a consolidated taxing district.

**℞5711****Taxes, Current Year Levy**

This code is used to classify revenues realized as a result of collecting taxes for real and personal property as levied for the current year. This code is also used to classify revenues that are the current year component share of taxes from a consolidated taxing district. This

includes past due, current delinquent, and supplemental taxes for the current year levy. Taxes collected from current year assessments are prorated between the general and debt service funds as applicable. School districts that elect to provide separate accounting for past due, current delinquent, and supplemental taxes for the current year levy may use local option codes to do so.

<b>Object Code 5711—Revenue to Include:</b>	<b>Object Code 5711—Revenue to Exclude:</b>
<ul style="list-style-type: none"> <li>• taxes collected for the current year levy, October 1 to January 31</li> <li>• current delinquent taxes collected (for the current year levy) between February 1 and the district’s fiscal year-end</li> <li>• supplemental taxes, taxes from litigation, taxes under protest, or other taxes not certified on the original approved roll</li> <li>• current delinquent taxes accrued for the 60 days beginning September 1 and ending October 30 or July 1 and ending August 29, depending on the district’s fiscal year</li> </ul>	<ul style="list-style-type: none"> <li>• prior year taxes (taxes levied in prior years, object code 5712)</li> <li>• all taxes collected other than current year tax levy (object code 5712)</li> <li>• penalties and interest (object code 5719)</li> <li>• delinquent tax collection fees charged to taxpayer and paid to an attorney (object code 2110)</li> <li>• overpayment of taxes for current year levy (object code 2310 for unavailable revenue or object code 2110 for refund of overpaid taxes)</li> </ul>

**℞5712**

**Taxes, Prior Years**

This code is used to classify revenues realized as a result of collecting taxes for real and personal property as levied for prior years, including taxes that may have previously been determined to be uncollectible. This code includes supplements to the prior year tax rolls. Taxes collected from prior year assessments are prorated between the general and debt service funds according to the tax rates of the year of levy, as applicable.

<b>Object Code 5712—Revenue to Include:</b>	<b>Object Code 5712—Revenue to Exclude:</b>
<ul style="list-style-type: none"> <li>• all taxes collected for prior year levies</li> </ul>	<ul style="list-style-type: none"> <li>• all taxes collected for current year levy (object code 5711)</li> </ul>

Object Code 5712—Revenue to Include:	Object Code 5712—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• taxes collected against county education district receivables purchased from successor in interest</li> <li>• prior year delinquent taxes accrued for 60 days beginning September 1 through October 30 or July 1 through August 29 depending on the district’s fiscal year-end</li> <li>• local revenue received from former successor-in-interest entity of a former county education district</li> </ul>	<ul style="list-style-type: none"> <li>• penalties and interest (object code 5719)</li> <li>• delinquent tax collection fees charged to taxpayer and paid to an attorney (object code 2110)</li> <li>• overpayment of taxes for current year levy (object code 2310 for unavailable revenue or object code 2110 for refund of overpaid taxes)</li> </ul>

**5716–5718 Penalties, Interest, and Other Tax Revenues—Locally Defined**

These codes are used, at the option of your district, to classify tax revenues not defined elsewhere. These accounts should not include any tax levy, all of which is classified in either object code 5711, Taxes, Current Year Levy, or 5712, Taxes, Prior Years.

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

**℞ 5719 Penalties, Interest, and Other Tax Revenues—School Districts or Local Property Taxes Passed Through by School Districts**

This code is used to classify revenues realized as a result of collecting tax revenues other than those specified above, including penalties and interest.

**Note:** Any locally defined codes that your district uses must be converted to object code 5719 for **PEIMS** reporting.

Delinquent tax collection fees that are charged as costs to the taxpayer and paid to an attorney are treated as a liability using object code 2110, Accounts Payable, and not classified as revenues.

Object Code 5719—Revenue to Include:	Object Code 5719—Revenue to Exclude:
<ul style="list-style-type: none"> <li>all penalties and interest for tax collection</li> <li>payments in lieu of taxes</li> </ul>	<ul style="list-style-type: none"> <li>current year taxes (object code 5711)</li> <li>prior year delinquent taxes (object code 5712)</li> <li>delinquent tax collection fees charged to taxpayer and paid to an attorney (object code 2110)</li> </ul>

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

***R*5721 Local Revenues Resulting from Sale of Weighted Average Daily Attendance (WADA) to Other School Districts**

This code is used to classify revenues realized from the sale of WADA to other school districts. This account is used only for any amount in excess of what your district would normally receive from the Foundation School Program Act.

Object Code 5721—Revenue to Include:	Object Code 5721—Revenue to Exclude:
<ul style="list-style-type: none"> <li>revenues in excess of what the district would normally receive from the FSP Act</li> </ul>	<ul style="list-style-type: none"> <li>all other revenues</li> </ul>

***R*5722 Shared Services Arrangements—Local Revenues from Member Districts**

This code is used to classify local revenues realized by a fiscal agent from member districts of a shared services arrangement. The revenues realized by fiscal agents in this account should agree with the member districts’ expenditures in object code 6492, Payments to Fiscal Agents of Shared Services Arrangements.

Object Code 5722—Revenue to Include:	Object Code 5722—Revenue to Exclude:
<ul style="list-style-type: none"> <li>local revenue from member districts of shared services arrangements</li> </ul>	<ul style="list-style-type: none"> <li>state-funded revenue from shared service arrangements (object code 5841)</li> </ul>

Object Code 5722—Revenue to Include:	Object Code 5722—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• all or a portion of allotments from the Foundation School Program that are part of a shared services arrangement, such as local or state special education funds for sharing personnel, such as program directors, counselors, diagnosticians, and speech therapists</li> <li>• local funds for sharing personnel, such as librarians, counselors, and nurses</li> </ul>	<ul style="list-style-type: none"> <li>• federal revenue from shared service arrangements (object code 5951)</li> </ul>

**℞5723**

**Shared Services Arrangements—Local Revenues from Fiscal Agent**

This code is used to classify local revenues realized by a member district from the fiscal agent of a shared services arrangement. The revenues realized by member districts in this account should agree with the fiscal agent’s expenditures in object code 6493, Payments to Member Districts of Shared Services Arrangements.

Object Code 5723—Revenue to Include:	Object Code 5723—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• local revenues received from the fiscal agent of a shared service arrangement</li> <li>• all or a portion of allotments from the Foundation School Program that are part of a shared services arrangement, such as local or state special education funds for sharing personnel, such as program directors, counselors, diagnosticians, and speech therapists</li> </ul>	<ul style="list-style-type: none"> <li>• state revenues received from the fiscal agent of a shared service arrangement (object code 5842)</li> <li>• federal revenue received from the fiscal agent of a shared service arrangement (object code 5952)</li> </ul>

Object Code 5723—Revenue to Include:	Object Code 5723—Revenue to Exclude:
<ul style="list-style-type: none"> <li>local or state funds for sharing program personnel, such as librarians, counselors, and nurses</li> </ul>	

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

These codes are used, at the option of your district, to classify revenues resulting from services rendered to other districts not defined elsewhere.

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

**℞5729 Local Revenues Resulting from Services Rendered to Other School Districts**

This code is used to classify revenues realized from services rendered to other school districts not specified above.

**Note:** Any locally defined codes that your district uses must be converted to object code 5729 for PEIMS reporting.

Object Code 5729—Revenue to Include:	Object Code 5729—Revenue to Exclude:
<ul style="list-style-type: none"> <li>revenue for services to other districts, such as transportation, maintenance services, and printing</li> <li>tuition from other districts</li> <li>revenue received from other districts as registration fees for staff development</li> </ul>	<ul style="list-style-type: none"> <li>tuition from local sources (object code 5739)</li> <li>sales of instructional materials and technological equipment to other entities<sup>45</sup></li> </ul>

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<sup>45</sup> [TEC, §31.105](#)

Object Code 5729—Revenue to Include:	Object Code 5729—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• tuition paid from one district to another resulting in entire grades of students being transferred to provide grade levels not taught by the sending district</li> <li>• tuition paid for an enhanced service for specific students not offered by the sending district</li> <li>• tuition paid for students being transferred under the Public Education Grant Program<sup>44</sup></li> </ul>	

**5730 TUITION AND FEES**

**5735–5738 Tuition and Fees—Locally Defined**

These codes are used, at the option of your district, to classify tuition and fees not defined elsewhere.

**Note:** For PEIMS reporting, these codes are converted to object code 5739.

***R*5739 Tuition and Fees from Local Sources**

This code is used to classify revenues realized for tuition and fees from local sources.

**Note:** Any locally defined codes that your district uses must be converted to object code 5739 for PEIMS reporting.

Object Code 5739—Revenue to Include:	Object Code 5739—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• driver education tuition</li> <li>• tuition from local sources</li> <li>• tuition from out-of-district patrons—regular day school</li> </ul>	<ul style="list-style-type: none"> <li>• tuition from other school districts (object code 5729)</li> </ul>

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<sup>44</sup> [TEC, §29.201](#)

Object Code 5739—Revenue to Include:	Object Code 5739—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• tuition from overage students</li> <li>• tuition for summer school</li> <li>• tuition from early childhood programs</li> </ul>	

**5740**

**OTHER REVENUES FROM LOCAL SOURCES**

***R*5741**

**Earnings from Permanent Funds and Endowments**

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

Object Code 5741—Revenue to Include:	Object Code 5741—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• earnings from local permanent school funds and endowments</li> </ul>	<ul style="list-style-type: none"> <li>• all other revenues</li> </ul>

***R*5742**

**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 debt entry to 5742 and gains as a credit entry to 5742.

Object Code 5742—Revenue to Include:	Object Code 5742—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• interest from:                             <ul style="list-style-type: none"> <li>○ market gains</li> <li>○ US government agency securities</li> <li>○ commercial paper</li> <li>○ sweep accounts</li> <li>○ certificates of deposit</li> <li>○ Texas local governments (Texas municipalities)</li> <li>○ investment pools</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• earnings from local permanent funds and endowments (object code 5741)</li> </ul>



**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:
<ul style="list-style-type: none"> <li>• rent of a stadium, activity center, gym, school, or other district-owned facility</li> </ul>	<ul style="list-style-type: none"> <li>• ticket sales to athletic events (object code 5752)</li> <li>• revenue from extracurricular activities other than athletics (object code 5753)</li> </ul>

**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:
<ul style="list-style-type: none"> <li>• donations of cash or the value of items donated</li> </ul>	<ul style="list-style-type: none"> <li>• state and federal grants (object code 58XX or 59XX)</li> </ul>

**R5745**

**Insurance Recovery**

This code is used to classify amounts received from insurance companies for the repair or replacement of the insured property for assets of governmental fund types and expendable trust funds. But insurance payments for assets of proprietary funds and similar trust funds are recorded using object code 7956, Insurance Recovery.

Object Code 5745—Revenue to Include:	Object Code 5745—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• gross proceeds from insurance companies for the repair or replacement of insured property</li> </ul>	<ul style="list-style-type: none"> <li>• all other revenue</li> </ul>

**R5746**

**Property Taxes Collected for Tax Increment Fund (TIF)**

This code is used to classify amounts received for financing a tax increment fund. The fund is used as an investment in the tax increment reinvestment zone. The expenditures associated with these revenues should be recorded in the general fund, under function code 97.

Payments to Tax Increment Fund, and should be disbursed using object code 6499, Miscellaneous Operating Costs.

Object Code 5746—Revenue to Include:	Object Code 5746—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• property taxes collected for Tax Increment Fund</li> </ul>	<ul style="list-style-type: none"> <li>• taxes collected for the current year levy, October 1 to January 31 (object code 5711)</li> <li>• current delinquent taxes collected (for the current year levy) between February 1 and August 31 or June 30 depending on the district’s fiscal year (object code 5711)</li> <li>• supplemental taxes, taxes from litigation, taxes under protest, or other taxes not certified on the original approved roll (object code 5711)</li> <li>• current delinquent taxes accrued for the 60 days beginning September 1 and ending October 30, or July 1 and ending August 29, depending on the district’s fiscal year (object code 5711)</li> <li>• all taxes collected for prior year levies (object code 5712)</li> <li>• taxes collected against county education district receivables purchased from successor in interest (object code 5712)</li> </ul>

Object Code 5746—Revenue to Include:	Object Code 5746—Revenue to Exclude:
	<ul style="list-style-type: none"> <li>• prior year delinquent taxes accrued for 60 days beginning September 1 through October 30, or July 1 through August 29, depending on the district’s fiscal year end (object code 5712)</li> <li>• local revenue received from a former successor-in-interest entity of a former county education district (object code 5712)</li> </ul>

**℞5747**

**Additional State Aid for Ad Valorem Tax Credit, Texas Economic Development Act, Chapter 313, Tax Code**

This code is used to classify additional state aid to offset the ad valorem tax credit granted by school districts to businesses under the Texas Economic Development Act. The expenditures associated with these revenues should be recorded in the general fund, under function code 98, Payments of Ad Valorem Tax Credits under Texas Economic Development Act, and should be disbursed using object code 6499, Miscellaneous Operating Costs.

Object Code 5747—Revenue to Include:	Object Code 5747—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• additional state aid for ad valorem tax credit for the Texas Economic Development Act, Chapter 313, Tax Code</li> </ul>	<ul style="list-style-type: none"> <li>• additional state aid from other programs</li> </ul>

**5748**

**Other Revenues from Local Sources—Locally Defined**

This code is used, at the option of your district, to classify revenues realized from local sources not defined elsewhere.

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

**℞5749**

**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 your district uses must be converted to object code 5749 for PEIMS reporting.

<b>Object Code 5749—Revenue to Include:</b>	<b>Object Code 5749—Revenue to Exclude:</b>
<ul style="list-style-type: none"> <li>• miscellaneous revenue not identified in other revenue coding 57XX. For example:                             <ul style="list-style-type: none"> <li>○ library fines</li> <li>○ revenue from sale of materials requested under open records</li> <li>○ sale of instructional materials and technological equipment</li> <li>○ revenue from copy machines usage</li> <li>○ concession sales not specifically attributable to athletics (in accordance with local policy)</li> <li>○ application fees for tax value limitation agreements (example: <a href="#">Tax Code, Chapter 313</a>)</li> <li>○ oil and gas lease payments and royalties</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• concession sales specifically attributable to athletics (in accordance with local policy; object code 5752)</li> </ul>

**5750 REVENUES FROM COCURRICULAR, ENTERPRISING SERVICES, OR ACTIVITIES**

***R*5751 Food Service Activity**

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

For a district that accounts for food service operations in the general or special revenue fund, 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

Districts that use an enterprise fund to account for food service operations should use the following object codes:

- 7952, School Breakfast Program
- 7953, National School Lunch Program
- 7954, USDA Commodities

Object Code 5751—Revenue to Include:	Object Code 5751—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• full price payments for student and adult meals including:                             <ul style="list-style-type: none"> <li>○ sale of milk</li> <li>○ catering fees</li> <li>○ reduced meal prices paid by students</li> <li>○ sale of à la carte items</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• in the general and special revenue funds:                             <ul style="list-style-type: none"> <li>○ federal School Breakfast Program (object code 5921)</li> <li>○ National School Lunch Program (object code 5922)</li> <li>○ Department of Agriculture (USDA) Commodities (object code 5923)</li> </ul> </li> <li>• in the enterprise fund:                             <ul style="list-style-type: none"> <li>○ School Breakfast Program (object code 7952)</li> <li>○ National School Lunch Program (object code 7953)</li> <li>○ USDA Commodities (object code 7954)</li> </ul> </li> </ul>

**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:
<ul style="list-style-type: none"> <li>• ticket sales to athletic events</li> </ul>	<ul style="list-style-type: none"> <li>• rental of a stadium, activity center, gym, or other athletic facility (object code 5743)</li> </ul>

Object Code 5752—Revenue to Include:	Object Code 5752—Revenue to Exclude:
<ul style="list-style-type: none"> <li>concession sales specifically attributable to athletics (in accordance with local policy)</li> </ul>	<ul style="list-style-type: none"> <li>concession sales not specifically attributable to athletics (in accordance with local policy; object code 5749)</li> </ul>

**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:
<ul style="list-style-type: none"> <li>ticket sales or entry fees for extracurricular events when recorded by the district rather than by a student activity fund, according to local policy</li> </ul>	<ul style="list-style-type: none"> <li>ticket sales to athletic events or athletic event gate receipts (object code 5752)</li> </ul>

**R5754 Internal Service Fund and Interfund Transactions**

This code is used to classify revenues realized from fees charged to users and recorded in an internal service fund.

Object Code 5754—Revenue to Include:	Object Code 5754—Revenue to Exclude:
<ul style="list-style-type: none"> <li>fees charged by a printing department accounted for in an internal service fund</li> <li>health insurance or workers’ compensation premiums charged for insurance programs operated on a self-funded basis and accounted for in an internal service fund</li> </ul>	<ul style="list-style-type: none"> <li>interest earned on deposits accounted for in the internal service fund (code object 7955)</li> </ul>

**R5755 Enterprising Services Revenue**

This code is used to classify gross revenues realized from vending machines, school stores, coke 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.

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

These codes are used, at the option of your district, to classify revenues realized from cocurricular or enterprising services or activities not defined elsewhere.

**Note:** For 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 your district uses must be converted to object code 5759 for PEIMS reporting.

**5760 REVENUES FROM INTERMEDIATE SOURCES**

**5766–5768 Revenues from Intermediate Sources—Locally Defined**

These codes are used, at the option of your district, to classify revenues realized from intermediate sources not defined elsewhere.

**Note:** For 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 your district uses must be converted to object code 5769 for PEIMS reporting.

Object Code 5769—Revenue to Include:	Object Code 5769—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• revenue from the city, county, or other non-school district local government or administrative unit</li> </ul>	<ul style="list-style-type: none"> <li>• revenue from other school districts (object code 5729)</li> <li>• revenue from state government entity (object code 58XX)</li> <li>• revenue from federal governmental entities (object code 59XX)</li> </ul>

**5800 STATE PROGRAM REVENUES**

**5810 Per Capita and Foundation School Program (FSP) Revenues**

This code is used to classify revenues realized from the Texas Education Agency, allocated on the basis of state law relating to the FSP Act.

**℞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:
<ul style="list-style-type: none"> <li>• ASF revenues</li> </ul>	<ul style="list-style-type: none"> <li>• state instructional materials allotment (object code 5829)</li> <li>• Foundation School Fund revenues (object code 5812)</li> <li>• Public Education Grant (object code 5812)</li> <li>• Optional Extended Year (object code 5812)</li> <li>• State Supplemental Visually Impaired or Regional Day School for the Deaf (object code 5812)</li> </ul>

**℞5812 Foundation School Program (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:
<ul style="list-style-type: none"> <li>• the portion of a Chapter 41 receipt received from a Chapter 41 district that corresponds to the reduction in state aid of a Chapter 42 district</li> <li>• Foundation School Fund Chapter 42 revenues</li> <li>• Optional Extended Year</li> <li>• State Supplemental Visually Impaired or Regional Day School for the Deaf</li> <li>• Public Education Grant</li> <li>• High School Allotment</li> </ul>	<ul style="list-style-type: none"> <li>• state instructional materials allotment (object code 5829)</li> <li>• Available School Fund (ASF) revenues (object code 5811)</li> <li>• federal revenue passed through a state agency (object code 5939)</li> </ul>

***R*5813 Foundation School Program Act Incentive Aid**

This code is used to classify revenues realized to assist eligible school districts under the Incentive Aid Payments program.<sup>46</sup>

**5817–5818 Foundation School Program Act Revenues—Locally Defined**

These codes are used, at the option of your district, to classify revenues realized from the foundation fund not defined elsewhere.

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

***R*5819 Other Foundation School Program Act Revenues**

This code is used to classify revenues realized from the foundation school program not specified above.

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<sup>46</sup> [TEC, §§13.281–13.285](#)

**Note:** Any locally defined codes that your district uses must be converted to object code 5819 for PEIMS reporting.

**5820 State Program Revenues Distributed by Texas Education Agency**

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

**5826-5828 Revenues from Other State Programs—Locally Defined**

These codes are used, at the option of your district, to classify revenues realized from other state programs not defined elsewhere.

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

**℞5829 State Program Revenues Distributed by Texas Education Agency**

This code is used to classify revenues realized from the Texas Education Agency for programs not specified above.

**Note:** Any locally defined codes that your district uses must be converted to object code 5829 for PEIMS reporting.

Object Code 5829—Revenue to Include:	Object Code 5829—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• state instructional materials allotment</li> <li>• facilities grant</li> <li>• revenues realized from the Texas Education Agency for programs not specified above</li> </ul>	<ul style="list-style-type: none"> <li>• federal revenue passed through a state agency (object code 5939)</li> <li>• Available School Fund revenues (object code 5811)</li> <li>• the portion of a Chapter 41 receipt received from a Chapter 41 district that corresponds to the reduction in state aid of a Chapter 42 district (object code 5812)</li> <li>• Foundation School Fund Chapter 42 revenues (object code 5812)</li> <li>• Optional Extended Year (object code 5812)</li> </ul>

Object Code 5829—Revenue to Include:	Object Code 5829—Revenue to Exclude:
	<ul style="list-style-type: none"> <li>• State Supplemental Visually Impaired or Regional Day School for the Deaf (object code 5812)</li> <li>• Public Education Grant (object code 5812)</li> <li>• High School Allotment (object code 5812)</li> </ul>

**5830 State Revenues from State of Texas Government Agencies**

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

**R 5831 Teacher Retirement or TRS Care—On-Behalf Payments and Medicare Part D Payments**

This code is used to classify revenues from on-behalf payments of matching teacher retirement paid for active members of the school district in accordance with [GASB Statement No. 24](#). A school district contributes matching funds for personnel funded from federal sources and, if applicable, statutory minimum funds for qualifying personnel. The school district 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 school district contributions is recorded here. An equal expenditure amount should be recorded using code 6144, Teacher Retirement—On-Behalf Payments.

Medicare Part D payments made by the federal government to the Teacher Retirement System are also recorded using this code with an equal expenditure amount to code 6144, Teacher Retirement—On-Behalf Payments. For more information, see Module 1, sections 1.2.5.1 Payroll Liabilities and 1.3.3 On-Behalf Teacher Retirement System Payments.

**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 your district, to classify state revenues realized from other Texas government agencies not defined elsewhere.

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

**R 5839 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 the Texas Education Agency, not defined elsewhere.

**Note:** Any locally defined codes that your district uses must be converted to object code 5839 for PEIMS reporting.

**5840 Shared Services Arrangements—State Revenues**

State revenues from shared services arrangements are state funds received from either:

- a member district by a fiscal agent or
- a fiscal agent by a member district.

For purposes of these revenue object codes, state revenues are defined as state funds granted through an application where the entire grant is funded through the state. Examples of state funds included in these revenue object codes are:

- state-funded Adult Basic Education programs
- Regional Day School for the Deaf
- State Supplemental Visually Impaired

**R 5841 Shared Services Arrangements—State Revenues from Member Districts**

This code is used to classify state revenues realized from member districts by a fiscal agent of a shared services arrangement. The revenues realized by fiscal agents in this code should agree with the member districts’ expenditures in object code 6492, Payments to Fiscal Agents of Shared Services Arrangements.

Object Code 5841—Revenue to Include:	Object Code 5841—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• state revenues realized from member districts of a shared services arrangement</li> </ul>	<ul style="list-style-type: none"> <li>• locally funded revenue from member districts of a shared services arrangement (object code 5722)</li> </ul>

Object Code 5841—Revenue to Include:	Object Code 5841—Revenue to Exclude:
	<ul style="list-style-type: none"> <li>• federal revenues from members of a shared services arrangement (object code 5951)</li> <li>• all or a portion of allotments from the Foundation School Program that are part of a shared services arrangement, such as local or state special education funds for sharing of personnel such as program directors, counselors, diagnosticians, and speech therapists (object code 5722)</li> </ul>

**R5842**

**Shared Services Arrangements—State Revenues from Fiscal Agent**

This code is used to classify state revenues realized by a member district from the fiscal agent of a shared services arrangement. The revenues realized by member districts in this code should agree with the fiscal agent’s expenditures in code 6493, Payments to Member Districts of Shared Services Arrangements.

Object Code 5842—Revenue to Include:	Object Code 5842—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• state revenues realized from a fiscal agent of a shared service arrangement</li> </ul>	<ul style="list-style-type: none"> <li>• locally funded revenues from a shared services arrangement (object code 5723)</li> <li>• federally funded revenues from a shared services arrangement (object code 5952)</li> <li>• all or a portion of allotments from the Foundation School Program that are part of a shared services arrangement, such as local or state special education funds for sharing of personnel such as program directors, counselors, diagnosticians, and speech therapists (object code 5723)</li> </ul>

**5846-5848 Shared Services Arrangements—State Revenues Locally Defined**

These codes are used, at the option of your district, to classify state revenues realized through a Shared Services Arrangement not defined elsewhere.

**Note:** For PEIMS reporting, these codes are converted to object code 5849, Shared Services Arrangements—State Revenues.

**R5849 Shared Services Arrangements—State Revenues**

This code is used to classify state revenues through Shared Services Arrangements not defined elsewhere.

**Note:** Any locally defined codes that your district uses must be converted to object code 5849 for PEIMS reporting.

**5900 FEDERAL PROGRAM REVENUES**

Federal program revenues are recognized after an allowable expenditure has been incurred. Each federal grant has a unique Catalog of Federal Domestic Assistance (CFDA) identification number 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.

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

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

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

**℞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 your district uses must be converted to object code 5919 for 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 the Texas Education Agency.

**℞5921 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. (CFDA 10.553)

For school districts that use the enterprise fund to account for the school breakfast program, school breakfast program funds must be recorded in the nonoperating revenue object code 7952, School Breakfast Program.

**℞5922 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. (CFDA 10.555)

For school districts that use the enterprise fund to account for the food service program, national school lunch funds are recorded in the nonoperating revenue object code 7953, National School Lunch Program(NSLP). (CFDA 10.555)

Object Code 5922—Revenue to Include:	Object Code 5922—Revenue to Exclude:
<ul style="list-style-type: none"> <li>• National School Lunch Program revenues</li> </ul>	<ul style="list-style-type: none"> <li>• revenues received for a Summer Feeding Program (object code 5939)</li> <li>• revenues from School Breakfast Program (object code 5921)</li> </ul>

**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).

For school districts that use the enterprise fund to account for the food service program, commodities are recorded in the nonoperating revenue object code 7954, USDA Commodities. (CFDA 10.555)

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

These codes are used, at the option of your district, to classify federal revenues realized from Texas Education Agency not defined elsewhere.

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

**R5929 Federal Revenues Distributed by the Texas Education Agency**

This code is used to classify revenues realized for federal programs passed through the Texas Education Agency and not defined elsewhere.

**Note:** Any locally defined codes that your district uses must be converted to object code 5929 for 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 the Texas Education Agency.

**R5931 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 school district 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.

**R5932 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 school districts for administrative activities they perform to help the state implement the Medicaid state plan (outreach, explaining various health programs, helping students and their families to 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 school districts is based on the overall district Medicaid eligibility, not on specific students. These receipts are considered “federal financial assistance” for inclusion in the Schedule of Federal Financial Assistance. (CFDA 93.778)

**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 your district, to classify federal revenues realized from state government agencies other than Texas Education Agency not defined elsewhere.

**Note:** For 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).

**R5939 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 the Texas Education Agency not defined elsewhere.

**Note:** Any locally defined codes that your district uses must be converted to object code 5939 for 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.

***R*5941 Impact Aid**

This code is used to classify revenues realized for payments in lieu of taxes, to be used for current general operating expenditures. (CFDA 84.041)

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

These codes are used, at the option of your district, to classify revenues realized directly from federal agencies not defined elsewhere.

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

***R*5949 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, and
- not otherwise listed above.

**Note:** Any locally defined codes that your district uses must be converted to object code 5949 for PEIMS reporting.

**5950 SHARED SERVICES ARRANGEMENTS—FEDERAL REVENUES**

Federal revenues from shared services arrangements are federal funds received from either:

- a member district by a fiscal agent or
- a fiscal agent by a member district.

For purposes of these revenue object codes, federal revenues are defined as federal funds granted through an application where the entire grant is funded by the federal government, even though a state government may distribute the funds. Examples of federal funds included in these revenue object codes are:

- Federally funded Adult Basic Education programs
- ESEA, Title I, Part A—Improving Basic Programs
- ESEA Title I, Part C—Education of Migratory Children

- ℞5951 Shared Services Arrangements—Federal Revenues from Member Districts**
- This code is used to classify federal revenues realized from member districts by a fiscal agent of a shared services arrangement. The revenues realized by fiscal agents in this account should agree with the member districts' expenditures in code 6492, Payments to Fiscal Agents of Shared Services Arrangements.
- ℞5952 Shared Services Arrangement—Federal Revenues from Fiscal Agent**
- This code is used to classify federal revenues realized by a member district from the fiscal agent of a shared services arrangement. The revenues realized by member districts in this code should agree with the fiscal agent's expenditures in code 6493, Payments to Member Districts of Shared Services Arrangements.
- 5956–5958 Shared Services Arrangements—Federal Revenues—Locally Defined**
- These codes are used, at the option of your district, to classify federal revenues realized from shared services arrangements not defined elsewhere.
- Note:** For PEIMS reporting, these codes are converted to object code 5959, Shared Services Arrangements—Federal Revenues.
- ℞5959 Shared Services Arrangements—Federal Revenues**
- This code is used to classify revenues realized for federal programs received through a shared services arrangement not otherwise listed above.
- Note:** Any locally defined codes that your district uses must be converted to object code 5959 for PEIMS reporting.

### A.4.6 Expenditure and Expense Object Codes

An **expenditure** is an outflow of cash, a promise to pay, or other financial resource in return for goods and services that have been received.

An **expense** is a decrease in net position resulting from a using up or an outflow of assets in the course of operating your district.

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. Your district’s accounting records must reflect expenditures and expenses:

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

If your school district needs to use codes in addition to the mandatory codes for managerial purposes, your district 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.

<b>Summary of Expenditure or Expense Object Codes</b>	
<b>6100</b>	<b>Payroll Costs</b>
6110	Teachers and Other Professional Personnel
6120	Support Personnel
6130	Employee Allowances
6140	Employee Benefits
<b>6200</b>	<b>Professional and Contracted Services</b>
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
<b>6300</b>	<b>Supplies and Materials</b>
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
<b>6400</b>	<b>Other Operating Expenses</b>
6410	Travel, Subsistence, and Stipends
6420	Insurance and Bonding Costs
6430	Election Costs
6440	Depreciation Expense of Proprietary and Nonexpendable Trust Funds
6490	Miscellaneous Operating Costs
<b>6500</b>	<b>Debt Service</b>
6510	Debt Principal
6520	Interest Expenditures or Expenses
6590	Other Debt Service Expenditures or Expenses
<b>6600</b>	<b>Capital Outlay—Land, Buildings, and Equipment</b>
6610	Land Purchase and Improvement
6620	Building Purchase, Construction, or Improvements
6630	Furniture and Equipment
6640	Fixed Assets—District Defined
6650	Fixed Assets under Capital Leases
6660	Library Books and Media

### **Expenditures (Governmental Fund Types and Expendable Trust Funds)**

Expenditures are debited in the accounting period in which a measurable fund liability is incurred, except for unmatured principal and interest on general long-term debt, prepaid items, and other long-term obligations, which are recorded as a debit in the accounting period when due.

### **Expenses (Proprietary Fund Type, Nonexpendable Trust, and Pension Trust Funds)**

Expenses are debited in the accounting period in which they are incurred.

**6000****EXPENDITURE AND EXPENSE OBJECT CODES**

These codes are used to account for expenditures and expenses.

**6010–6030****EXPENDITURE AND EXPENSE CONTROL ACCOUNTS**

These codes are used for accounts that summarize appropriated (budgeted) and actual (realized) expenditures and expenses. These are optional codes and accounts that may be used in financial accounting applications for school districts.

Districts using subsidiary ledgers may, at the local option, use control accounts as listed in the general ledger to reflect the summarized balances of the subsidiary ledgers.

**6010 Appropriated Expenditures and Expenses—Control—Locally Defined**

This code is used to credit an account at the beginning of the fiscal year for the amount of budgeted expenditures or expenses. The debit entry uses the object code 3700, Budgetary Fund Balance—Locally Defined. At the end of the fiscal year, this code is debited and closed to the appropriate fund balance accounts.

**6020 Encumbrances—Control—Locally Defined**

This code is used to debit an account for amounts encumbered and to credit the account for encumbrances liquidated during the fiscal year. The amounts encumbered (debits) and liquidated (credits) in the subsidiary ledger detail must equal the total debits and credits to this Encumbrances—Control account. At the end of the fiscal year, this account is closed to code 4310, Reserve for Encumbrances—Locally Defined.

**6030 Expenditures and Expenses—Control—Locally Defined**

This code is used to debit an account for the total actual expenditures and expenses (including any accrued amounts) during the fiscal year. The postings of the expenditures and expenses in the detail subsidiary ledger accounts for actual expenditures and expenses and must be equal to this Expenditures and Expenses—Control account. At the end of the fiscal year, this account is closed to the appropriate fund balance accounts.

**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. The

school district 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 the school district, 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 your district to be a professional staff member. Substitute teachers or other professional personnel are also classified using this code.

#### ***R*6112 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 your district, to classify salaries or wages not defined elsewhere.

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

#### ***R*6119 Salaries or Wages—Teachers and Other Professional Personnel**

This code is used to classify the gross salary and wage expenditures or expenses for teachers and other professional exempt personnel as defined by the .<sup>47</sup> This includes:

- gross salary and wage expenditures or expenses;
- wages paid to employees for performing duties beyond the normal working day;

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<sup>47</sup> [Fair Labor Standards Act](#)<sup>48</sup> [TEC, §2254.002\(2\)](#)

- amounts above the school district’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 district uses must be converted to object code 6119 for PEIMS reporting.

**6120 Support Personnel**

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

**℞6121 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 the school district’s standard pay for additional qualifications.

**℞6122 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 your district, to classify salaries or wages not defined elsewhere.

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

**℞6129 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 district uses must be converted to object code 6129 for 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.

**℞6131 Contract Buyouts**

This code is used to identify expenditures or expenses for employee contract buyouts. Such expenditures may include direct payments made by a school district 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 TRS.

**6134–6138 Employee Allowances—Locally Defined**

These codes are used, at the option of your district, to classify employee allowances not defined elsewhere.

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

**℞6139 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.

Object Code 6139—Expenditures and Expenses to Include:	Object Code 6139—Expenditures and Expenses to Exclude:
<ul style="list-style-type: none"> <li>• automobile allowances</li> <li>• housing allowances</li> <li>• cell phone allowance</li> <li>• uniform and meal allowance</li> <li>• in-kind payments unless exempted under Internal Revenue Service (IRS) Code</li> </ul>	<ul style="list-style-type: none"> <li>• mileage reimbursement for travel for actual miles driven (object code 641X)</li> </ul>

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 code:

- 5743, Rent, or
- 5749, Other Revenues from Local Sources.

**Note:** Any local option codes that your district uses are converted to object code 6139 for PEIMS reporting.

Questions regarding taxable income for the employee for these allowances should be directed to the Internal Revenue Service. See Module 1, section 1.8, Tax Concerns and Obligations for further guidance.

**6140 Employee Benefits**

This code is used to classify employee benefits, which are those amounts paid by the school district 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.

**℞ 6141 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.

**℞ 6142 Group Health and Life Insurance**

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

**℞ 6143 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.

**℞6144      Teacher Retirement or TRS Care—On-Behalf Payments and Medicare Part D Payments**

This code is used to classify expenditures or expenses from on-behalf payments of matching teacher retirement paid for active members of the school district in accordance with [GASB Statement No. 24](#). A school district contributes matching funds for personnel funded from federal sources and, if applicable, statutory minimum funds for qualifying personnel. The school district 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 school district contributions are recorded here. An equal revenue amount should be recorded using code 5831, Teacher Retirement or TRS Care—On-Behalf Payments.

Medicare Part D payments made by the federal government to the TRS are also recorded to this account with an equal revenue amount to object code 5831, Teacher Retirement or TRS Care—On-Behalf Payments. For more information, see Module 1, sections 1.2.5.1 Payroll Liabilities and 1.3.3 On-Behalf Teacher Retirement System Payments.

**℞6145      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.

**℞6146      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 the district's costs associated with maintaining the employee pension plan(s) that the district offers to its employees.

**6148 Employee Benefits—Locally Defined**

This code is used, at the option of your district, to classify employee benefits not defined elsewhere.

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

**℞6149 Employee Benefits**

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 district uses must be converted to object code 6149 for PEIMS reporting.

**6200 PROFESSIONAL AND CONTRACTED SERVICES**

The major code series is used to classify expenditures or expenses for services rendered to your district 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 the school district, 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 the school district, including all related expenses covered by the professional services contract.

**℞6211 Legal Services**

This code is used to classify fees, associated travel, and other related costs for legal services. However, legal fees, associated travel, and other costs related to the collection of taxes are classified using object code 6213, Tax Appraisal and Collection. Delinquent tax collection fees that are charged as costs to the taxpayer and paid to an attorney are treated as a liability in code 2110, Accounts Payable, not as an

expenditure. All expenditures or expenses coded to object code 6211 use function code 41, General Administration.

**℞6212 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.

**℞6213 Tax Appraisal and Collection**

This code is used to classify fees, associated travel, and other related costs for appraising property and collecting taxes, including attorney fees directly related to the collection of taxes. This account is also used by the school district to record its pro rata share of the administrative cost of the consolidated taxing district. Delinquent tax collection fees that are charged as costs to the taxpayer and paid to an attorney are treated as a liability using code 2110, Accounts Payable, not as an expenditure. This code is used only in the general fund.

Payments made to another governmental entity for appraisal costs only should be coded to function code 99, Other Intergovernmental Charges; otherwise, function code 41, General Administration, should be used for the collection of taxes.

**℞6214 Lobbying**

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

**6216–6218 Professional Services—Locally Defined**

These codes are used, at the option of your district, to classify professional fees and related costs not defined elsewhere.

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

**R 6219 Professional Services**

This code is used to classify expenditures or expenses for professional services rendered by personnel who are not on the payroll of the school district. The law<sup>48</sup> 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 school district. 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 the school district pays for tuition to an institution of higher education on behalf of a staff member or a student
- transfer payments made when the school district pays for students to attend another school district, either private or public

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<sup>48</sup> [TEC, §2254.002\(2\)](#)

**R 6221 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 school district personnel. Expenditures or expenses classified in this account are excluded from the calculation of indirect cost rates.

**R 6222 Student Tuition—Public Schools**

This code is used to classify expenditures or expenses for tuition if a school district is under contract with a public school to provide instructional services to students. This includes payments made:

- for transferring entire grades of students from one district to another district<sup>49</sup> or
- for additional tuition to transfer a child to a district in a contiguous state under an agreement by both school districts.<sup>50</sup>

**R 6223 Student Tuition—Other than to Public Schools**

This code is used to classify expenditures or expenses for tuition if a school district 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).

**R 6224 Student Attendance Credits—School Districts Only**

This code is used to classify expenditures or expenses for the purchase of attendance credits from the state or from other school districts under the [TEC, Chapter 41, Subchapter D or E](#) or both, including career and technology education programs.<sup>51</sup> This code may be used only with function code 91, Contracted Instructional Services between Public Schools.

**6227–6228 Tuition—Locally Defined**

These codes are used, at the option of your district, to classify expenditures or expenses for tuition not specifically defined elsewhere.

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<sup>49</sup> [TEC, §25.039](#)

<sup>50</sup> [TEC, §25.040](#)

<sup>51</sup> [TEC, §41.125](#)

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

**℞ 6229 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 district uses are converted to object code 6229 for PEIMS reporting.

**6230 Education Service Center Services**

Each school district is a member of an education service center that provides various services to the school districts. 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 your district, to classify services provided by an education service center not defined elsewhere.

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

**℞ 6239 Education Service Center Services**

This code is used to classify all contracted services provided by the regional education service center. Included in this account services such as the following:

- data processing services
- accounting services
- media services
- special education services
- career and technical education 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 district uses must be converted to object code 6239 for 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 the school district. 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 your district, to classify expenditures or expenses for contracted maintenance and repair not specifically defined elsewhere.

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

**℞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:
<ul style="list-style-type: none"> <li>• expenditures or expenses for normal contracted upkeep, repairs, maintenance, and renovation of:                             <ul style="list-style-type: none"> <li>○ office equipment</li> <li>○ furniture</li> <li>○ computers and electronic equipment</li> </ul> </li> <li>• copiers</li> <li>• district-owned telephone systems</li> </ul>	<ul style="list-style-type: none"> <li>• purchase of furniture, technology equipment, software, and capital outlay items (object code 6399 or 66XX)</li> <li>• purchase of site licenses, single user software, such as apps for tablets, etc. (object code 6399, or 6659)</li> </ul>

Object Code 6249—Expenditures and Expenses to Include:	Object Code 6249—Expenditures and Expenses to Exclude:
<ul style="list-style-type: none"> <li>• fax machines</li> <li>• software upgrades</li> <li>• maintenance agreement fees</li> <li>• other equipment when the repairs are provided by an outside individual or firm</li> <li>• buildings and grounds (janitorial or landscaping, etc.)</li> </ul>	

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 the school district 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 your district uses are converted to object code 6249 for PEIMS reporting.

**6250**

**UTILITIES**

Utilities comprise charges for water; electricity; gas for heat, cooking, and cooling; ongoing telephone (including telecommunications and cell phones); and faxes.

**6255–6258 Utilities—Locally Defined**

These codes are used, at the option of your district, to classify expenditures or expenses for utilities not specifically defined elsewhere.

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

## ℞6259

### 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 for cell phones, pagers, internet connections, faxes, etc.
- electricity
- natural gas, propane, coal, and any other fuel used for heating and cooling buildings

**Note:** Any local option codes that your district uses must be converted to object code 6259 for 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. Your district 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) in *FASRG* Module 1 for further guidance.

#### 6264–6268 Rentals—Operating Leases—Locally Defined

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

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

## ℞6269

### 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, 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 your district uses must be converted to object code 6269 for PEIMS reporting.

## **6290 MISCELLANEOUS CONTRACTED SERVICES**

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

### ***R*6291 Consulting Services**

This code is used to classify expenditures or expenses for consulting services. “Consulting services” refers to the practice of helping districts 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 school district’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 your district, to classify contracted services not defined elsewhere.

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

**R 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 your district uses are converted to object code 6299 for 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 the school district. Normally expenditures or expenses in this group of accounts arise when district employees purchase supplies for use by the district as opposed to supplies that are provided by a contractor as part of a contracted service.

**R 6311      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 your district, to classify supplies and materials for maintenance or operations not defined elsewhere.

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

**R 6319      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 your district uses are converted to object code 6319 for PEIMS reporting.

## **6320–6329      INSTRUCTIONAL MATERIALS**

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

### **℞6321      Instructional Materials**

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

### **6325–6328      Reading Materials—Locally Defined**

These codes are used, at the option of your district, to classify reading materials that do not meet the capitalization criteria.

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

### **℞6329      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 \$5,000 or a useful life of one year or less.

**Note:** Any local option codes that your district uses are converted to object code 6329 for 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 the school district, to classify testing materials.

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

**℞6339 Testing Materials**

This code is used to classify expenditures or expenses for testing materials, including test booklets and study materials related to those tests.

**Note:** Any local option codes that your district uses must be converted to object code 6339 for 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 the school district. Also included are items for sale through vending machines, school stores, etc., that are not related to the regular food service program. These items for resale are classified in function code 36, Extracurricular Activities.

**℞6341 Food**

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

**℞6342 Nonfood**

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

**℞6343 Items for Sale**

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

**R 6344**      **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.**

For school districts using an enterprise fund, nonoperating revenue code 7954, USDA Commodities, must be used for items such as the following:

- purchased products for which your district receives no USDA commodity equivalent; for example, condiments such as catsup and mustard. The inventory value for these items should be based on the net purchase price for that item.
- USDA commodity products for which your district purchases no commercial equivalent; for example, frozen diced chicken.
- products that your district 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 your district, to classify food supplies not defined above.

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

**R 6349**      **Food Service Supplies**

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

**Note:** Any local option codes that your district uses must be converted to object code 6349 for 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 your district, to classify supplies and materials.

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



**R 6399**

**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 \$5,000, 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:
<ul style="list-style-type: none"> <li>• consumable teaching and office items such as paper, pencils, forms, postage, etc.</li> <li>• workbooks</li> <li>• audio-visual aids such as video, CD, or DVD disks; flash drives, software</li> <li>• site licenses, single or limited use software, such as apps for tablets, etc. that have a per unit cost of less than \$5,000</li> <li>• supplies for a satellite dish and other supplies for technology</li> </ul>	<ul style="list-style-type: none"> <li>• purchase of furniture, technology equipment, software, and capital outlay items having a per unit cost of \$5,000 or more (object code 6639)</li> <li>• items that do not meet the individual \$5,000 capital asset criterion, but by district policy, are defined to be capital assets or aggregated items that equal or exceed \$5,000 (for example, library books) (object code 6649 or 6669)</li> <li>• 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 \$5,000 (object code 6639 or 6659)</li> </ul>

**Note:** Any local option codes that your district uses must be converted to object code 6399 for PEIMS reporting.

Certain items, such as software, mentioned in this definition may be recorded under the 666X account series according to local policies for capitalization. For more clarification, see *FASRG* Module 1 1.2.4 Capital Assets.

**6400**

**OTHER OPERATING COSTS**

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

- payroll costs

- professional and contracted services
- supplies and materials
- debt service
- capital outlay

**6410 Travel, Subsistence, and Stipends**

These expenditure object codes must be used to classify travel, subsistence, and stipends to both employees and nonemployees.

**℞6411 Travel and Subsistence—Employee Only**

This code is used to classify the cost of transportation, meals, room, and other expenses associated with traveling on official school business.

Travel expenses must conform to IRS and [2 CFR §200.474](#) regulations. Any travel reimbursed from state funds and federal funds that are received from the Texas Education Agency must comply with the general appropriations act.

The cost of employee travel also includes any registration fees associated with attending conferences, including seminars, in-service training, etc. Membership dues are classified in object code 6495, Dues.

**℞6412 Travel and Subsistence—Students**

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

**℞6413 Stipends—Nonemployees**

This code is used to classify stipends paid to persons not employed by your district for allowances related to participating in district-controlled or district-directed activities.

Expenditures or expenses relating to travel for persons not employed by your district 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 and Subsistence—Locally Defined**

These codes are used, at the option of your district, to classify travel and subsistence not specifically defined elsewhere.

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

**℞6419 Travel 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 district-controlled or district-directed activities and who are not employed by the district, 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.; and
- allowances related to participating in district-controlled or district-directed activities.

Travel expenses must conform to IRS and [2 CFR §200.474](#) regulations, and any travel reimbursed from state funds and federal funds that are received from the Texas Education Agency must comply with the General Appropriations Act.

**Note:** Any local option codes that your district uses must be converted to object code 6419 for 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 your district, to classify insurance and bonding costs.

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

***R*6429 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 your district uses are converted to object code 6429 for PEIMS reporting.

**6430 ELECTION COSTS**

This code is used to classify expenditures or expenses for conducting an election. The costs for printing ballots, election officials who are not school district employees, and legal notices, etc., use this classification.

**6434–6438 Election Costs—Locally Defined**

These codes are used, at the option of your district, to classify election costs.

**Note:** For PEIMS reporting, these codes are converted to object code 6439.

***R*6439 Election Costs**

This code is used to classify expenditures or expenses to cover costs incurred for elections, including election officials who are not school district employees, legal notices, etc.

**Note:** Any local option codes that your district uses are converted to object code 6439 for PEIMS reporting.

## **6440 DEPRECIATION EXPENSE OF PROPRIETARY AND NONEXPENDABLE TRUST FUNDS**

This series of codes is used to classify depreciation expense of capital assets in the proprietary fund types or nonexpendable trust funds of a school district. Capital assets of the governmental fund types and expendable trust funds are not depreciated.

### **6444–6448 Depreciation Expense—Locally Defined**

These codes are used, at the option of your district, to classify depreciation expense.

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

### **℞6449 Depreciation Expense**

This code is used to classify depreciation expense of capital assets owned by proprietary fund types or nonexpendable trust funds.

**Note:** Any local option codes that your district uses are converted to object code 6449 for PEIMS reporting.

### **6490 Miscellaneous Operating Costs**

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

### **℞6491 Statutorily Required Public Notices**

This code is used to classify budgeted and actual expenditures for amounts paid by the school district or its representative to publish statutorily required public notices in a newspaper in accordance with [Texas Local Government Code §140.0045](#).

### **℞6492 Payments to Fiscal Agents of Shared Services Arrangements**

This code is used to classify expenditures or expenses for amounts paid to a fiscal agent of a shared services arrangement in which your school district is a participant. The expenditure is classified in function code 93, Payments to the Fiscal Agent or Member Districts of Shared Services Arrangements.

### **℞6493 Payments to Member Districts of Shared Services Arrangements**

This code is used to classify expenditures or expenses for amounts paid to a member district of a shared services arrangement in which your

school district is a participant. The expenditure is classified in function code 93, Payments to the Fiscal Agent or Member Districts of Shared Services Arrangements.

**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.<sup>52</sup>

**R 6495      Dues**

This code is used to classify expenditures or expenses for dues paid to clubs, committees, or other organizations. Examples of organizations include the Texas Association of School Administrators (TASA), Texas Association of School Psychologists (TASP), Texas Association of School Boards (TASB), Lions Club, Rotary Club, and 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, Travel and Subsistence—Employee Only. Dues paid on behalf of an employee should be coded to that employee's function code; dues paid on behalf of the district should be coded to function code 41.

**6497–6498      Miscellaneous Operating Costs—Locally Defined**

These codes are used, at the option of your district, to classify miscellaneous operating costs.

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

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<sup>52</sup> [TEC, §34.010](#)

**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 travel)
- awards
- graduation expenses
- food or refreshments for school-related meetings
- newspaper advertisements, etc.
- expenditures for a tax increment fund (TIF)

**Note:** Any local option codes that your district uses are converted to object code 6499 for PEIMS reporting.

**6500**      **DEBT SERVICE**

This major classification includes all expenditures for debt service. All debt service object codes must be used only with function code 71, Debt Service.

**6510–6519**      **Debt Principal**

These expenditure object codes are used to classify all expenditures to retire debt principal in function code 71, Debt Service.

**R 6511**      **Bond Principal in the Debt Service Fund**

This code is used to classify expenditures to retire the principal of bonds.

**R 6512**      **Capital Lease Principal**

This code is used to classify expenditures to retire the principal of long-term capital leases.

**R 6513**      **Long-Term Debt Principal**

This code is used to classify expenditures to retire the principal of long-term debt (except bond and capital lease principal), using dedicated tax proceeds and other revenue. This includes non-voter-approved debt repaid using tax proceeds dedicated to debt repayment. Long-term debt is defined as any debt that will not be paid with currently available financial resources.

**6517–6518 Debt Service—Locally Defined**

These codes are used, at the option of the school district, to classify principal on debt service not defined above.

**Note:** For PEIMS reporting, these codes are converted to object code 6519.

**℞6519 Debt Principal**

This code is used to classify expenditures to retire the principal of debt not specified elsewhere.

**Note:** Any local option codes that your district uses are converted to object code 6519 for PEIMS reporting.

**6520 INTEREST EXPENDITURES OR EXPENSES**

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

**℞6521 Interest on Bonds**

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

**℞6522 Capital Lease Interest**

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

**℞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 your district, to classify interest expenditures or expenses not specified elsewhere.

**Note:** For 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 your district uses are converted to object code 6529 for 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 your district, to record debt service expenditures or expenses, excluding principal and interest.

**Note:** For 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 your district uses must be converted to object code 6599 for PEIMS reporting.

**6600 CAPITAL OUTLAY—LAND, BUILDINGS, AND EQUIPMENT**

This major classification is used to classify expenditures for capital assets. See *FASRG* Module 1 section 1.2.4 Capital Assets for capital asset requirements.

**6610–6619 Land Purchase and Improvement**

These expenditure object codes are used to classify the acquisition or major improvement of a school district's land.

**6614–6618 Land Purchase and Improvements—Locally Defined**

These codes are used, at the option of your district, to classify expenditures for land purchases and improvements.

**Note:** For PEIMS reporting, these codes are converted to object code 6619.

**℞6619 Land Purchase and Improvement**

This code is used to classify expenditures for the purchase of land, land improvements other than buildings, and any associated fees. This includes any other costs necessary to alter the land for its intended purpose.

**Note:** Any local option codes that your district uses must be converted to object code 6619 for PEIMS reporting.

**6620–6629 Building Purchase, Construction, or Improvements**

These expenditure object codes are used to classify the purchase, construction, or substantial improvement of buildings, and any related fees, including architect fees.

**6624–6628 Building Purchase, Construction, or Improvements—Locally Defined**

These codes are used, at the option of your district, to classify expenditures for building purchases, construction, or improvements.

**Note:** For PEIMS reporting, these codes are converted to object code 6629.

**℞6629 Building Purchase, Construction, or Improvements**

This code is used to classify expenditures to purchase buildings or for materials, labor, etc., to construct new buildings. This account also includes expenditures for substantial alteration or remodeling of existing buildings that materially increase building life and/or usefulness. All associated fees are included in this account.

**Note:** Any local option codes that your district uses must be converted to object code 6629 for PEIMS reporting.

**6630 Furniture and Equipment**

This code is used to classify expenditures for the purchase of furniture and equipment having a per unit cost of \$5,000 or more and a useful life of more than one year as listed below. If the per unit cost is less than \$5,000 and the district, by policy, elects to capitalize the expenditure, the district should use the code series 6640, Capital Assets—District Defined.

**℞6631 Vehicles Per-Unit Cost of \$5,000 or More**

This code is used to classify expenditures for the purchase of vehicles having a per unit cost of \$5,000 or more and a useful life of more than one year. If the per unit cost is less than \$5,000 and the district, by policy, elects to capitalize the expenditure, the district should use the code series 6640, Capital Assets—District Defined.

**6635–6638 Furniture and Equipment—Locally Defined**

These codes are used, at the option of your district, to classify expenditures for furniture and equipment.

**Note:** For PEIMS reporting, these codes are converted to object code 6639.

**℞6639 Furniture, Equipment and Software**

This code is used to classify expenditures for all equipment, furniture, technology equipment, and capital outlay items having a per unit cost of \$5,000 or more and a useful life of more than one year not classified elsewhere.

**Note:** Any local option codes that your district uses must be converted to object code 6639 for PEIMS reporting.

<b>Object Code 6639—Expenditures to Include:</b>	<b>Object Code 6639—Expenditures to Exclude:</b>
<ul style="list-style-type: none"> <li>• telephone systems</li> <li>• intercommunication and telecommunication systems</li> <li>• mainframes, servers, and other computer or network equipment</li> <li>• high capacity copy machines</li> </ul>	<ul style="list-style-type: none"> <li>• contract programming non-ownership (object code 6219)</li> <li>• lease-purchases with \$5,000 or more per unit costs (object code 6659)</li> <li>• maintenance fees and/or upgrades (object code 6249)</li> </ul>

Object Code 6639—Expenditures to Include:	Object Code 6639—Expenditures to Exclude:
<ul style="list-style-type: none"> <li>purchase of site licenses, single use software, software applications (apps), such as apps for tablets, etc., if more than \$5,000 or more per unit costs</li> </ul>	<ul style="list-style-type: none"> <li>purchase of site licenses, single use software, apps for tablets, network fees, etc. under \$5,000 per unit cost (object code 6399 or 6659)</li> <li>items that do not meet the individual \$5,000 capital asset criterion, but by school district policy are defined to be a capital asset or aggregated items that equal or exceed \$5,000 (example: library books) (object code 6649 or 6669)</li> </ul>

**6640**

**CAPITAL ASSETS—DISTRICT DEFINED**

These expenditure object codes are used to classify any items that do not meet the individual \$5,000 capital asset criterion, but by school district policy, are required to be recorded as capital assets either:

- when your district policy requires an item costing less than \$5,000 to be defined as a capital asset; or,
- when aggregate amounts purchased equal or exceed \$5,000.

***R*6641**

**Vehicles Per-Unit Cost of Less than \$5,000**

This code is used to classify expenditures for the purchase of vehicles having:

- a per unit cost of less than \$5,000 and
- a useful life of more than one year.

**6644–6648 Capital Assets—Locally Defined**

These codes are used, at the option of the school district, to classify expenditures for capital assets groupings.

**Note:** For PEIMS reporting, these codes are converted to object code 6649.

***R*6649**

**Capital Assets—Other—Locally Defined Groupings**

This code is used at the discretion of your district if the district policy requires the capitalization of items that individually, or as a group, are less than the \$5,000 criterion identified in the 6630 series of accounts. If a school district does not account for these items under object code

6649, then the items must be classified under object code 6399, General Supplies.

**Note:** Any local option codes that your district uses must be converted to object code 6649 for PEIMS reporting.

**6650–6659 CAPITAL ASSETS UNDER CAPITAL LEASES**

These expenditure object codes are used to classify capital assets under capital leases.

***R*6651 Capital Lease of Buildings**

This code is used to classify capitalization of movable buildings and major repairs to buildings under a capital lease arrangement. The corresponding entry is to other resources.

**6654–6658 Capital Assets Under Capital Lease—Locally Defined**

These codes are used, at the option of your district, to classify expenditures for capital assets under capital leases.

**Note:** For PEIMS reporting, these codes are converted to object code 6659.

***R*6659 Capital Lease of Furniture, Equipment and Software**

This code is used to classify capitalization of furniture, equipment, and software under a capital lease arrangement. The corresponding entry is to other resources.

**Note:** Any local option codes that your district uses must be converted to object code 6659 for PEIMS reporting.

Object Code 6659—Expenditures and Expenses to Include:	Object Code 6659—Expenditures and Expenses to Exclude:
<ul style="list-style-type: none"> <li>• lease-purchase of:                             <ul style="list-style-type: none"> <li>○ telephone systems</li> <li>○ intercommunication and telecommunication systems</li> <li>○ mainframes, servers, and other computer hardware or network equipment</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• contract programming nonownership (object code 6219)</li> <li>• maintenance fees and/or upgrades (object code 6249)</li> </ul>

Object Code 6659—Expenditures and Expenses to Include:	Object Code 6659—Expenditures and Expenses to Exclude:
<ul style="list-style-type: none"> <li>○ high capacity copy machines</li> <li>• site licenses and single use software purchase, software applications, such as apps for tablets, etc., if a lease-purchase for \$5,000 or more per unit</li> </ul>	<ul style="list-style-type: none"> <li>• purchase of site licenses, single use software, such as apps for tablets, network fees, etc. (object code 6399 if less than \$5,000, or code 6669, if in the library)</li> </ul>

**6660 LIBRARY BOOKS AND MEDIA**

This account classification is used to account for the acquisition of library books and media that meet the capitalization criteria of the school. Library books and media such as CDs, DVDs, software, and videos may be recorded in a capital 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 other media item.

**6665–6668 Library Books and Media—Locally Defined**

These codes are used, at the option of your district, to classify expenditures for library books and media.

**Note:** For PEIMS reporting, these codes are converted to object code 6669.

**℞ 6669 Library Books and Media**

This code is used to classify expenditures for books and videos that meet one or more of the following criteria:

- have one year or more useful life and
- meet the capitalization criteria of the school, or
- have a per unit value of equal to or greater than \$5,000 and
- are catalogued and controlled by the library.

All expenditures or expenses coded to object code 6669 must be coded to function code 12, Instructional Resources and Media Services.

**Note:** Any local option codes that your district uses must be converted to object code 6669 for PEIMS reporting.

### ***A.4.7 Other Resource and Nonoperating Revenue Object Codes***

Other resource is a resource such as proceeds from

- the sale of bonds or real and personal property,
- capital leases, and
- operating transfers in.

Nonoperating revenue is revenue from activities outside the regular course of operations of your district, such as insurance payments for losses of insured property.

Other resource and nonoperating revenue object 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 “7,” which distinguishes them from other types of object codes.

Your district’s accounting records must reflect other resources and nonoperating revenue at the most detailed level (four digits) for purposes of:

- accounting and
- Public Education Information Management System (PEIMS) reporting:
  - budgeted data and
  - actual data.

If your district needs to use codes in addition to the mandatory codes for managerial purposes, the district should use the optional codes provided for local use in the code structure.

## **7000**

### **OTHER RESOURCES AND NONOPERATING REVENUES**

These detail codes reflect estimated (budgeted) and incurred (actual) other resources or nonoperating revenues. School districts using subsidiary ledgers may, at the local option, use these codes to identify control accounts listed in the general ledger that reflect the summarized balances of the subsidiary ledgers.

#### **7010**

#### **Estimated Other Resources and Nonoperating Revenues—Control—Local Option**

This code is used to classify an account that is debited at the beginning of the period for the amount of other resources or nonoperating revenues anticipated (for example, National School Lunch Program and earnings from temporary investments for proprietary fund types and similar trust funds). The credit entry is to the object code 3700, Budgetary Fund Balance—Locally Defined.

At the end of the period, the 7010 account is credited when the fund balance is debited. This control account is used at the option of your school district.

**7020 Realized Other Resources and Nonoperating Revenues—Control—Local Option**

This code identifies an account that is credited for the total actual other resources or nonoperating revenues received or receivable during the period (for example, National School Lunch Programs and earnings from temporary investments for proprietary fund types and similar trust funds). The postings to the subsidiary ledger detail accounts must be equal to these total other resources or nonoperating revenues control account. The debit entry is to cash or an accounts receivable account. At the end of the period, this account is closed to fund balance. This control account is used at the option of your school district.

**7911–7949 OTHER RESOURCES**

Other resources include sale of bonds, sale of real and personal property, proceeds from capital leases, operating transfers in, etc. These amounts are classified separately from:

- revenues on the statement,
- revenues and expenditures, and
- changes of fund balance of governmental fund types and expendable trust funds.

***R*7911 Issuance of Bonds**

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

***R*7912 Sale of Real and Personal Property**

This code is used to classify amounts received from the sale of land, buildings, equipment, furniture, vehicles, etc., accounted for through governmental fund types and expendable trust funds.

***R*7913 Proceeds from Capital Leases**

This code is used to classify amounts paid (net of initial or down payments) on contracts for capital leases. This code represents the remaining balance to be paid at the time the capital lease is entered into. These amounts are classified as other resources and not as revenue.



- ℞7914      Loan Proceeds—Governmental Fund Types and Expendable Trust Funds Only (Noncurrent)**
- This code is used to classify amounts of proceeds from long-term loans that will not be repaid during the current year. The entire amount of loan proceeds is recorded in this code at the time of receipt. These receipts are classified as other resources and not as revenue.
- ℞7915      Operating Transfers In**
- This code is used to classify operating transfers from other funds of the school district.
- An asset or liability must be debited when this account is credited for transfer of fund balance from one fund to another fund. Transferring revenues, expenditures, and expenses does not conform with generally accepted accounting principles (GAAP).
- ℞7916      Premium or Discount on Issuance of Bonds**
- This code is used to classify the premium or discount on the issuance of bonds.
- ℞7917      Prepaid Interest**
- This code is used to classify prepaid interest in connection with the issuance or defeasance of bonds.
- ℞7918      Special Items**
- This code is used to classify special items in accordance with [GASB Statement No. 34](#). Included are transactions or events within the control of district administration that are either unusual or infrequent, including:
- sale of certain general governmental capital assets,
  - sale or lease of mineral rights, including oil and gas,
  - sale of infrastructure assets,
  - significant forgiveness of debt by a financial institution, or
  - revenue generated once every 25 years when it is a district's turn to host the state performing arts competition.
- Any significant transaction that is either unusual or infrequent, but is outside the control of the district, is not a special item. But it should be disclosed in the notes to the financial statements.

**R7919 Extraordinary Items**

This code is used to classify extraordinary items in accordance with [GASB Statement No. 34](#). Included are transactions or events that are both unusual and infrequent, including:

- insurance proceeds to cover significant costs related to
  - a natural disaster caused by fire, flood, tornado, hurricane, or hail storm; or
  - an environmental disaster; or
- a large bequest to a small government by a private citizen.

**7940–7948 Other Resources—Locally Defined**

These codes are used, at the option of your district, to classify other resources not defined elsewhere.

**Note:** For PEIMS reporting, these codes are converted to object code 7949.

**R7949 Other Resources**

This code is used to record other resources not classified above.

**7951–7989 Nonoperating Revenues (Proprietary Fund Types and Similar Trust Funds Only)**

These codes are used to classify nonoperating revenues that are recorded as credits in the accounting period in which they are earned and become measurable. These accounts are closed to fund balance at the end of the accounting period.

**R7951 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., accounted for through proprietary fund types and similar trust funds.

**R7952 School Breakfast Program**

This code is used to record nonoperating revenues in the enterprise fund for the federally funded breakfast programs administered by the Texas Department of Agriculture.

For districts that use the general or special revenue fund to account for the school breakfast program, the amounts are recorded using object code 5921, School Breakfast Program. (CFDA 10.553)

**R7953 National School Lunch Program**

This code is used to record nonoperating revenues in the enterprise fund for federally funded lunch program administered by the Texas Department of Agriculture.

For school districts that use the general or special revenue fund to account for the National School Lunch Program, the amounts are recorded using object code 5922, National School Lunch Program. (CFDA 10.555)

**R7954 United States Department of Agriculture (USDA) Commodities**

For school districts that use the enterprise fund to account for the food service program, this code is used to record USDA commodities used in the school lunch program as nonoperating revenues.

Under the consumption method, revenue is 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 to either:

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

**R7955 Earnings from Temporary Deposits and Investments**

This code is used to record nonoperating revenues in the enterprise fund for earnings from temporary deposits and investments. Earnings from investments in the general or special revenue fund are recorded using the revenue object code 5742, Earnings from Temporary Deposits and Investments.

**R7956 Insurance Recovery**

This code is used to record amounts received from insurance companies for the repair or replacement of the insured property for assets of proprietary fund types and similar trust funds. But insurance payments for assets of government funds and expendable trust funds are recorded using object code 5745, Insurance Recovery.

**R7957 Contributed Capital**

This code is used to record amounts for transactions involving the “net investment in capital assets (net of related debt)” component of net

position, including transactions to record additional capital assets that are transferred to an enterprise fund.

**7980–7988 Nonoperating Revenues—Locally Defined**

These codes are used, at the option of your district, to classify nonoperating revenues not defined elsewhere.

**Note:** For PEIMS reporting, these codes are converted to object code 7989.

**℞7989 Other Nonoperating Revenues**

This code is used to classify amounts received from other nonoperating revenue sources.

### ***A.4.8 Other Uses and Nonoperating Expenses Object Codes***

Other uses are outflows that decrease fund balance, but do not decrease the net position of the overall entity. Transfer of assets to other funds as an operating transfer out is the most common form of other uses.

Nonoperating expenses are expenses incurred through activities outside your district's normal course of operations, such as losses on sales of capital assets and expenses directly attributable to nonoperating revenue.

An other uses and nonoperating expenses 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 "8," which distinguishes them from other types of object codes.

Your district's accounting records must reflect other uses and nonoperating expenses at the most detailed level, (4 digits) for purposes of:

- accounting and
- Public Education Information Management System ([PEIMS](#)) reporting (actual data) purposes.

For PEIMS budget reporting purposes, other uses or nonoperating expenses are reported to the fourth digit of detail (89XX).

If your district needs to use codes in addition to the mandatory codes for managerial purposes, the district should use the optional codes provided for local use in the code structure.

**8000****OTHER USES AND NONOPERATING EXPENSES****8010 Appropriated Other Uses and Nonoperating Expenses—Control — Locally Defined**

This code is used to credit an account at the beginning of the fiscal year for the amounts of budgeted other uses or nonoperating expenses, and the fund balance is credited. The debit entry is to the object code 3700, Budgetary Fund Balance—Locally Defined. At the end of the fiscal year, fund balance is credited when this account is debited. This control account is used at the option of your district.

**8020 Encumbered Other Uses and Nonoperating Expenses—Control—Locally Defined**

This code is used to debit an account for the amounts encumbered and credited for encumbrances liquidated during the fiscal year. The amounts encumbered (debits) and liquidated (credits) in the subsidiary ledger detail must equal the total debits and credits to this Encumbered Other Uses and Nonoperating Expenses—Control account. At the end of the fiscal year, this account is closed to account 4310, Reserve for Encumbrances—Locally Defined.

**8030 Actual Other Uses and Nonoperating Expenses—Control—Locally Defined**

This code is used to debit an account for the total actual other uses and nonoperating expenses during the fiscal year, with the corresponding entry being to cash or liabilities. The postings to the detail subsidiary ledger Other Uses or Nonoperating Expenses accounts must be equal to this Actual Other Uses and Nonoperating Expenses—Control account. At the end of the fiscal year, this account is closed to fund balance. This control account is used at the option of the school district.

**8900****OTHER USES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND NONOPERATING EXPENSES****8911–8949 Other Uses**

These codes are used to debit other uses in the accounting period in which a measurable fund liability is incurred. Credit entries are to a liability or an asset account.

**R 8911      Operating Transfers Out**

This code is used to classify operating transfers to other funds of the school district.

An asset or liability must be debited when this account is credited for transfer of fund balance from one fund to another fund. Transferring revenues, expenditures, and expenses does not conform with generally accepted accounting principles (GAAP).

**R 8912      Special Items**

This code is used to classify special items in accordance with [GASB Statement No. 34](#). Included are transactions or events within the control of school district administration that are either unusual or infrequent, including:

- special termination benefits resulting from workforce reductions, or
- costs in connection with an early retirement program offered to all employees represented in one or more classes of employees.

**R 8913      Extraordinary Items**

This code is used to classify extraordinary items in accordance with [GASB Statement No. 34](#). These transactions or events are both unusual and infrequent, and may include significant costs related to:

- a natural disaster caused by fire, flood, tornado, hurricane, or hail storm; or
- costs related to an environmental disaster.

**8940–8948      Other Uses—Locally Defined**

These codes are used, at the option of your district, to classify other uses not defined elsewhere.

**Note:** For PEIMS reporting, these codes are converted to object code 8949.

**R 8949      Other Uses**

This other uses object code is used to record other uses not provided for above.

This object code is also used to record amounts refunded to taxpayers as a result of court decisions involving tax rates, taxable values, or

levies, if the decisions are rendered after the fiscal year of disputed property tax collections, including related penalties and interest.

Refunds occurring during the same fiscal year that disputed property taxes, including related penalties and interest, were collected are recorded as a debit to the appropriate property tax-related revenue object code:

- 5711, Taxes, Current Year Levy;
- 5712, Taxes, Prior Years; or
- 5719, Penalties, Interest, and Other Tax Revenues—School Districts or Local Property Taxes Passed Through by School Districts.

These refunds are recorded as a credit to:

- a cash and temporary investments object code or
- an accounts payable object code.

## **8951–8989      NONOPERATING EXPENSES**

Nonoperating expenses are debited in the accounting period in which a measurable fund liability is incurred. Credit entries are made to a liability or an asset account.

### ***R* 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., accounted for through proprietary fund types and similar trust funds.

### **8960–8988      Nonoperating Expenses—Locally Defined**

These codes are used, at the option of your district, to classify nonoperating expenses not defined elsewhere.

**Note:** For PEIMS reporting, these codes are converted to object code 8989.

### ***R* 8989      Nonoperating Expenses**

This code is used to record nonoperating expenses not provided for above.



**A.4.9 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
<b>Asset Object Codes</b>		
	1430	1600–1790
<b>Fund Balance or Net Asset Object Codes</b>		
	3420	3100
	3440	3300
<b>Revenue Object Codes</b>		
	5832	5713–5715 5724–5726 5731–5734 5756 5761–5765 5770–5790 5814–5816 5821–5825 5833–5835 5843–5845 5850–5890 5911–5915 5924–5926 5933–5935 5942–5945 5953–5955 5960–5990
<b>Expenditure and Expense Object Codes</b>		
	6132	6111 6113–6115 6123–6124 6133 6150–6190 6215 6225–6226 6231–6233

Category of Object Codes	Unavailable	Reserved for Future State Definition
		6241–6243 6251–6254 6261–6263 6270–6289 6292–6293 6312–6314 6322–6324 6331–6333 6345–6347 6350–6380 6391–6394 6414–6416 6421–6424 6431–6433 6441–6443 6450–6480 6496 6514–6516 6526 6530–6580 6591–6593 6611–6613 6621–6623 6632–6634 6642–6643 6652–6653 6661–6664
<b>Other Resources and Nonoperating Revenues Object Codes</b>		
		7920–7939 7958–7979 7990 7991–7999
<b>Other Uses and Nonoperating Expenses Object Codes</b>		
		8914–8939 8952–8959 8990 8991–8999

## A.5 Local Option Codes

Your school district may use the local option codes to account for information not otherwise provided for in the mandatory chart of accounts. These codes are not reported through the PEIMS and may be used for any purpose that the district chooses.

If your district uses these optional codes, the district must:

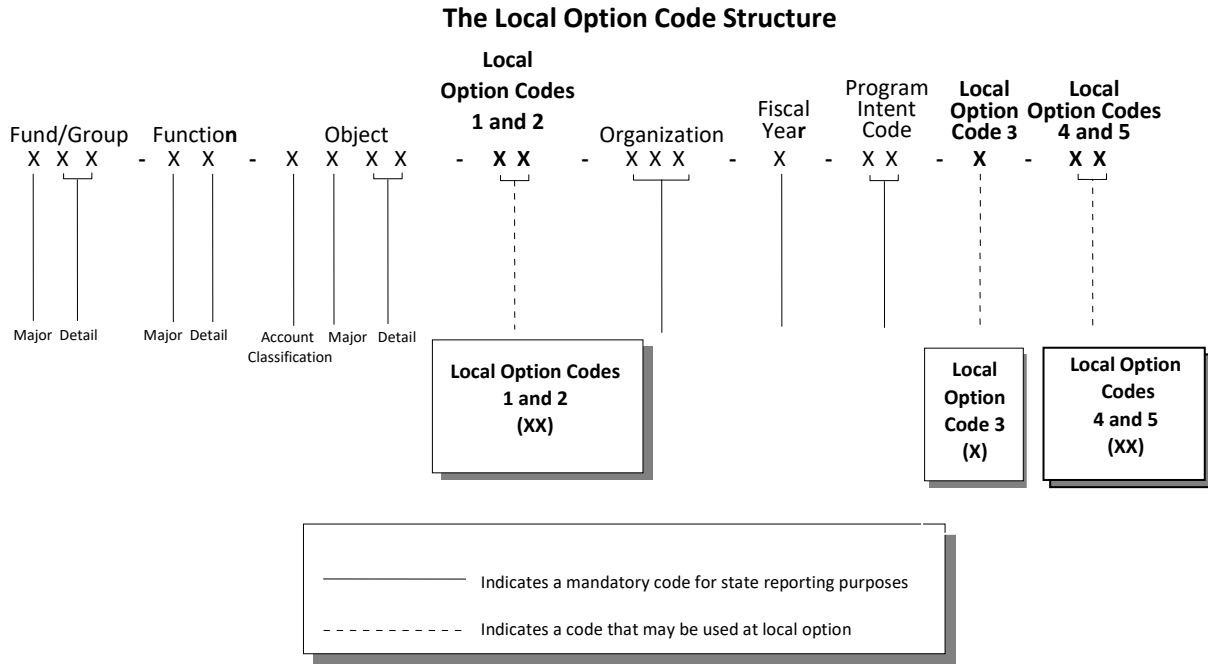
- keep a chart of locally assigned accounts;
- use the locally assigned accounts uniformly in the accounting system throughout the district’s fiscal year (that is, the district must not change the locally assigned accounts during any fiscal year);
- make the chart of accounts available for managerial, 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 A.5 illustrates the three positions of the local option codes in the accounting code system.

**Exhibit A.5 Local Option Code Structure**



## A.6 Organization Codes

An organization is a group of employees who are assigned a specific responsibility within a school district.

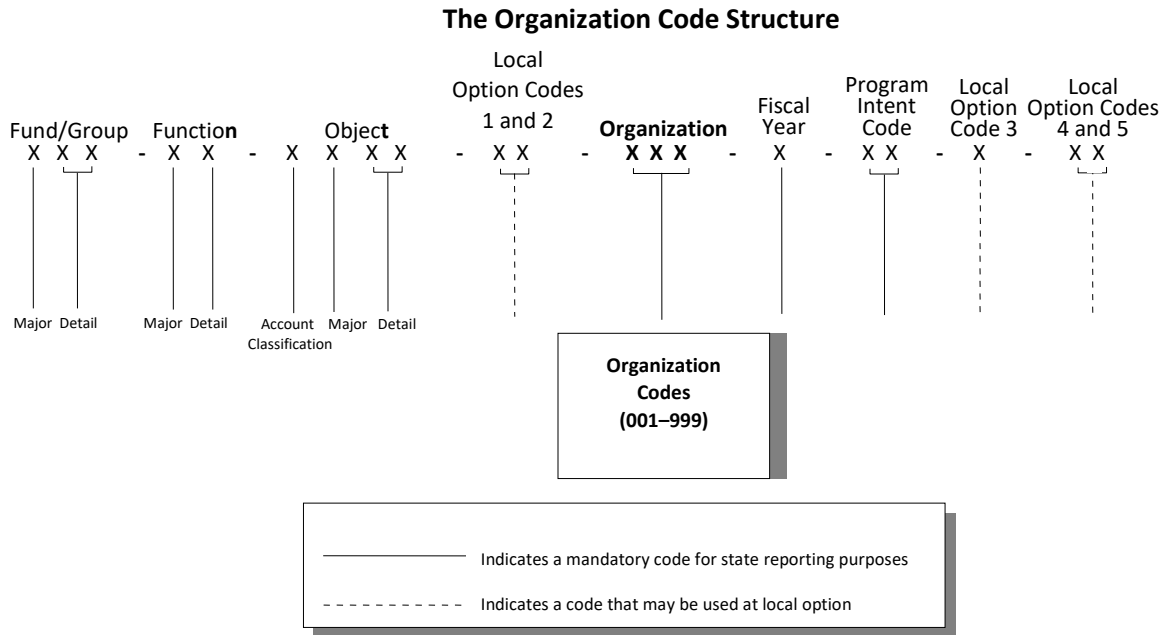
The two types of organizations include:

- 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 the school district, 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 the central administration office, in which case the appropriate high school organization code would be assigned. Exhibit A.6.a 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. School districts 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, districts will use organization codes 998 (Unallocated, Local Option) or 999 (Undistributed).

**Exhibit A.6 Organization Code Structure**



The **R** by a code indicates that the code is required for reporting purposes (PEIMS and/or annual financial and compliance report (AFR) if the code applies to your school district.

### A.6.1 Using Organization Codes

Your district must use:

- campus organization codes, which are defined in the Texas School Directory<sup>53</sup>, for all costs clearly attributable to a specific organization using one of two methods. Your district may either:
  - code all costs clearly attributed to a specific organization or
  - allow the 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 district, and
  - for all costs under function code 99, Other Intergovernmental Charges.

**Note:** The Texas School Directory identifies a campus using a 9-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, your district may use organization codes 998 (Unallocated, Local Option) or 999 (Undistributed).

For more information about calculating indirect cost rate, see

- TEA rule<sup>54</sup> regarding indirect cost rates and
- the [Indirect Cost Handbook](#) attached in subsection (d) of the rule.

For a chart depicting required organization accounting by expenditure object code and function code, see [B-1.0 Account Code Matrices](#).

For information on methods of allocating costs other than direct recording, see *FASRG* Module 1 section 1.4 Cost Accounting.

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<sup>53</sup> [Texas School Directory](#)

<sup>54</sup> [19 TAC §109.3003](#)

## A.6.2 Campus Accounting and Coding

Site-based decision making, and campus accountability require school districts to provide financial information at all levels of the decision-making process. Districts provide information on the use of public resources by campus and program to facilitate legislative budgetary decisions.

Your district 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)
- On-Behalf Teacher Retirement System payments may be coded either to a campus or to the Undistributed Organization Unit (999)

### A.6.2.1 Compliance Monitoring—Organization Codes

In the PEIMS data collection process, the TEA provides software that contains a formula to allocate costs recorded in organization code 999 (Undistributed). The costs are allocated according to:

- instructional FTEs assigned to organization codes (as reported in PEIMS) and
- campus organizations for functions specified in State Board of Education (SBOE) 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, Local Option) are not allocated by the formula; therefore, those costs must not be considered for compliance purposes unless charged to a specific enhanced program intent code.

## 001–699

### ORGANIZATION UNITS—CAMPUSES

The campus numbers are defined in the [Texas School Directory](#) for the school district. As your district opens a new campus, it must notify TEA, and TEA will assign a new campus number.

**Note:** Juvenile Justice Alternative Education Program (JJAEP) Campuses

There are two types JJAEPs:

(1) The [TEC, Chapter 37](#), authorizes assignment of students to a JJAEP approved by the Texas Juvenile Probation Commission (TJPC) if the school district 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](#) and AskTED. The campus number assigned to the JJAEP must be used to account for all expenditures that are attributed to JJAEP-related activities. This includes 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 Annual Financial and Compliance Report (AFR)**

In a few instances, a memorandum of understanding between a county government and a school district authorizes the district to administer and operate the JJAEP on behalf of the county government and to provide services to school districts located in the county. In this case, the school district responsible to administer the JJAEP must report the JJAEP as a discrete component of the school district in its AFR. Financial accounting records must provide a separate accounting for all transactions that are attributable to the JJAEP administered by the school district.

**℞001–040 High School Campuses**

The campus numbers are assigned to high school campuses for the school district in the [Texas School Directory](#).

**℞041–100 Junior High or Middle School Campuses**

The campus numbers are assigned to junior high or middle school campuses for the school district in the [Texas School Directory](#).

**℞101–698 Elementary School Campuses**

The campus numbers are assigned to elementary school campuses for the school district in the [Texas School Directory](#).

**699 ORGANIZATION UNIT—SUMMER SCHOOL**

**℞699 Summer School Organization**

Your district must use this organization code for any summer school and intersession program that your district provides.

**700 ORGANIZATION UNITS—ADMINISTRATIVE**

Your district 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 the school district).

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.

**℞701 Organization Unit—Superintendent’s Office**

Your district 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**
- Your district must use this organization code for all expenditures related to the school board (function code 41, General Administration, only).
- R703**            **Organization Unit—Tax Costs**
- Your district must use this organization code for all expenditures related to the cost of levying and collecting taxes (function codes 41, General Administration, and 99, Other Intergovernmental Charges, only).
- 709–719**        **ORGANIZATION UNIT—DIRECT COSTS—LOCALLY DEFINED**
- These codes are used, at the option of your district, to define administrative organizational units that are considered direct costs. For a definitions of direct costs, see the **ICRP Additional Costs Workbook Instruction Manual** on the [Indirect Cost Rates](#) webpage of the TEA website.
- For PEIMS, these codes are converted to organization code 720.
- R720**            **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 [Indirect Cost Rates](#).
- 726–749**        **ORGANIZATION UNIT—INDIRECT COSTS—LOCALLY DEFINED**
- Your school district 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 [Indirect Cost Rates](#).
- Note:** For PEIMS, these codes are converted to organization code 750.

**R750**      **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 your district’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. Your district 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 cost rates, see the Indirect Cost Handbook which is attached to TEA rules.<sup>55</sup>

**R751**      **Fiscal Agent of a Shared Services Arrangement**

This organization unit code may be used to account for fiscal agent expenditures in a shared services arrangement at the school district’s option.

**800–997**      **ORGANIZATION UNITS—LOCALLY DEFINED**

These organization units may be used, at the option of your district, to provide further accountability for organization units.

**Note:** For PEIMS, these codes are converted to organization code 999.

**R998**      **Unallocated Organization Unit**

This organization code may be used, at the option of your district, for any costs that the district 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 program intent code 99, Undistributed, they will

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<sup>55</sup> [19 TAC §190.3003](#)

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 Program Intent Code.

**℞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.

***A.6.3 Unavailable or Reserved Organization Codes***

The following table shows codes that may not be used by school districts.

Category of Codes	Unavailable	Reserved for Future State Definition
<b>Organization Codes</b>		
		<b>704–708</b> <b>721–725</b> <b>752–799</b>

## A.7 Fiscal Year Codes

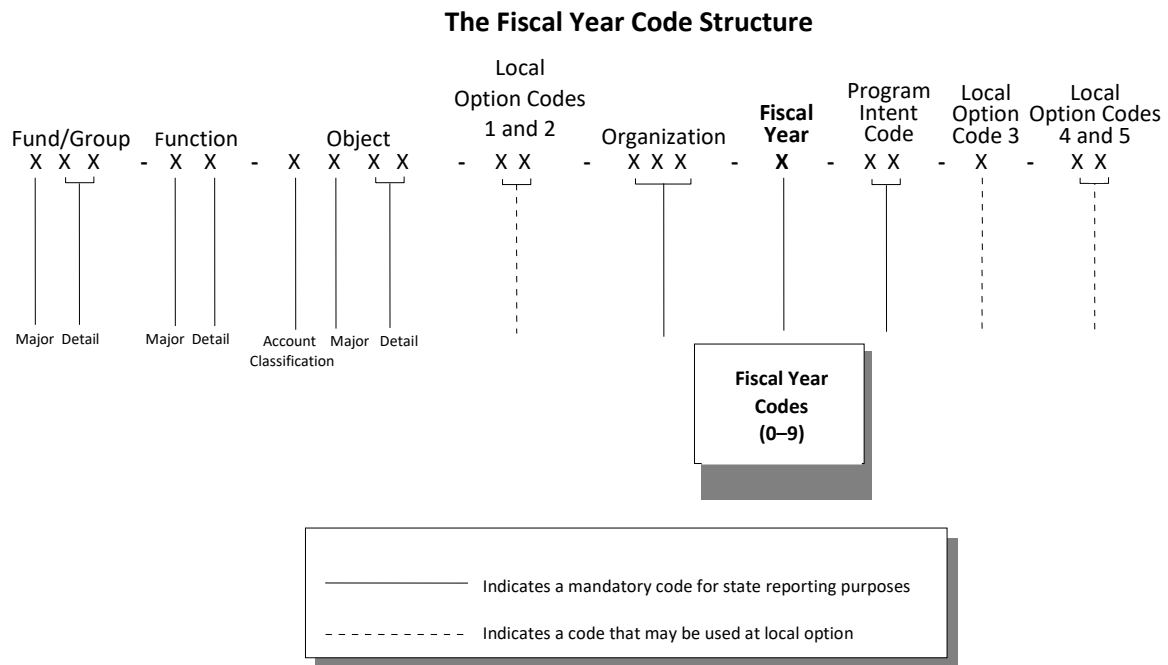
The fiscal year code is a mandatory code for all school districts. For your school district’s fiscal year, the district must use the last digit of the fiscal year. For example, the fiscal year that begins in 2014 and ends in 2015 (referred to as “fiscal year 2015”) is represented by a “5.”

Exhibit A.7.a illustrates the location of the fiscal year code in the accounting code structure.

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### Exhibit A.7.a Fiscal Year Code Structure

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The following are examples of fiscal year codes:

Code	Fiscal Year Beginning	Fiscal Year Ending	Code	Fiscal Year Beginning	Fiscal Year Ending
0	2009	2010	5	2014	2015
1	2010	2011	6	2015	2016
2	2011	2012	7	2016	2017
3	2012	2013	8	2017	2018
4	2013	2014	9	2018	2019

Determining the fiscal year code is different for certain locally funded or state-funded projects as opposed to federal or state grant-funded projects. Your district must use the last digit of its current fiscal year as the fiscal year code for projects funded by:

- local grants,
- debt service funds, or
- construction funds.

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 2014, as identified in the second digit of the NOGA ID number. Your district 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 district 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 district fiscal year. As shown in the graphic, grants A and B both start on July 1, 2013. 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, 2014, and lasts one year, ending on June 30, 2015; 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 district fiscal year must be accounted for in the district’s AFR:

- Grant A begins July 1, 2013, and ends June 30, 2014 (a one-year grant). The start date is two months before the start of the district’s fiscal year, so the district must account for
  - 2 months of the grant in its AFR for 2013 and
  - 10 months of the grant in its AFR for 2014.
- Grant B begins July 1, 2013, and ends June 30, 2015 (a two-year grant), so the district must account for
  - 2 months of the grant in its AFR for 2013,
  - 12 months of the grant in its AFR for 2014, and
  - 10 months of the grant in the AFR for 2015.
- Grant C begins July 1, 2014, and ends June 30, 2015 (a one-year grant), so the district must account for:
  - 2 months of the grant in its AFR for 2014 and
  - 10 months of the grant in its AFR for 2015.

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**Exhibit A.7.b Determining Fiscal Year Codes for Federal Grants**

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Grants A & C	Grant B	AFR Reporting	District FY	Calendar
<b>Begin Grant A NOGA 1411...</b>	<b>Begin Grant B NOGA 1412...</b>	<b>Show 2 mo. Grants A &amp; B in 2013 AFR</b>	<b>District FYE 13</b>	<b>Jul 1, 2013 Aug 31, 2013</b>
<b>FY code: 4</b>	<b>FY code: 4</b>	<b>Show 10 mo. Grant A and 12 mo. Grant B in the 2014 AFR</b>		
<b>End Grant A</b>				<b>Jun 30, 2013</b>
<b>Begin Grant C NOGA 1511...</b>		<b>Show 2 mo. Grant C in 2014 AFR</b>	<b>District FYE 14</b>	<b>Jul 1, 2014 Aug 31, 2014</b>
<b>FY code: 5</b>		<b>Show 12 mo. Grant B and 10 mo. Grant C in the 2015 AFR</b>		<b>Sep 1, 2014</b>

<b>End Grant C</b>	<b>End Grant B</b>			<b>Jun 30, 2015</b>
			<b>District FYE 15</b>	<b>Aug 31, 2015</b>

## A.8 Program Intent Codes

Your district must use program intent codes (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
- your district must consider the limits on the amount of allotments that may be used for indirect costs.

Your district 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 (PEIMS and/or AFR) if the code applies to your school district.

Your district must monitor expenditures to ensure that the limit on indirect costs is observed and must take necessary steps to meet this requirement. For additional guidance in the areas of direct and indirect costs, your district may consult the State Board of Education (SBOE) rules.<sup>56</sup> TEA policy provides maximum flexibility to school districts by averaging costs up to three years. As the TEA reviews state special program expenditures, your district will have the opportunity to address any issues that may arise. Your district must consider the implications of some federal requirements (for example, maintenance of effort) when determining local policies on the minimum level of coding expenditures.

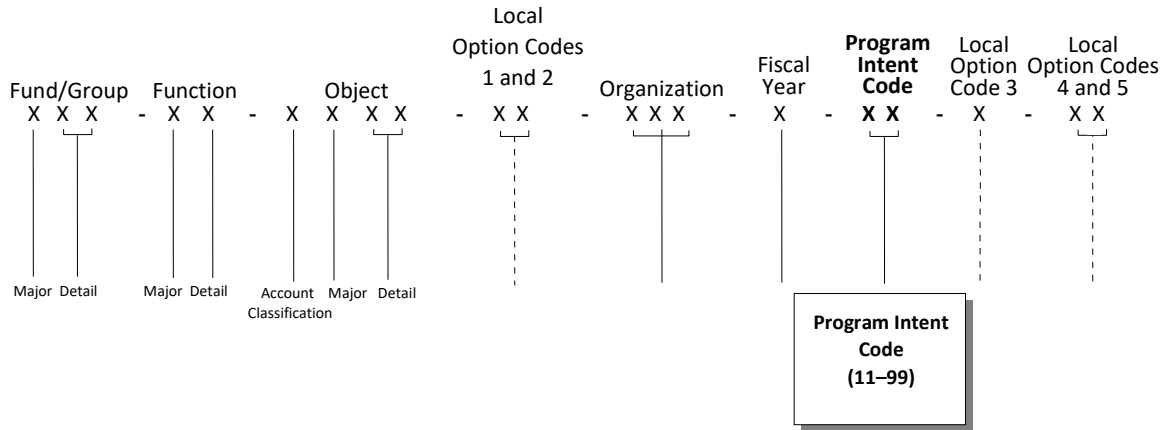
Exhibit A.8 illustrates the position of the PICs in the accounting code system.

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<sup>56</sup> [19 TAC §105.11](#)

**Exhibit A.8 Program Intent Code Structure**

**The Program Intent Code Structure**



————— Indicates a mandatory code for state reporting purposes  
 - - - - - Indicates a code that may be used at local option

The following table provides a summary of the program intent codes for quick reference.

<b>Code No.</b>	<b>Name</b>	<b>Description</b>
<b>Basic Services</b>		
11	Basic Education Services	Costs to provide basic instruction
26	Nondisciplinary Alternative Education Programs (AEP)—Basic Services	Costs for programs to serve students at risk of dropping out
28	Disciplinary Alternative Education Program (DAEP)—DAEP Basic Services	Costs for baseline program for students who are separated from the regular classroom for disciplinary reasons but otherwise similar to PIC 26
<b>Enhanced Services</b>		
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	Accelerated Instruction	Costs of supplemental education for students at risk of dropping out of school
25	Bilingual Education and Special Language Programs	Costs to help students transition to the English language for academic instruction
26	Nondisciplinary Alternative Education Programs (AEP)—Supplemental Services	Costs for programs to serve students, such as supervision, parental involvement, security, dyslexia, and accelerated reading instruction
29	Disciplinary Alternative Education Program—DAEP SC Supplemental Costs	Supplemental costs for PIC 28

Code No.	Name	Description
30	Title I, Part A, School-Wide Activities Related to State Compensatory Education and Other Costs on Campuses with 40 Percent or More Educationally Disadvantaged Students (“School-wide Campuses”)	For school-wide campuses with at least 40 percent economically disadvantaged students; costs for comprehensive school needs assessments, school-wide reform strategies, other NCLB-allowed items
31	High School Allotment	Accounts for \$275 per high school student; amount is not paid separately to districts, but paid with FSP funds
32	Prekindergarten (pre-K)	Costs to help pre-K students develop skills needed for success in the public school curriculum
33	Prekindergarten (pre-K)–Special Education	For costs incurred to evaluate, place and provide educational and/or other services to pre-K students that require special education services.
34	Prekindergarten (pre-K)–Compensatory Education	For costs incurred to provide compensatory education to pre-K students based on strategies outlined in the district’s campus and/or district improvement plan(s). Compensatory education costs are supplemental costs that are in addition to the basic instruction services that the district is required provide.
35	Prekindergarten (pre-K) – Bilingual Education	Costs incurred to evaluate, place, and provide educational and/or other services for LEP pre-K students to increase proficiency in the English language.
71–89	Reserved for use by Education Service Centers	Costs for bus driver training and driver education provided by ESCs
<b>Other Services</b>		
91	Athletics and Related Activities	Costs for participation in competitive athletic activities and certain support activities not including band

<b>Code No.</b>	<b>Name</b>	<b>Description</b>
99	Undistributed	Costs not easily identified with other codes used here, such as certain substitute teachers, teacher on-behalf payments, salaries for band, etc.



### ***A.8.1 Program Intent Codes—Basic Services and Enhanced Services***

The term basic services refer to services in which basic instruction (curriculum available to all students) is provided. These services use PICs such as the following:

- 11, Basic Educational Services
- 26, Nondisciplinary Alternative Education Programs (AEP)
- 28, Disciplinary Alternative Education Program (DAEP)—DAEP Basic 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.

Refer to [Appendix B](#) for guidance on program intent accounting.

### ***A.8.2 Program Intent Code—Athletics and Related Activities***

The program intent code 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 program intent code 99:

- 6112, Salaries or Wages for Substitute Teachers and Other Professionals
- 6144, Teacher Retirement or TRS Care—On-Behalf Payments

### ***A.8.3 Program Intent Codes—Undistributed***

In some cases, your district may have to allocate costs among several PICs. But the costs should be allocated only when, in the judgment of your district’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 your district elects not to allocate costs to basic or enhanced PICs or the athletics and related activities PIC, the district must use program intent code 99, Undistributed.

### ***A.8.4 Program Intent Codes—Compliance Monitoring***

The TEA provides software in PEIMS containing a formula to allocate costs recorded in program intent code 99, Undistributed, according to instructional FTEs (as reported in 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.

The TEA uses allocated cost information in 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 functions specified in SBOE rules<sup>57</sup> relating to indirect costs.

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 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.

Expenditures coded by the school district to specific PICs	+	Allocations of expenditures to PICs from the Undistributed PIC (99) based upon instructional FTEs	+	Expenditures associated with a school district as a member of a shared services arrangement that are coded to specific PICs	=	Total expenditures used for monitoring purposes, such as maintenance of effort, and compliance with SBOE rules on indirect costs
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<sup>57</sup> [19 TAC §105.11](#)

**1X**

**BASIC SERVICES**

**℞11**

**Basic Educational Services**

This code is used for the costs incurred to provide the basic services for education or instruction to students in grades prekindergarten (Pre-K) 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. Costs for basic educational services include the costs to evaluate, place, and provide 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):
<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Basic services for education or instruction (pre-K–12) prescribed by Texas law, including a regular education program for limited English proficiency students</li> <li>• Pre-K funded from basic education allotment during one-half of a full day program</li> <li>• District or campus improvement plan</li> <li>• Honors and college preparatory courses</li> <li>• Advanced placement courses not designated as part of a gifted and talented program</li> <li>• Adult basic and secondary education services</li> <li>• Section 504 students</li> </ul>	<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Gifted and talented services (PIC 21)</li> <li>• Advanced placement services designated as part of a gifted and talented program (PIC 21)</li> <li>• Additional salaries and related expenditures or expenses associated with band, UIL speech, debate, science competition, class sponsors, student organizations, social clubs, (for example, National Honor Society [NHS], Beta Club, Letterman’s Club) (PIC 99)</li> </ul>

Program Intent Code 11—Costs to Include:	Program Intent Code 11—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• Physical education (PE) classes when athletic activities take place, but PE or PE equivalent credit is issued</li> <li>• Foreign language courses</li> <li>• TEKS for foundation curriculum and electives in enrichment curriculum as needed for high school graduation</li> <li>• Day care</li> <li>• In-school suspension programs</li> <li>• Parenting classes</li> <li>• Services for an elective AEP for students not at risk of dropping out of school</li> </ul>	<ul style="list-style-type: none"> <li>• 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 activity to support athletics (for example, additional days employed, reduction of class load, length of day, etc.) (PIC 91)</li> <li>• Basic services for DAEPs (PIC 28)</li> <li>• Services for alternative education programs (nondisciplinary) that do not represent costs for providing services to students at risk of dropping out of school, as defined under the <a href="#">TEC, §29.081</a> (PIC 31)</li> <li>• Costs for nondisciplinary alternative education programs (PIC 26)</li> <li>• AEP costs (Basic and Supplemental)</li> <li>• State Compensatory Education (SCE) costs incurred in support of Title I, Part A, school-wide campuses with 40 percent or greater educationally disadvantaged students (PIC 30)</li> <li>• SCE costs incurred to provide supplemental services in support of a Title I, Part A, targeted assistance program. (PIC 24)</li> </ul>

Program Intent Code 11—Costs to Include:	Program Intent Code 11—Costs to Exclude (with Correct Program Intent Code):
	<ul style="list-style-type: none"> <li>Title I, Part A services</li> </ul>

**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 that are beyond the basic educational program and that are 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):
<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>Gifted and talented programs</li> <li>Advanced placement courses designated as part of a gifted and talented program</li> </ul>	<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>Honors, college preparatory courses (PIC 11)</li> <li>Advanced placement courses not designated as part of a gifted and talented program (PIC 11)</li> <li>Summer camps, summer schools, field trips, or other summer enrichment programs (PIC 11)</li> <li>All DAEP-related activities (PIC 28 and 29)</li> </ul>

**R22**

**Career and Technical**

This code is used for the costs incurred to evaluate and place students and to provide educational and/or other services to prepare students

for gainful employment, advanced technical training, or homemaking. This may include apprenticeship and job training activities.

Program Intent Code 22—Costs to Include:	Program Intent Code 2—Costs to Exclude (with Correct Program Intent Code):
<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Career and technical for persons with disabilities (CTED)</li> <li>• Employment preparation services</li> <li>• Apprenticeship and job training activities</li> <li>• All career and technical courses (grades 9–12 and CTED for grades 7–8)</li> <li>• Career and technical supervisor or director</li> <li>• Career and technical counselors</li> <li>• Programs that follow the <a href="#">State Plan for Career and Technical Education</a></li> </ul>	<p><b>Costs incurred relating to:</b></p> <ul style="list-style-type: none"> <li>• Vocational adjustment classes (VAC) (PIC 23)</li> <li>• Quasi-vocational classes in middle school and junior high (PIC 11)</li> <li>• Career and technical courses that do not meet the state guidelines (PIC 11)</li> <li>• All DAEP-related activities (PICs 28 and 29)</li> </ul>

**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 Individualized Educational Plans (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):
<p><b>Costs incurred related to:</b></p>	<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Services to Section 504 students (PIC 11)</li> </ul>

Program Intent Code 23—Costs to Include:	Program Intent Code 23—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• Students who are served in the special education program under identified instructional settings such as:                             <ul style="list-style-type: none"> <li>○ Homebound</li> <li>○ Hospital class</li> <li>○ Speech therapy</li> <li>○ Resource room</li> <li>○ “Self-contained, mild, moderate, or severe” classroom</li> <li>○ Off home campus setting (multidistrict, community class, and self-contained separate campus)</li> <li>○ Residential care and treatment facility</li> <li>○ Residential facility</li> <li>○ Nonpublic contract</li> <li>○ VAC</li> <li>○ Mainstream (support for students in inclusive setting)</li> </ul> </li> <li>• Students with identified disabilities under the Individuals with Disabilities Education Act and TEC</li> <li>• Special education directors, coordinators, or supervisors</li> <li>• State-funded special education extended year program</li> <li>• Services to preschool students with disabilities (ages below five)</li> </ul>	<ul style="list-style-type: none"> <li>• Career and technical for persons with disabilities (VEH) (PIC 22)</li> <li>• Regular education services in the basic educational program, including the salaries of regular education personnel (PIC 11)</li> <li>• All DAEP-related activities (PICs 28 and 29)</li> </ul>

**℞24**

**Accelerated Instruction—Supplemental Services**

Accelerated instruction seeks to reduce the disparity between students at risk of dropping out of school and all other district students in:

- performance on assessment instruments administered under statutory requirements,<sup>58</sup> or
- rates of high school completion.

State Compensatory Education (SCE) expenditures are attributable to program intent code 24, Accelerated Instruction, only when:

- the expenditures are supplemental to the basic, or regular, education program;
- students served meet statutory at-risk criteria;<sup>59</sup> and
- services are specifically designed to enable at-risk students to be performing at grade level at the end of the next regular school term.

All services must be described in the campus or district improvement plan and comply with statutory requirements<sup>60</sup> to:

- evaluate the program’s effectiveness and
- hold an annual public hearing to consider the program evaluation results.

<b>Program Intent Code 24—Costs to Include:</b>	<b>Program Intent Code 24—Costs to Exclude (with Correct Program Intent Code):</b>
<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Intensive or accelerated instructional education programs and activities</li> <li>• Concentrated instruction</li> <li>• Smaller class size</li> <li>• Salary for instructional staff members and instructional staff assistants</li> </ul>	<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Basic education program (PIC 11)</li> <li>• Any activities for nondisciplinary alternative education program services (PIC 26)</li> <li>• Any DAEP-related activities (PICs 28 and 29)</li> </ul>

<sup>58</sup> [TEC, Chapter 39, Subchapter B](#)

<sup>59</sup> [TEC, §29.081](#)

<sup>60</sup> [TEC, §29.081](#)



<ul style="list-style-type: none"> <li>• Staff development activities for the instructional staff that add new competencies specific to the instructional needs of students at risk of dropping out of school</li> <li>• Extending the instructional day, week, or year</li> <li>• Implementing new or additional individual and small group tutorials</li> <li>• Implementing new or additional individual and small group project-based learning</li> <li>• Specialized computer-assisted and blended instruction</li> <li>• Instructional and specialized instructional materials, equipment, and supplies required for quality instruction</li> <li>• State assessment remediation</li> <li>• Dropout recovery, prevention, and intervention services for middle and high school students</li> <li>• School reform programs</li> <li>• Individualized instruction programs</li> <li>• Summer or intersession programs</li> <li>• Visiting teachers</li> <li>• Supplemental LEP programs</li> <li>• Mentoring programs</li> <li>• Residential placement programs</li> <li>• Modified curriculum services</li> <li>• School social workers</li> </ul>	<ul style="list-style-type: none"> <li>• Any services provided in support of Title I, Part A, school-wide campuses (PIC 30)</li> <li>• Day care, in-school suspension programs, and parenting classes (PIC 11)</li> </ul>
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<ul style="list-style-type: none"> <li>• Program and student evaluation</li> <li>• Programs for treatment of dyslexia or a related disorder as required by law,<sup>61</sup> in proportion to the percent of students served by the program who are at risk of dropping out of school as defined by law<sup>62</sup></li> <li>• Accelerated reading instruction program as required by law<sup>63</sup> in proportion to the percent of students served by the program who are at risk of dropping out of school as defined by law<sup>64</sup></li> </ul>	
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**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.

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<sup>61</sup> [TEC, §38.003](#)

<sup>62</sup> [TEC, §29.081](#)

<sup>63</sup> [TEC, §28.006\(g\)](#)

<sup>64</sup> [TEC, §29.081](#)

Program Intent Code 25—Costs to Include:	Program Intent Code 25—Costs to Exclude (with Correct Program Intent Code):
<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Services intended to make students proficient in English</li> <li>• Provision of a bilingual program</li> <li>• Provision of ESL instruction</li> <li>• Instruction in primary language</li> <li>• Increase in cognitive academic language proficiencies</li> <li>• Bilingual services to immigrant students</li> <li>• Program and student evaluation</li> <li>• Instructional materials and equipment</li> <li>• Staff development</li> <li>• Supplemental staff expenses</li> <li>• Salary supplements for teachers</li> <li>• Supplies required for quality instruction and smaller class size</li> </ul>	<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Foreign language courses (PIC 11)</li> <li>• All DAEP-related activities</li> <li>• Full salary of bilingual/ESL instructors</li> </ul>

**R26**

**Nondisciplinary Alternative Education Programs—Basic and Supplemental Services**

SCE costs may be incurred to provide basic and supplemental services to students who:

- meet the statutory criteria for being at risk of dropping out of school<sup>65</sup> and

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<sup>65</sup> [TEC, §29.081](#)

- are separated from the regular classroom into a nondisciplinary alternative education program (AEP).

An AEP may include a private or public community-based dropout recovery education program that provides alternative education programs for students at risk of dropping out of school.

SCE expenditures are attributable to the program intent code 26, Nondisciplinary AEP Programs, only when students served meet statutory criteria.<sup>66</sup>

All services must be described in the campus or district improvement plan and comply with statutory requirements<sup>67</sup> to:

- evaluate the program’s effectiveness and
- hold an annual public hearing to consider the program evaluation results.

Program Intent Code 26—Costs to Include:	Program Intent Code 26—Costs to Exclude (with Correct Program Intent Code):
<p><b>PIC 26 costs may include SCE basic and supplemental expenditures in proportion to the percent of students served by the program who are at risk of dropping out of school related to:</b><sup>68</sup></p> <ul style="list-style-type: none"> <li>• Instructional programs specifically serving students who meet statutory at-risk criteria<sup>69</sup></li> <li>• Costs for compensatory, accelerated and intensive education services these services are provided in a non-disciplinary AEP instructional setting (PIC 24)</li> </ul>	<p><b>PIC 26 costs may not include SCE expenditures related to:</b></p> <ul style="list-style-type: none"> <li>• SCE costs to provide services supplemented by Title I, Part A, school-wide campuses with 40 percent or greater educationally disadvantaged students (PIC 30)</li> <li>• Supplemental services in support of Title I, Part A, targeted assistance programs. (PIC 24)</li> <li>• Services provided under Title I, Part A, school-wide campuses (PIC 30)</li> </ul>

<sup>66</sup> [TEC, §29.081](#)

<sup>67</sup> [TEC, §29.081](#)

<sup>68</sup> [TEC, §29.081](#)

<sup>69</sup> [TEC, §29.081](#)

Program Intent Code 26—Costs to Include:	Program Intent Code 26—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• English language arts, mathematics, science, history, social-emotional learning and self-discipline instructional programs and activities</li> <li>• Educational and behavioral resources</li> <li>• Salaries for classroom supervision and teacher assistants</li> <li>• Counseling services</li> <li>• Parental involvement programs and activities</li> <li>• Security and safety</li> <li>• Mentoring programs</li> <li>• Specialized computer-assisted and blended instruction</li> <li>• Credit recovery instructional programs</li> <li>• Project-based learning instructional programs</li> <li>• Staff development for instructional staff members that adds new competencies specific to the instructional needs of students at risk of dropping out of school</li> </ul>	<ul style="list-style-type: none"> <li>• Day care, in-school suspension programs, and parenting classes (PIC 11)</li> <li>• Programs or services funded with Title I, Part A (PIC 24 or 30)</li> </ul>

Program Intent Code 26—Costs to Include:	Program Intent Code 26—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• Treatment of dyslexia or a related disorder as required by law,<sup>70</sup> in proportion to the percent of students served by the program that are at risk of dropping out of school as defined by law<sup>71</sup></li> <li>• Accelerated reading instruction program as required by law<sup>72</sup> in proportion to the percent of students served by the program that are at risk of dropping out of school as defined by law<sup>73</sup></li> <li>• Private or public community-based dropout recovery education program<sup>74</sup></li> </ul>	

**℞28**

**Disciplinary Alternative Education Program (DAEP)—DAEP Basic Services**

SCE costs may be incurred to provide general, or basic, education services to students who are moved from the regular classroom into a DAEP. All services must be described in the campus or district improvement plan.

Program Intent Code 28—Costs to Include:	Program Intent Code 28—Costs to Exclude (with Correct Program Intent Code):
<p><b>Basic DAEP SCE costs related to:</b></p> <ul style="list-style-type: none"> <li>• DAEP basic education program costs</li> </ul>	<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Supplemental DAEP services (PIC 29)</li> </ul>

<sup>70</sup> [TEC, §38.003](#)

<sup>71</sup> [TEC, §29.081](#)

<sup>72</sup> [TEC, §28.006\(g\)](#)

<sup>73</sup> [TEC, §29.081](#)

<sup>74</sup> [TEC, §29.081\(e\)](#)

Program Intent Code 28—Costs to Include:	Program Intent Code 28—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• English language arts, mathematics, science, history, social-emotional learning, and self-discipline instructional programs and activities</li> <li>• Educational and behavioral resources</li> <li>• Salaries for classroom supervision or teacher assistants</li> <li>• Counseling services</li> <li>• Parental involvement programs and activities</li> <li>• Security and safety</li> <li>• Mentoring programs</li> <li>• Specialized computer-assisted and blended instruction</li> <li>• Credit recovery instructional programs</li> <li>• Project-based learning instructional programs</li> <li>• Staff development for instructional staff members that adds new competencies specific to the instructional needs of students at risk of dropping out of school</li> </ul>	<ul style="list-style-type: none"> <li>• Nondisciplinary AEP costs, basic or supplemental (PIC 26)</li> <li>• SCE costs to provide services in support of Title I, Part A, school-wide campuses (PIC 30)</li> <li>• Supplemental services in support of Title I, Part A, targeted assistance programs (PIC 24)</li> <li>• Day care, in-school suspension programs, parenting classes (PIC 11)</li> </ul>

Program Intent Code 28—Costs to Include:	Program Intent Code 28—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• Treatment of dyslexia or a related disorder as required by law<sup>75</sup> in proportion to the percent of students served by the program that are at risk of dropping out of school as defined by law<sup>76</sup></li> <li>• Accelerated reading instruction program as required by law<sup>77</sup> in proportion to the percent of students served by the program that are at risk of dropping out of school as defined by law<sup>78</sup></li> </ul>	

**℞29**

**Disciplinary Alternative Education Program—DAEP State  
Compensatory Education Supplemental Costs**

SCE costs may be incurred to supplement the general, or basic, education services provided to students who are moved from the regular classroom into a DAEP. All services must be described in the campus or district improvement plan and must comply with requirements<sup>79</sup> for an:

- evaluation of program effectiveness and
- annual public hearing to consider the program evaluation results.

Program Intent Code 29—Costs to Include:	Program Intent Code 29—Costs to Exclude (with Correct Program Intent Code):
SCE supplemental costs related to:	Costs incurred related to: <ul style="list-style-type: none"> <li>• Basic DAEP services (PIC 28)</li> </ul>

<sup>75</sup> [TEC, 38.003](#)

<sup>76</sup> [TEC, §29.081](#)

<sup>77</sup> [TEC, 28.006\(g\)](#)

<sup>78</sup> [TEC, §29.081](#)

<sup>79</sup> [TEC, §29.081](#)



Program Intent Code 29—Costs to Include:	Program Intent Code 29—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• English language arts, mathematics, science, history, social-emotional learning, and self-discipline instructional programs and activities</li> <li>• Educational and behavioral resources</li> <li>• Salaries for classroom supervision and teacher assistants</li> <li>• Counseling services</li> <li>• Parental involvement programs and activities</li> <li>• Security and safety</li> <li>• Mentoring programs</li> <li>• Specialized computer-assisted and blended instruction</li> <li>• Credit recovery instructional programs</li> <li>• Project-based learning instructional programs</li> <li>• Treatment of dyslexia or a related disorder as required by law<sup>80</sup> in proportion to the percent of students served by the program that are at risk of dropping out of school<sup>81</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Nondisciplinary AEP costs, basic or supplemental (PIC 26)</li> <li>• SCE costs to provide services in support of Title I, Part A, school-wide campuses (PIC 30)</li> <li>• Supplemental services in support of Title I, Part A, targeted assistance programs (PIC 24)</li> <li>• Day care, in-school suspension programs, and parenting classes (PIC 11)</li> </ul>

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<sup>80</sup> [TEC, §38.003](#)

<sup>81</sup> [TEC, §29.081\(d\) and \(g\)](#)

Program Intent Code 29—Costs to Include:	Program Intent Code 29—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>Accelerated reading instruction program as required by law<sup>82</sup> in proportion to the percent of students served by the program that are at risk of dropping out of school as defined by law<sup>83</sup></li> </ul>	

**R30**

**Title I, Part A, School-Wide Activities Related to State Compensatory Education and Other Costs on Campuses with 40 Percent or More Educationally Disadvantaged Students (“School-wide Campuses”)**

Your district may incur SCE costs to support supplemental programs provided by federal funds at a designated Title I, Part A, school-wide campus. To determine your campus’s poverty percentage, use the same auditable poverty data as that used for Title I, Part A in the NCLB Consolidated Application for Federal Funding. All SCE services must be described in the campus or district improvement plan.

SCE funds must be part of the campus budget, and all SCE expenditures must track back to the SCE fund code. School-wide campuses must continue to receive state and local funds for conducting the regular, or basic, education program. SCE expenditures must enhance, or supplement, the basic educational program and must support programs that are eligible under Title I, Part A (P.L. 103-382 as amended).

In addition, SCE expenditures must support the intent and purpose of the SCE program, which is to reduce the disparity between students at risk of dropping out of school and all other district students in:

- performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or
- rates of high school completion.

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<sup>82</sup> [TEC, §28.006\(g\)](#)

<sup>83</sup> [TEC, §29.081\(d\) and \(g\)](#)

Program Intent Code 30—Costs to Include:	Program Intent Code 30—Costs to Exclude (with Correct Program Intent Code):
<p><b>Basic or supplemental SCE expenditures related to:</b></p> <ul style="list-style-type: none"> <li>• A comprehensive needs assessment of the entire school, including the needs of any migratory children in attendance. This assessment:                             <ul style="list-style-type: none"> <li>○ is based on information about the achievement of students in relation to state assessments administered as required by law.<sup>84</sup></li> <li>○ should identify gaps and provide solutions and targets specific to student achievement and other key indicators.</li> <li>○ yields data to provide the foundation for the goals, strategies, and activities of the district and campus improvement plan</li> </ul> </li> <li>• School-wide reform strategies that provide opportunities to meet state academic standards, particularly addressing the needs of low-achieving students</li> <li>• Instruction by highly qualified teachers</li> </ul>	<p><b>Costs incurred relate to:</b></p> <ul style="list-style-type: none"> <li>• Basic and supplemental services at AEPs and DAEPs (PICs 26, 28, and 29)</li> <li>• Supplemental services in support of Title I, Part A, targeted assistance programs (PIC 24)</li> <li>• SCE supplemental services provided on campuses that are <i>not</i> Title 1, Part A school-wide or targeted assistance, AEP, or DAEP campuses (PIC 24)</li> <li>• Day care, in-school suspension programs, and parenting classes (PIC 11)</li> </ul>

<sup>84</sup> [TEC, 39.023\(c\)](#)

Program Intent Code 30—Costs to Include:	Program Intent Code 30—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• High quality and ongoing professional development for teachers, principals, and paraprofessionals, and if appropriate, pupil services personnel, parents, and other staff members</li> <li>• Strategies to attract excellent, highly qualified teachers</li> <li>• Increased parental involvement programs and activities</li> <li>• Assistance for preschool children in the transition from early childhood programs</li> <li>• Including teachers in decisions about using academic assessments to provide information on and improve the achievement of individual students and the overall instructional program</li> <li>• Providing effective, timely additional assistance and activities to students who have difficulty mastering the proficient or advanced levels of academic achievement standards. This includes measures to ensure that students’ difficulties are identified on a timely basis and to provide enough information on which to base effective assistance</li> <li>• Coordinating and integrating federal, state, and local services and programs</li> </ul>	

### **℞31 High School Allotment**

Your district must use this PIC to account for the \$275 high school allotment for each high school student used to:

- prepare students to go on to higher education,
- encourage students to take advanced academic course work,
- increase the rigor of academic course work,
- align secondary and postsecondary curriculum, and
- support promising high school completion and success initiatives in grades six through 12.

If your district meets certain college readiness and completion rate standards, there are fewer restrictions on how the funds are spent.<sup>85</sup>

This amount is not paid separately but is combined with other Foundation School Program funds. The breakdown of the amount is provided on the Summary of Finance for journal entry purposes.

For rules on high school allotment, see [19 TAC §§1091–1099](#).

### **℞32 Prekindergarten (Pre-K)**

Your district must use this PIC to account for expenditures made to help Pre-K students develop skills necessary for success in the regular public school curriculum, including language, mathematics, and social and school readiness skills<sup>86</sup> that are aligned with the [Texas Prekindergarten Guidelines](#).

This code is used with any funds for which there are specifically identifiable prekindergarten funds.

Pre-K basic services are defined as the instruction provided for students ages below five who do not need special services, such as special education, bilingual/ESL, or accelerated instruction.

The types of expenditures to be recorded using this code include payroll costs, professional and contracted services, supplies and materials, other operating expenses, certification costs, and capital outlay directly related to Pre-K basic services.

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<sup>85</sup> [TEC, §39.234](#)

<sup>86</sup> [TEC, §29.1532](#)

Program Intent Code 32—Costs to Include:	Program Intent Code 32—Costs to Exclude (with Correct Program Intent Code):
<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Basic services for education or instruction (pre-K) prescribed by Texas law (ages below five)</li> <li>• Pre-K funded from basic education allotment during one-half of full day program (ages below five)</li> <li>• Pre-K funded from High Quality Pre-K Grant (ages below five)</li> </ul>	<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Basic and supplemental services at AEPs and DAEPs (PICs 26, 28, and 29)</li> <li>• Supplemental services in support of Title I, Part A, targeted assistance programs (PIC 24)</li> <li>• SCE supplemental services provided on campuses that are <i>not</i> Title 1, Part A school-wide or targeted assistance, AEP, or DAEP campuses (PIC 24)</li> <li>• Services to Prekindergarten (Pre-K) Students—Special Education (ages below five) (PIC 33)</li> <li>• Services to Prekindergarten (Pre-K) Students—SCE (ages below five) (PIC 34)</li> <li>• Services to Prekindergarten (Pre-K) Students—Bilingual Education (ages below five) (PIC 35)</li> </ul>

**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 Individualized Educational Plans (IEP) approved by the Admission, Review, and Dismissal (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):
<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Services to preschool students with disabilities (ages below 5)</li> <li>• Pre-K students with identified disabilities under the Individuals with Disabilities Education Act and TEC</li> <li>• Pre-K students who are served in the special education program under identified instructional settings such as:                             <ul style="list-style-type: none"> <li>○ Homebound</li> <li>○ Hospital class</li> <li>○ Speech therapy</li> <li>○ Resource room</li> <li>○ “Self-contained, mild, moderate, or severe” classroom</li> <li>○ Off home campus setting (multidistrict, community class, and self-contained separate campus)</li> <li>○ Residential care and treatment facility</li> <li>○ Residential facility</li> <li>○ Nonpublic contract</li> <li>○ Mainstream (support for students in inclusive setting)</li> </ul> </li> <li>• Special education directors, coordinators, or supervisors</li> </ul>	<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Services to Section 504 students (PIC 11)</li> <li>• Career and technical for persons with disabilities (VEH) (PIC 22)</li> <li>• Regular education services in the basic educational program, including the salaries of regular education personnel (PIC 11)</li> <li>• All DAEP-related activities (PICs 28 and 29)</li> <li>• Prekindergarten Basic Education Services (ages below 5) (PIC 32)</li> <li>• Services to Prekindergarten (Pre-K) Students – State Compensatory Education (SCE) (ages below 5) (PIC 34)</li> <li>• Services to Prekindergarten (Pre-K) Students – Bilingual Education (ages below 5) (PIC 35)</li> </ul>

**R34**

**Services to Prekindergarten (Pre-K) Students – State Compensatory Education (SCE)**

Your district may incur SCE costs to support supplemental programs for Pre-K students. All SCE services must be described in the campus or district improvement plan(s). SCE funds must be part of the campus budget. SCE expenditures must enhance, or supplement, the basic educational program for Pre-K students.

In addition, SCE expenditures must support the intent and purpose of the SCE program, which is to reduce the disparity between students at risk of dropping out of school and all other district students in:

- performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or
- rates of high school completion.

Program Intent Code 34—Costs to Include:	Program Intent Code 34—Costs to Exclude (with Correct Program Intent Code):
<p><b>SCE expenditures related to:</b></p> <ul style="list-style-type: none"> <li>• A comprehensive needs assessment of Pre-K students including the needs of any Pre-K migratory children in attendance. This assessment:                             <ul style="list-style-type: none"> <li>○ should identify gaps and provide solutions and targets specific to pre-K student achievement and other key indicators.</li> <li>○ yields data to provide the foundation for the goals, strategies, and activities of the district and campus improvement plan.</li> </ul> </li> <li>• Assistance for preschool children in the transition from early childhood programs</li> <li>• Instruction by highly qualified teachers (see <a href="#">Highly Qualified Teachers</a>)</li> </ul>	<p><b>Costs incurred relate to:</b></p> <ul style="list-style-type: none"> <li>• Basic and supplemental services at AEPs and DAEPs (PICs 26, 28, and 29)</li> <li>• Supplemental services in support of Title I, Part A, targeted assistance programs (PIC 24)</li> <li>• SCE supplemental services provided on campuses that are <i>not</i> Title 1, Part A school-wide or targeted assistance, AEP, or DAEP campuses (PIC 24)</li> <li>• Day care, in-school suspension programs, and parenting classes (PIC 11)</li> <li>• Prekindergarten Basic Education Services (ages below 5) (PIC 32)</li> </ul>



Program Intent Code 34—Costs to Include:	Program Intent Code 34—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• Strategies to attract excellent, <b>highly qualified teachers</b></li> <li>• High quality and ongoing professional development for teachers, principals, and paraprofessionals, and if appropriate, pupil services personnel, parents, and other staff members</li> <li>• Increased parental involvement programs and activities</li> <li>• Including teachers in decisions about using academic assessments to provide information on and improve the achievement of individual students and the overall instructional program</li> <li>• Providing effective, timely additional assistance and activities to students who have difficulty mastering the proficient or advanced levels of academic achievement standards. This includes measures to ensure that students’ difficulties are identified on a timely basis and to provide enough information on which to base effective assistance</li> <li>• Coordinating and integrating federal, state, and local services and programs</li> </ul>	<ul style="list-style-type: none"> <li>• Services to Prekindergarten (Pre-K) Students – Special Education (ages below 5) (PIC 33)</li> <li>• Services to Prekindergarten (Pre-K) Students–Bilingual Education (ages below five) (PIC 35)</li> </ul>

**R35**

**Services to Prekindergarten (Pre-K) Students–Bilingual Education**

This code is used for the costs incurred to evaluate and place limited English proficient (LEP) Pre-K students and to provide educational or

other services that are intended to make the LEP Pre-K 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 35—Costs to Include:	Program Intent Code 35—Costs to Exclude (with Correct Program Intent Code):
<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Services intended to make students proficient in English</li> <li>• Provision of a bilingual program</li> <li>• Provision of ESL instruction</li> <li>• Instruction in primary language</li> <li>• Increase in cognitive academic language proficiencies</li> <li>• Bilingual services to immigrant students</li> <li>• Program and student evaluation</li> <li>• Instructional materials and equipment</li> <li>• Staff development</li> <li>• Supplemental staff expenses</li> <li>• Salary supplements for teachers</li> </ul>	<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Foreign language courses (PIC 11)</li> <li>• All DAEP-related activities</li> <li>• Full salary of bilingual/ESL instructors</li> <li>• Prekindergarten Basic Education Services (ages below 5) (PIC 32)</li> <li>• Services to Prekindergarten (Pre-K) Students – Special Education (ages below 5) (PIC 33)</li> <li>• Services to Prekindergarten (Pre-K) Students – State Compensatory Education (SCE) (ages below 5) (PIC 34)</li> </ul>

**71–89 Reserved for use by Education Service Centers**

This group of PICs is reserved for use by education service centers to provide special accountability in areas such as bus driver training and driver education. These codes must not be used by school districts.

<b>Program Intent Code 71–89—Costs to Include:</b>	<b>Program Intent Code 71–89—Costs to Exclude (with Correct Program Intent Code):</b>
<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Bus driver training and driver education provided by education service centers</li> <li>• Other services as designated by education service centers</li> </ul>	<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Services not provided by educational service centers</li> </ul>

**90–99**

**OTHER SERVICES**

For information about requirements to use program intent code 91 for certain payroll costs, see [A.8.2 Program Intent Code—Athletics and Related Activities](#).

**91**

**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, etc. This includes costs associated with coaching as well as sponsors for drill team, cheerleaders, pep squad, or any other organized activity to support athletics. This code does not include band.

<b>Program Intent Code 91—Costs to Include:</b>	<b>Program Intent Code 91—Costs to Exclude (with Correct Program Intent Code):</b>
<b>Costs incurred related to:</b>	<b>Costs incurred related to:</b>

Program Intent Code 91—Costs to Include:	Program Intent Code 91—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• 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)</li> <li>• Object codes 61XX (Exceptions: for object codes 6112 and 6144, use program intent code 99)</li> <li>• 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.)</li> </ul>	<ul style="list-style-type: none"> <li>• 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)</li> </ul>

**99**

**Undistributed**

All charges that are not readily distributed to PICs are classified using program intent code 99. Your district 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):
<p><b>Costs incurred related to:</b></p> <ul style="list-style-type: none"> <li>• Substitute teachers (if not allocated to specific PICs)</li> </ul>	<p><b>Costs incurred related to:</b></p>

Program Intent Code 99—Costs to Include:	Program Intent Code 99—Costs to Exclude (with Correct Program Intent Code):
<ul style="list-style-type: none"> <li>• Teacher retirement on-behalf payment (if not allocated to specific PICs)</li> <li>• 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)</li> </ul>	<ul style="list-style-type: none"> <li>• 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)</li> </ul>

***A.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 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
<b>Program Intent Codes</b>		
		37 – 39, 41 – 49, 54 – 59, 63–69

## Appendix B: Account Code Matrixes and Accounting Spreadsheets

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### B.1 Account Code Matrixes

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](#))

### B.2 Revenue Matrix for the Statement of Activities

This spreadsheet provides additional guidance concerning program versus general revenues. ([Excel](#)) ([pdf](#))

## Appendix C: Example Accounting Entries

[GASB Statement No. 34](#) sets forth the requirements for basic financial statements that the transactions be recorded on the fund basis as well as the government-wide basis.

There are two methods of achieving the reporting requirements for both sets of financial statements. The most common method is the reclassification approach, which uses the historic fund accounting software system during the year for all transactions and prepares reclassification journal entries at year-end to produce the government-wide financial statements. The dual-track approach records entries under both types of measurement focus (traditional short-term current financial resources and long-term economic resources).

Since the FASRG assumes the use of the reclassification approach, there are continued references to General Capital Asset Accounts and the general long-term debt fund throughout the FASRG.

### C.1 Accounting for Interfund Transactions

#### *C.1.1 Interfund Service Provided and Used Transactions*

Interfund service provided and used transactions are transactions between funds that are part of the same reporting entity, but the nature of the exchange suggests the existence of normal buyer/seller relationships. An example is where the school district has an internal service fund operation that provides services or sells products to the governmental funds. An operation accounted for through the internal service fund bills other funds on a cost-reimbursement basis. Revenues are recognized by the internal service fund (revenue account 5754, interfund service provided and used transactions), and expenditures are recorded in the governmental fund using the appropriate expenditure object code.

Assume that a school district operates a vehicle motor pool accounted for in the internal service fund. Costs are maintained on each vehicle, including depreciation expense. The use of vehicles is charged to the appropriate governmental fund on a cost-reimbursement basis. The internal service fund has billed the general fund for the use of a school bus for transporting high school children on extracurricular trips. Cost records indicate that the bus cost \$1 per mile to operate and that the bus traveled 1,000 miles for a total cost of \$1,000. The following entries are necessary to record this interfund service provided and used transaction between the fund providing and billing for the service (the internal service fund) and the fund receiving and paying for the services (the general fund):

- A. Record the transportation charge to the general fund in the internal service fund.

Account	Debit	Credit
Cash and Temporary Investments		
751-00-1110-00-000-Y-00-0-00	\$1,000	
Revenues—Interfund Service provided and used Transactions		



751-00-5754-00-000-Y-00-0-00		\$1,000
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B. Record the amount charged for transportation (extracurricular trips) to the general fund by the internal service fund.

Account	Debit	Credit
Expenditures—Reclassified Transportation		
199-36-6494-00-999-Y-99-0-00	\$1,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$1,000

### C.1.2 Operating Transfers

The following are examples of operating transfers:

- Transfer of funds from the general fund to an enterprise fund as part of an operating subsidy.
- Transfer of funds from a special revenue fund or the general fund to a debt service fund to support principal interest payments.
- Transfer from an enterprise fund to the general fund in order to finance general governmental expenditures.

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 general fund to the capital projects fund would be recorded as follows.

A. Record an operating transfer between the funds.

Account	Debit	Credit
Operating Transfers Out		
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		
699-00-1110-00-000-Y-00-0-00	\$100,000	
Operating Transfers In		
699-00-7915-00-000-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 ESEA, 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 (ESEA, 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 the 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 ESEA, 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 ESEA, 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 general fund to the ESEA, 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 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 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.1.5 Interfund Loans—Education Service Center Setting

Assume that an ESC operates a print shop which provides printing services to all the departments/offices in the ESC. The print shop operations are accounted for in an internal service fund.

During the year, charges to departments/offices are based on a rate structure which considered cost per unit sufficient to maintain a break-even reimbursement basis for the ESC. The following departments/offices had charges for the month of December.

Function	Department	Amount
12	Media Services	\$450
13	Curriculum Assistance	625
53	Computer Services	100
34	Bus Driver Training	75
11	Migrant Education (federally funded)	175
		\$1,425

- A. Record the print charges to other funds in the print shop internal service fund assuming charges are not immediately settled in cash.

Account	Debit	Credit
Due from General Fund		
752-00-1261-00-000-Y-00-0-00	\$1,250	
Due from Special Revenue Fund		
752-00-1262-00-000-Y-00-0-00	\$175	
Revenues—Interfund service Provided and Used		
752-00-5754-00-000-Y-00-0-00		\$1425

- B. Record the amount charged for printing services to the general fund and special revenue funds by the print shop internal service fund. As noted above, assume the charges are not immediately settled in cash.

Account	Debit	Credit
Expenditures—General Supplies		
102-12-6399-00-XXX-Y-99-0-00	\$450	
102-13-6399-00-XXX-Y-99-0-00	\$625	
102-53-6399-00-XXX-Y-99-0-00	\$100	
Due to Internal Service Fund		
102-00-2176-00-000-Y-00-0-00		\$1175
Expenditures—General Supplies		
199-34-6399-00-XXX-Y-99-0-00	\$ 75	
Due to Internal Service Fund		
199-00-2176-00-000-Y-00-0-00		\$75

Account	Debit	Credit
Expenditures—General Supplies		
212-11-6399-00-XXX-Y-24-0-00	\$175	
Due to Internal Service Fund		
212-00-2176-00-000-Y-00-0-00		\$175

## C.2 Accounting for Encumbrances

### C.2.1 Services

An original purchase order for supplies is estimated to be \$1,000. When the invoice is received, the supplies cost \$900. The following entries reflect the recording of the encumbrance, the recording of the invoice and liquidation of the encumbrance, and the payment of the invoice.

A. Encumber the purchase order.

Account	Debit	Credit
Encumbrances—General Supplies		
199-11-6399-00-001-Y-11-0-00	\$1,000	
Reserve for Encumbrances		
199-00-4210-00-000-Y-00-0-00		\$1,000

B. When the invoice and goods are received, record the expenditure and liquidate the purchase order.

Account	Debit	Credit
Expenditures—General Supplies		
199-11-6399-00-001-Y-11-0-00	\$900	
Accounts Payable		
199-00-2110-00-000-Y-00-0-00		\$900
Reserve for Encumbrances		
199-00-4210-00-000-Y-00-0-00	\$1,000	
Encumbrances—General Supplies		
199-11-6399-00-001-Y-11-0-00		\$1,000

C. Pay the invoice.

Account	Debit	Credit
Accounts Payable		
199-00-2110-00-000-Y-00-0-00	\$900	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$900

A purchase order is issued for \$1,000 for supplies at high school campus 001 for Basic Services. A partial shipment of goods was received. The encumbered amount for the goods received is \$500. The correct price is \$200. In this situation, where the price differential may be considered significant, an adjustment of the encumbrance should be made based upon the goods to be received later. It is assumed that the goods to be received will also be correctly priced at \$200.

A. Encumber the purchase order.

Account	Debit	Credit
Encumbrances—General Supplies		
199-11-6399-00-001-Y-11-0-00	\$1,000	
Reserve for Encumbrances		
199-00-4210-00-000-Y-00-0-00		\$1,000

B. When the partial shipment and invoice are received, record the expenditure and liquidate the portion of the purchase order related to the partial shipment.

Account	Debit	Credit
Expenditures—General Supplies		
199-11-6399-00-001-Y-11-0-00	\$200	
Accounts Payable		
199-00-2110-00-000-0-00-0-00		\$200
Reserve for Encumbrances		
199-00-4210-00-000-Y-00-0-00	\$500	
Encumbrances—General Supplies		
199-00-6399-00-001-Y-11-0-00		\$500

C. Adjust the remaining balance on the purchase order to the estimated amount outstanding.

Account	Debit	Credit
Reserve for Encumbrances		
199-00-4210-00-000-Y-00-0-00	\$300	
Encumbrances—General Supplies		
199-11-6399-00-001-Y-11-0-00		\$300

D. Pay the invoice for the partial shipment.

Account	Debit	Credit
Accounts Payable		
199-00-2110-00-000-Y-00-0-00	\$200	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$200

### C.2.2 Outstanding Encumbrances at Year-End

This example shows the entries necessary when an outstanding encumbrance remains at year-end. Every effort should be made to liquidate outstanding encumbrances prior to the end of the year.

A. Purchase orders totaling \$1,020 are outstanding at the end of the fiscal year. All purchase orders are valid and are to be re-encumbered in the next fiscal year. Close encumbrances at year-end.

Account	Debit	Credit
Reserve for Encumbrances		
199-00-4210-00-000-Y-00-0-00	\$1,020	
Encumbrances—General Supplies		
199-11-6399-00-001-Y-11-0-00		\$1,020

B. Record the encumbrance and open the reserve for encumbrances at the beginning of the succeeding fiscal year.

Account	Debit	Credit
Encumbrances—General Supplies		
199-11-6399-00-001-Y-11-0-00	\$1,020	
Reserve for Encumbrances		
199-00-4210-00-000-Y-00-0-00		\$1,020



## C.3 Accounting for Property Taxes

### C.3.1 Levies and Collections

Sample tax entries are shown below. These entries show how to record tax levies, collection of taxes, current taxes becoming delinquent, and collection of taxes previously written off as uncollectible.

- A. Record the tax levy. For illustrative purposes, assume that the levy is \$2,000,000 and that \$400,000 of the levy is estimated to be uncollectible.

Account	Debit	Credit
Receivables—Property Taxes, Current		
199-00-1210-00-000-Y-00-0-00	\$2,000,000	
Allowance for Uncollectible Taxes		
199-00-1230-00-000-Y-00-0-00		\$400,000
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00		\$1,600,000

- B. As collections are made, record the receipt of current property taxes. Assume that \$850,000 is received.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$850,000	
Receivables—Property Taxes, Current		
199-00-1210-00-000-Y-00-0-00		\$850,000
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00	\$850,000	
Revenues—Taxes, Current Year Levy		
199-00-5711-00-000-Y-00-0-00		\$850,000

Taxes not paid by January 31, or other time as specified by statute or legal provision, become delinquent and subject to penalties and interest. Further penalties are incurred as of July 1.

From time to time, it is possible that taxes previously included in the allowance for uncollectibles may be collected. If this occurs, an entry is necessary to reinstate revenue as follows.

A. Adjust the allowance for uncollectible taxes and record the tax revenue.

Account	Debit	Credit
Allowance for Uncollectible Taxes		
199-00-1230-00-000-Y-00-0-00	\$12,000	
Revenues—Taxes, Prior Years		
199-00-5712-00-000-Y-00-0-00		\$12,000

B. Record the deposit.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$12,000	
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00		\$12,000

### C.3.2 Accounting for Taxes Receivable

Recording revenues starts with the budget process. The following assumptions are made to illustrate the recording of taxes.

This example shows collection of Maintenance and Operations (M&O) Taxes.

Description	Amount
Taxes levied for current year (10/1)	\$1,500,000
Allowance for uncollectible taxes (based on prior experience)	(50,000)
Estimated prior year taxes to be received during current	80,000
Actual taxes collected for current year at 8/31	1,456,000
Actual taxes collected on prior periods delinquent taxes	80,000
Penalties and interest collected on both current and prior year taxes	5,000

- A. Control accounts may optionally be used in conjunction with the subsidiary ledgers.  
Record the estimated revenues per the official budget.

Account	Debit	Credit
Estimated Revenues—Taxes, Current Year Levy		
199-00-5711-00-000-Y-00-0-00	\$1,450,000	
Estimated Revenues—Taxes, Prior Years		
199-00-5712-00-000-Y-00-0-00	\$80,000	
Unassigned Fund Balance		
199-00-3600-00-000-Y-00-0-00		\$1,530,000

- B. Record the current year tax levy on the date of the levy.

Account	Debit	Credit
Receivables—Property Taxes—Current		
199-00-1210-000-Y-00-0-00	\$1,500,000	
Allowance for Uncollectible Taxes		
199-00-1230-000-Y-00-0-00		\$50,000
Deferred Inflow of Resources (Revenue)		
199-00-2310-000-Y-00-0-00		\$1,450,000

- C. As the current year taxes are received during the year, record the tax receipts and recognize the tax revenue.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$1,300,000	
Receivables—Property Taxes—Current		
199-00-1210-00-000-Y-00-0-00		\$1,300,000
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00	\$1,300,000	
Revenues—Taxes, Current Year Levy		
199-00-5711-00-000-Y-00-0-00		\$1,300,000

- D. As prior year taxes are received during the year, record the tax receipts and recognize the tax revenue, including any penalty and interest.

Account	Debit	Credit
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Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$82,500	
Receivables—Property Taxes—Delinquent		
199-00-1220-00-000-Y-00-0-00		\$80,000
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00	\$80,000	
Revenues—Taxes, Prior Years		
199-00-5712-00-000-Y-00-0-00		\$80,000
Revenues—Penalty, Interest and Other Tax Revenue		
199-00-5719-00-000-Y-00-0-00		\$2,500

E. When the current year taxes become delinquent, reclassify them as delinquent.

Account	Debit	Credit
Receivables—Property Taxes—Delinquent		
199-00-1220-00-000-Y-00-0-00	\$200,000	
Receivables—Property Taxes—Current		
199-00-1210-00-000-Y-00-0-00		\$200,000

F. As the current year taxes are collected after the date, they become delinquent, record the tax receipts and recognize the tax revenue, including any penalty and interest.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$158,500	
Receivables—Property Taxes—Delinquent		
199-00-1221-00-000-Y-00-0-00		\$156,000
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00	\$156,000	
Revenues—Taxes, Current Year		
199-00-5711-00-000-Y-00-0-00		\$156,000
Revenues—Penalty, Interest and Other Tax Revenue		
199-00-5719-00-000-Y-00-0-00		\$2,500

G. If applicable, adjust the allowance for uncollectible taxes.

Account	Debit	Credit
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Allowance for Uncollectible Taxes		
199-00-1230-00-000-Y-00-0-00	\$6,000	
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00		\$6,000

If, during succeeding years, greater or lesser amounts than estimated are collected, an adjusting entry must be made to the estimated uncollectible receivable account. Assuming that in the year following the above example, \$5,000 in delinquent taxes was received and that the previous year’s estimate of uncollectible taxes was overstated \$3,000, the following entries would be recorded.

A. Record the receipt of the delinquent taxes.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$5,000	
Receivables—Property Taxes—Delinquent		
199-00-1220-00-000-Y-00-0-00		\$5,000

B. Record the prior year tax revenues received for the year.

Account	Debit	Credit
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00	\$5,000	
Revenues—Taxes, Prior Years		
199-00-5712-00-000-Y-00-0-00		\$5,000

C. Adjust the estimate of uncollectible taxes for prior years based on actual collections.

Account	Debit	Credit
Allowance for Uncollectible Taxes		
199-00-1230-00-000-Y-00-0-00	\$3,000	
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00		\$3,000

### C.3.3 Consolidated Taxing District

This example shows the recording of Maintenance and Operations (“M&O revenue and the recording of the pro rata of administrative costs of the consolidated taxing district by a school district. Additionally, the school district acts as an agent for the consolidated taxing district and collects M&O taxes on behalf of the consolidated taxing district.

A school district that has contracted with the board of trustees of a consolidated taxing district for the collection of M&O tax revenues must account for those funds in an agency fund (841). As a school district receives M&O taxes on behalf of the consolidated taxing district, the M&O tax revenues are to be deposited in the depository bank account(s) of the contracted collection agent. For collection purposes, however, a component school district may initially deposit the monies into its clearing account, at the depository bank. The contracted collection agent will then distribute the proportionate share of revenues belonging to the component school districts to those school districts. The entries shown below account for receipt of M&O taxes and collection all of the tax revenues for the consolidated taxing district by a school district.

Component School District—Fund 199—Not Collecting Levy of Consolidated Taxing District

Description	Amount
Estimated M&O Revenue	\$15,150,000
Estimated Administrative Cost to Consolidated Taxing District	12,000
Actual M&O Revenues	15,150,000
Actual Administrative Cost to Consolidated Taxing District	11,520

A. Record the budget for the revenue.

Account	Debit	Credit
Estimated Revenues—Taxes, Current Year Levy		
199-00-5711-00-000-Y-00-0-00	\$15,150,000	
Unassigned Fund Balance		
199-00-3600-00-000-Y-00-0-00		\$15,150,000

B. Record the appropriations for the expenditures.

Account	Debit	Credit
Unassigned Fund Balance		
199-00-3600-00-000-Y-00-0-00	\$12,000	
Appropriations—Tax		
Appraisal and Collection		
199-41-6213-00-703-Y-99-0-00		\$12,000

C. Record the amounts due from the consolidated taxing district for the M&O tax revenues.

Account	Debit	Credit
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Due from Consolidated Taxing District		
199-00-1243-00-000-Y-00-0-00	\$15,150,000	
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00		\$15,150,000

D. Record the M&O tax revenues received.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$15,150,000	
Due from Consolidated Taxing District		
199-00-1243-00-000-Y-00-0-00		\$15,150,000
Deferred Inflow of Resources (Revenue)		
199-00-2310-00-000-Y-00-0-00	\$15,150,000	
Revenues—Taxes, Current Year Levy		
199-00-5711-00-000-Y-00-0-00		\$15,150,000

E. Record the pro rata portion of administrative cost for the consolidated taxing district.

Account	Debit	Credit
Expenditures - Tax Appraisal and Collection		
199-41-6213-00-703-Y-99-0-00	\$11,520	
Accounts Payable		
199-00-2110-00-000-Y-00-0-00		\$11,520

F. Record the payment of pro rata portion of administrative cost for the consolidated taxing district.

Account	Debit	Credit
Accounts Payable		
199-00-2110-00-000-Y-00-0-00	\$11,520	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$11,520

**C.3.4 Closing Entries:**

A. Close the estimated and realized revenues to fund balance at year-end.

Account	Debit	Credit
Revenues—Taxes, Current Year Levy		
199-00-5711-00-000-Y-00-0-00	\$15,150,000	
Unassigned Fund Balance		
199-00-3600-00-000-Y-00-0-00		\$15,150,000
Unassigned Fund Balance		
The 199-00-3600-00-000-Y-00-0-00	\$15,150,000	
Estimated Revenues—Taxes, Current Year Levy		
199-00-5711-00-000-Y-00-0-00		\$15,150,000

B. Close the estimated and actual to fund balance at year-end.

Account	Debit	Credit
Appropriations—Tax Appraisal and Collection		
199-41-6213-00-703-Y-99-0-00	\$12,000	
Unassigned Fund Balance		
199-00-3600-00-000-Y-00-0-00		\$12,000
Fund Balance		
199-00-3600-00-000-Y-00-0-00	\$11,520	
Expenditures—Tax Appraisal and Collection		
199-41-6213-00-703-Y-99-0-00		\$11,520



Component School District—Acting as a Contracted Collection Agent for a Consolidated Taxing District to Collect All Maintenance & Operations (M&O) Taxes:

- A. Record the amount due to consolidated taxing district for tier 1 tax collections for school district.

Account	Debit	Credit
Cash and Temporary Investments		
841-00-1110-00-000-Y-00-0-00	\$50,359,398	
Due to Government Unit—Taxes		
841-00-2184-00-000-Y-00-0-00		\$50,359,398

- B. Record the payment of tier 1 taxes to component school district.

Account	Debit	Credit
Due to Government Unit—Taxes		
841-00-2184-00-000-Y-00-0-00	\$50,359,398	
Cash and Temporary Investments		
841-00-1110-00-000-Y-00-0-00		\$50,359,398

- C. Record the memorandum entries in agency fund for administrative costs of consolidated taxing district.

Account	Debit	Credit
Administrative Expenditures		
841-41-6XXX-00-750-Y-99-0-00	\$39,000	
Cash and Temporary Investments		
841-00-1110-00-000-Y-00-0-00		\$39,000
Cash and Temporary Investments		
841-00-1110-00-000-Y-00-0-00	\$50,000	
Local Revenues Resulting from Services		
Rendered to Other School Districts		
841-00-5729-00-801-Y-00-0-00		\$24,000
841-00-5729-00-802-Y-00-0-00		\$20,000
841-00-5729-00-803-Y-00-0-00		\$6,000

**Note:** A component school district records the tier 1 revenues and its pro rata share of the consolidated taxing district administrative costs in its general fund. The component school district, acting as the tax

collector for the consolidated taxing district, records the initial collection of taxes in agency fund 841. (See text at beginning of this illustration for appropriate depository procedures.)

## C.4 Accounting for Inventory

This procedure explains the journal entries necessary to record transactions related to accounting for and reporting of inventories based on each of two accounting methods.

### C.4.1 Consumption Method

Where inventory items are expensed at the time of requisition. This method provides the greatest control over and the most accurate accounting of the inventory (assets) available to the local education agency and when used, provides for the financial position and results of operation to be presented accurately.

Assume the following.

Description	Amount
Inventories at 09/01/XX	\$5,000
Purchases of Inventory During Year	8,000
Usage During Year	7,000
Inventories at 08/31/XX	6,000

A. Record the purchase of inventory.

Account	Debit	Credit
Inventories—Supplies and Materials		
199-00-1310-00-000-Y-00-0-00	\$8,000	
Accounts Payable		
199-00-2110-00-000-Y-00-0-00		\$8,000

B. Record the usage expensed when requisitioned.

Account	Debit	Credit
Expenditures		
199-XX-63XX-00-XXX-Y-XX-0-00	\$7,000	
Inventories—Supplies and Materials		
199-00-1310-00-000-Y-00-0-00		\$7,000

### C.4.2 Purchase Method

Inventory is expensed at the time a liability is created. This method is often used in small operations to avoid administrative costs that are excessive to the benefit to be gained and where expenditures tend to be equalized over a period of years. No reserve is reflected on the balance sheet.

A. Record the inventory expense and liability.

Account	Debit	Credit
Expenditures		
199-XX-63XX-00-XXX-Y-XX-0-00	\$8,000	
Accounts Payable		
199-00-2110-00-000-Y-00-0-00		\$8,000

Assume that a school district receives \$100,000 of federal commodities. The school district records its food service operations in a special revenue fund.

A. Record the receipt of commodities

Account	Debit	Credit
Expenditures—USDA Commodities		
240-35-6344-00-XXX-Y-XX-0-00	\$100,000	
Revenue—USDA Commodities		
240-00-5923-00-0000-Y-00-0-00		\$100,000

B. The inventory of commodities is taken at year-end and the value of such inventories calculated at \$1200.

Account	Debit	Credit
Inventory		
240--00-1310-00-000-Y-00-0-00	\$1,200	
Revenue—USDA Commodities		
240-00-5923-00-0000-Y-00-0-00		\$1,200
Expenditures—USDA Commodities		
240-35-6344-00-XXX-Y-XX-0-00	\$1,200	
Deferred Outflow of Resources (Revenue)		
240-00-2310-00-000-Y-00-0-00		\$1,200

**Note:** The entry above records the value of inventory on hand at year-end, as well as reducing the revenues and expenditures for inventory which have not been used as of year-end.

Assume that a school district has purchased a vehicle at a cost of \$15,500. This vehicle is used in a central motor pool accounted for in an internal service fund. It is estimated that the vehicle will have a useful life of five years and will have a salvage value of \$500. For simplicity of accounting, assume further that the vehicle was delivered at the beginning of the fiscal year. The straight-line method is used to determine depreciation expense.

Entries to record the purchase of vehicle #001 are.

Account	Debit	Credit
Vehicles		
751-00-1543-00-000-Y-00-0-00	\$15,500	
Cash and Temporary Investments		
751-00-1110-00-000-Y-00-0-00		\$15,500

A master record is established for the vehicle, and the following information is recorded.

Description	Data
Vehicle Number:	001
Model/Make:	201X/Ford
Body Style/Capacity:	4 x 4 half-ton truck/6
License/Serial Number:	942-843/1B4GW12W7ES24572
Type of Engine:	302 V8
Delivery Date/Odometer Reading:	9-1-XX/00007
Estimated Life:	5 Years
Cost/Estimated Salvage Value:	\$15,500/\$500
Annual Depreciation:	\$3,000

A. At the end of the first year, the depreciation expense is recorded.

Account	Debit	Credit
Depreciation Expense		
751-41-6449-00-999-Y-99-0-00	\$3,000	
Accumulated Depreciation—Vehicles		
751-00-1574-00-000-Y-00-0-00		\$3,000

B. Record the closing entries on vehicle #001 for the first year.

Account	Debit	Credit
Net Position—Unrestricted		
751-00-3900-00-000-Y-00-0-00	\$3,000	
Depreciation Expense		
751-41-6449-00-999-Y-99-0-00		\$3,000

C. At the end of the first year, the balance sheet, as it relates solely to vehicle #001, reflects the following.

Account	Debit	Credit
Assets:		
Vehicles		
751-00-1543-00-000-Y-00-0-00	\$15,500	
Accumulated Depreciation—Vehicles		
751-00-1574-00-000-Y-00-0-00	(\$3,000)	
Net Position:		
Net Position—Unrestricted		
751-00-3900-00-000-Y-00-0-00		\$12,500
Totals	\$12,500	\$12,500

D. The recording of straight-line depreciation expense for vehicle #001 for any subsequent year is the same as for the first year, and the balance sheet, as it relates solely to vehicle #001, reflects the following at the close of the second year.

Account	Debit	Credit
Assets:		
Vehicles		
751-00-1543-00-000-Y-00-0-00	\$15,500	
Accumulated Depreciation—Vehicles		
751-00-1574-00-000-Y-00-0-00	(\$6,000)	
Net Position:		
Net Position—Unrestricted		\$9,500
751-00-3900-00-000-Y-00-0-00		
Totals	\$9,500	\$9,500

- E. Assuming that the school district keeps vehicle #001 for its entire five-year estimated life, the balance sheet, as it relates solely to vehicle #001, reflects the following at the close of the fifth year and for all other years thereafter:

Account	Debit	Credit
Assets:		
Vehicles		
751-00-1543-00-000-0-00-0-00	\$15,500	
Accumulated Depreciation—Vehicles		
751-00-1574-00-000-0-00-0-00	(\$15,000)	
Net Position:		
Net Position—Unrestricted		
751-00-3900-00-000-0-00-0-00		\$500
Totals	\$500	\$500

Assume that the school district sells vehicle #001 for \$250 after it has been completely depreciated. Note that the \$250 non-operating expense—loss on sale of real and personal property equity is equal to the \$500 salvage value determined at the time that the vehicle was purchased less the \$250 sale price. The following entries are made.

- A. Record the sale of vehicle #001.

Account	Debit	Credit
Cash and Temporary Investments		
751-00-1110-00-000-Y-00-0-00	\$250	
Accumulated Depreciation—Vehicles		
751-00-1574-00-000-Y-00-0-00	\$15,000	
Loss on Sale of Real and Personal Property		
751-41-8951-00-999-Y-99-0-00	\$250	
Vehicles		
751-00-1543-00-000-Y-00-0-00		\$15,500

Assume that the same situation exists above the vehicle #001, except that the school district sells the vehicle for \$2,000 after the close of the third year, but prior to its total depreciation. The following entries are made.

A. Record the sale of vehicle #001.

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
Cash and Temporary Investments		
751-00-1110-00-000-Y-00-0-00	\$2,000	
Accumulated Depreciation—Vehicles		
751-00-1574-00-000-Y-00-0-00	\$9,000	
Loss on Sale of Real and Personal Property		
751-00-8951-00-000-Y-00-0-00	\$4,500	
Vehicles		
751-00-1543-00-000-Y-00-0-00		\$15,500



## C.5 Accounting for Short-term Debt Transactions

### C.5.1 Short-term Debt Transactions

The following represents an example of how to account for short term loans, warrants, and notes. Assume that the general fund is the recipient of the proceeds of a \$100,000 tax anticipation note and the note is to be repaid within the 12-month period.

- A. Issue \$100,000 of tax anticipation notes and record the receipt of the funds (\$95,000) and net of the issuance costs (\$5,000).

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$95,000	
Expenditures—Other Debt Service Fees		
199-71-6599-00-999-Y-99-0-00	\$5,000	
Loans Payable—Current Year		
199-00-2122-00-000-Y-00-0-00		\$100,000

- B. Record the interest costs of \$3,000.

Account	Debit	Credit
Interest on Debt		
199-71-6523-00-999-Y-99-0-00	\$3,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$3,000

- C. Repay the tax anticipation note within the 12-month period.

Account	Debit	Credit
Loans Payable—Current Year		
199-00-2122-00-000-Y-00-0-00	\$100,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$100,000

Short-term debt transactions, relating to repayment of debt principal, are not reflected on the statement of revenues and expenditures, nor are they included in the general long-term debt fund.

These entries are recorded on the balance sheet only. Expenditures for issuance fees and interest costs are reflected on the statement of revenues and expenditures.

## C.6 Accounting for Long-term Debt Transactions

### C.6.1 Long-term Notes, Warrants and Loans

The accounting treatment for long-term notes, warrants and loans is based on the source of funds that will be used for repayment of the long-term debt. Debt repaid from current operations is accounted for differently than debt repaid from the levy of a property tax.

- A. A \$12,000 long-term loan is approved for the general fund by the board of trustees and is repayable over 10 years at 6 percent interest. Debt is to be repaid from current operations and is to be used for building improvements.
- Record the budget amendment in the appropriate fund. Include in the amendment the loan proceeds, building improvements, and the principal and interest on the loan for the first year.

Account	Debit	Credit
Estimated Other Resources—Loan Proceeds		
199-00-7914-00-000-Y-00-0-00	\$12,000	
Unassigned Fund Balance		
199-00-3600-00-000-Y-00-0-00		\$12,000
Unassigned Fund Balance		
199-00-3600-00-000-Y-00-0-00	\$13,560	
Appropriations—Building Purchase, Construction or Improvements		
199-81-6629-00-999-Y-99-0-00		\$12,000
Appropriations—Interest on Debt		
199-71-6523-00-999-Y-99-0-00		\$360
Appropriations—Long-Term Debt Principal		
199-71-6513-00-999-Y-99-0-00		\$1,200

- Record the deposit of loan proceeds in the general fund.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$12,000	
Other Resources—Loan Proceeds		
199-00-7914-00-000-Y-00-0-00		\$12,000

3. Record the liability for the loan in the general long-term debt fund.

Account	Debit	Credit
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00	\$12,000	
Loans Payable—Long-Term		
902-00-2520-00-000-Y-00-0-00		\$12,000

4. Record the invoice for building improvements as completed.

Account	Debit	Credit
Expenditures—Building Purchase, Construction or Improvements		
199-81-6629-00-999-Y-99-0-00	\$12,000	
Accounts Payable		
199-00-2110-00-000-Y-00-0-00		\$12,000

5. Record the payment of the invoice.

Account	Debit	Credit
Accounts Payable		
199-00-2110-00-00-Y-00-0-00	\$12,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$12,000

6. Record the invoice for first semi-annual payment with interest.

Account	Debit	Credit
Expenditures—Interest on Debt		
199-71-6523-00-999-Y-99-0-00	\$360	
Expenditures—Long-Term Debt Principal		
199-71-6513-00-999-Y-99-0-00	\$1,200	
Accounts Payable		
199-00-2110-00-000-Y-00-0-00		\$1,560

7. Record the payment of loan interest and principal.

Account	Debit	Credit
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Accounts Payable		
199-00-2110-00-00-Y-00-0-00	\$1,560	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$1,560

8. Reduce the general long-term debt fund by the amount of the loan principal paid.

Account	Debit	Credit
Loans Payable—Long-Term		
902-00-2520-00-000-Y-00-0-00	\$1,200	
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00		\$1,200

### C.6.2 Debt Obligation Paid from the Levy of Property Tax

B. A debt obligation is to be repaid from the levy of a property tax. Assume the following for this illustration:

- A bond issue has been authorized and sold in the amount of \$500,000.
- After bond proceeds are received, interest has been earned in the amount of \$25,000.
- During the first year, the building renovation costs are \$50,000.
- The first payments for principal and interest are \$80,000 and \$20,000, respectively.
- Dedicated tax revenues are realized in the amount of \$100,000.

1. Record the budget for the bond proceeds and building renovations.

Account	Debit	Credit
Estimated Other Resources—Sale of Bonds		
699-00-7911-00-000-Y-00-0-00	\$500,000	
Committed Fund Balance		
699-00-3600-00-000-Y-00-0-00		\$500,000
Committed Fund Balance		
699-00-3600-00-000-Y-00-0-00	\$50,000	
Appropriations—Building Purchase, Construction, or Improvements		
699-81-6629-00-999-Y-99-0-00		\$50,000

2. Record the budget for the estimated interest earned.

Account	Debit	Credit
Estimated Revenues—Earnings from Temporary		
Deposits and Investments		
699-00-5742-00-000-Y-00-0-00	\$25,000	
Committed Fund Balance		
699-00-3600-00-000-Y-00-0-00		\$25,000

3. Record the issuance of bonds.

Account	Debit	Credit
Cash and Temporary Investments		
699-00-1110-00-000-Y-00-0-00	\$500,000	
Other Resources—Sale of Bonds		
699-00-7911-00-000-Y-00-0-00		\$500,000

4. Record the interest earned.

Account	Debit	Credit
Cash and Temporary Investments		
699-00-1110-00-000-Y-00-0-00	\$25,000	
Revenues—Earnings from Temporary		
Deposits and Investments		
699-00-5742-00-000-Y-00-0-00		\$25,000

5. In the general long-term debt account group, record the long-term bond payable in subsequent years.

Account	Debit	Credit
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00	\$500,000	
Bonds Payable—Long-Term		
902-00-2510-00-000-Y-00-0-00		\$500,000

6. Record the partial expenditure on the construction contract by the school district using bond proceeds.

Account	Debit	Credit
Expenditures—Building Purchase, Construction,		

or Improvements		
699-81-6629-00-999-Y-99-0-00	\$50,000	
Accounts Payable		
699-00-2110-00-000-Y-00-0-00		\$50,000

7. Record the payment of the invoice.

Account	Debit	Credit
Accounts Payable		
699-00-2110-00-000-Y-00-0-00	\$50,000	
Cash and Temporary Investments		
699-00-1110-00-000-Y-00-0-00		\$50,000

8. Record the partial building renovation in the general capital asset accounts.

Account	Debit	Credit
Construction in Progress		
901-00-1530-00-000-Y-00-0-00	\$50,000	
Net Investment in Capital Assets		
901-00-3200-00-000-Y-00-0-00		\$50,000

9. Record the estimated revenues and appropriations in the debt service fund.

Account	Debit	Credit
Estimated Revenues—Taxes, Current Year Levy		
599-00-5711-00-000-Y-00-0-00	\$100,000	
Appropriations—Bond Principal		
599-71-6511-00-999-Y-99-0-00		\$80,000
Appropriations—Interest on Bonds		
599-71-6521-00-999-Y-99-0-00		\$20,000

10. Record tax collections for the year.

Account	Debit	Credit
Cash and Temporary Investments		
599-00-1110-00-000-Y-00-0-00	\$100,000	
Receivables—Property Taxes—Current		
599-00-1210-00-000-Y-00-0-00		\$100,000
Inflow of Resources (Revenue)		

599-00-2310-00-000-Y-00-000	\$100,000	
Revenues—Taxes, Current Year Levy		
599-00-5711-00-000-Y-00-0-00		\$100,000

11. Record bond principal and interest expenditures for the current year.

Account	Debit	Credit
Expenditures—Bond Principal		
599-71-6511-00-999-Y-99-0-00	\$80,000	
Expenditures—Interest on Bonds		
599-71-6521-00-999-Y-99-0-00	\$20,000	
Cash and Temporary Investments		
599-00-1110-00-000-Y-00-0-00		\$100,000

12. Reduce reserves in the general long-term debt account group by the amount paid.

Account	Debit	Credit
Bonds Payable—Long-Term		
902-00-2510-00-000-Y-00-0-00	\$80,000	
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00		\$80,000

### C.6.3 Accounting for a Capital Lease

The following illustration reflects an example of accounting for a capital lease.

The Local Independent School District enters into an agreement to lease equipment. This agreement has a provision where title to the equipment will pass from the lessor to the school district at the end of 11 years.

- Payments of \$10,000 are due on September 1 of each year, beginning with September 1, 201X.
- The fair value of the equipment on September 1, 201X, is \$60,000, with an estimated life of 20 years with no salvage value.
- An implicit interest rate of 15 percent is used by the lessor in computing the lease payments (rounded from \$60,188 to \$60,000 for simplicity purposes in determining the value over the 11-year lease-purchase period).

#### Lease Amortization Schedule



Date	Annual Lease Payment	Interest on Unpaid Obligation	Reduction of Lease Obligation	Balance of Lease Obligation
				\$60,000
9/1/15	\$10,000		\$10,000	50,000
9/1/16	10,000	\$7,500	2,500	47,500
9/1/17	10,000	7,125	2,875	44,625

A. The method of accounting for the above lease amortization schedule for a governmental fund type is shown below.

1. Record the equipment in the general capital asset accounts.

Account	Debit	Credit
Other Equipment		
901-00-1569-00-000-Y-00-0-00	\$60,000	
Net Investment in Capital Assets		
901-00-3200-00-000-Y-00-0-00		\$60,000

2. Record the capital lease in the general long-term debt fund.

Account	Debit	Credit
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00	\$60,000	
Capital Leases Payable—Long-Term		
902-00-2531-00-000-Y-00-0-00		\$60,000

3. Record the expenditure and capital lease proceeds in the general fund.

Account	Debit	Credit
Capital Lease of Buildings, Furniture and Equipment		
199-81-6659-00-999-Y-11-0-00	\$60,000	

Proceeds from Capital Leases		
199-00-7913-00-000-Y-00-0-00		\$60,000

4. Record the first year’s payment on the lease/purchase.

Account	Debit	Credit
Expenditures—Capital Lease Principal		
199-71-6512-00-999-Y-99-0-00	\$10,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$10,000

5. Adjust the capital lease payable in the general long-term debt fund by the principal amount paid.

Account	Debit	Credit
Capital Leases Payable—Long-Term		
902-00-2531-00-000-Y-00-0-00	\$10,000	
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00		\$10,000

6. In the subsequent fiscal year, record the second year’s payment in the general fund.

Account	Debit	Credit
Expenditures—Capital Lease Interest		
199-71-6522-00-999-Y-99-0-00	\$7,500	
Expenditures—Capital Lease Principal		
199-71-6512-00-999-Y-99-0-00	\$2,500	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$10,000

7. Adjust the general long-term debt fund for the amount paid in the second year.

Account	Debit	Credit
Capital Leases Payable—Long-Term		
902-00-2531-00-000-Y-99-0-00	\$2,500	
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00		\$2,500

8. In the subsequent fiscal year, record the third year's payment in the general fund.

Account	Debit	Credit
Expenditures—Capital Lease Interest		
199-71-6522-00-999-Y-99-0-00	\$7,125	
Expenditures—Capital Lease Principal		
199-71-6512-00-999-Y-99-0-00	\$2,875	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$10,000

9. Adjust the general long-term debt fund for the amount paid in the third year.

Account	Debit	Credit
Capital Leases Payable—Long-Term		
902-00-2531-00-000-Y-00-0-00	\$2,875	
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00		\$2,875

B. The method of accounting for the above lease amortization schedule for a proprietary fund type (a print shop internal service fund) is shown below.

1. Record the acquisition and the capital lease payable in the appropriate proprietary fund.

Account	Debit	Credit
Other Equipment		
752-00-1569-00-000-Y-00-0-00	\$60,000	
Capital Leases Payable—Long-Term		
752-00-2531-000-Y-00-0-00	\$60,000	

2. Record the first year’s payment.

Account	Debit	Credit
Capital Leases Payable—Long-Term		
752-00-2531-00-000-Y-00-0-00	\$10,000	
Cash and Temporary Investments		
752-00-1110-00-000-Y-00-0-00		\$10,000

3. Record the first year’s expenditures, including depreciation.

Account	Debit	Credit
Expenses—Capital Lease Interest		

752-71-6522-00-999-Y-99-0-00	\$7,500	
Expenses—Depreciation		
752-81-6449-00-999-Y-99-0-00	\$3,000	
Accrued Interest Payable		
752-00-2430-00-000-Y-00-0-00		\$7,500
Accumulated Depreciation—Other Equipment		
752-00-1579-00-000-Y-00-0-00		\$3,000

4. Record the second year’s payment.

Account	Debit	Credit
Accrued Interest Payable		
752-00-2430-00-000-Y-00-0-00	\$7,500	
Capital Leases Payable—Long-Term		
752-00-2531-00-000-Y-00-0-00	\$2,500	
Cash and Temporary Investments		
752-00-1110-00-000-Y-00-0-00		\$10,000

### C.6.4 Advance Refunding of Bonds

The following illustration reflects an example of accounting for advance refunding bonds.

For example, on April 16, 201X, a school district issued \$67,665,000 in general obligation bonds to advance refund \$68,300,000 outstanding bonds, which will require payment of \$68,665,000 to the escrow agent. The net proceeds of \$65,665,000 (after payment of \$2,000,000 in underwriting fees, insurance, and other issuance costs) plus an additional \$3,000,000 of monies from the debt service fund were used to purchase governmental securities for the escrow fund held by the trustee bank under the new formal agreement established by the underwriters and bond counsel for the district. These securities will provide funds for the retirement of the old bond issues as they become due. As a result, the old refunded bonds in the amount of \$68,300,000 are considered to be defeased.

The following entries are required for the above example based on guidelines in [GASB Statement No. 7](#).

A. Record the removal of the defeased bond on issuance of the advanced refunding bonds.

Account	Debit	Credit
Bond Payable—Long-Term (old)		
902-00-2510-00-000-Y-00-0-00	\$68,300,000	
Bonds Payable—Long-Term (new)		

902-00-2510-00-000-Y-00-00		\$67,665,000
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00		\$635,000

B. Record the sale of the refunding bonds.

Account	Debit	Credit
Cash and Temporary Investments		
599-00-1110-00-000-Y-00-0-00	\$65,665,000	
Expenditures—Other Debt Service Fees		
599-71-6599-00-999-Y-99-0-00	\$2,000,000	
Other Resources—Sale of Bonds		
599-00-7911-00-000-Y-00-0-00		\$67,665,000

C. Record the transfer to the escrow agent.

Account	Debit	Credit
Expenditures—Other Debt Service Fees		
599-71-6599-00-999-Y-99-0-00	\$3,000,000	
Other Uses—Payment to Escrow Agent		
599-71-8949-00-999-Y-0099-00-00	\$65,665,000	
Cash and Temporary Investments		
599-00-1110-00-000-Y-00-0-00		\$68,665,000

The following illustration reflects an example of accounting for refunding bonds. As an example, assume that refunding bonds are sold for \$42,500,000 to retire old bonds in the amount of \$40,000,000, with accrued interest of \$500,000 and a prepayment penalty of \$1,000,000 with an issuance cost of \$1,000,000. The following entries would be required.

A. Record the removal of old bonds on issuance of the refunding bonds.

Account	Debit	Credit
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00	\$2,500,000	
Bond Payable—Long-Term (old)		
902-00-2510-00-000-Y-00-0-00	\$40,000,000	
Bond Payable—Long-Term (new)		
902-00-2510-00-000-Y-00-0-00		\$42,500,000

B. Record the sale of the refunding bonds.

Account	Debit	Credit
Cash and Temporary Investments		
599-00-1110-00-000-Y-00-0-00	\$41,500,000	
Expenditures—Other Debt Service Fees		
599-71-6599-00-999-Y-99-0-00	\$1,000,000	
Other Resources—Sale of Bonds		
599-00-7911-00-000-Y-00-0-00		\$42,500,000

C. Record the retirement of the old bonds.

Account	Debit	Credit
Other Uses —Payment to Escrow Agent		
599-00-8949-00-999-Y-0099-0-00	\$40,000,000	
Expenditures—Interest on Bonds		
599-71-6521-00-999-Y-99-0-00	\$500,000	
Expenditures—Other Debt Service Fees		
599-71-6599-00-999-Y-99-0-00	\$1,000,000	
Cash and Temporary Investments		
599-00-1110-00-000-Y-00-0-00		\$41,500,000

For additional guidance on the defeasance of debt and debt refunding, see [GASB Statement No. 7](#), [GASB Statement No. 23](#), and [GASB Statement No. 65](#) for proper accounting and reporting treatment.

### C.6.5 Capital Acquisition Program (CAP)

In the examples illustrated below, assume that a school district has entered into a personal property finance contract, also known as Capital Acquisition Program (CAP). Proceeds are to be used for the purchase of specified types of maintenance equipment, and, according to the resolution of the board of trustees at the time the personal property finance contract was approved, payment of principal and interest from the debt service fund is to be made from dedicated maintenance tax revenues and other current revenue over an eight-year period, as predetermined by a variable payment schedule made part of the contract.

Assume further that the total loan principal is \$4,590,000; fees payable on the contract are \$96,608; interest revenues from the contractor are \$22,814; and \$50,000 is expended for maintenance department vehicles during the first year of the contract. The first payments for principal and interest are made during the second year of the contract, and amount to \$665,000 and \$551,504, respectively.

Also, dedicated maintenance tax revenues, which are earmarked for use to pay indebtedness of the debt service fund, are realized in the amount of \$1,193,690 during the second year of the contract.

If the repayment of indebtedness is to be made from the general fund, then the following entries for the debt service fund would be reflected as corresponding entries of the general fund. The accounting entries are disclosed as follows.

- A. Record the budget for CAP loan proceeds and appropriations for fees and vehicles expenditures of the general fund for the current year.

Account	Debit	Credit
Estimated Other Resources—Loan Proceeds		
199-00-7914-00-000-Y-00-0-00	\$4,590,000	
Appropriations—Other Debt Service Fees		
199-71-6539-00-999-Y-99-0-00		\$96,608
Appropriations—Vehicles		
199-81-6631-00-999-Y-99-0-00		\$50,000
Committed Fund Balance—Committed to Capital		
Acquisition Program		
199-00-3470-00-000-Y-00-0-00		\$4,443,392

- B. Record the budget for debt service fund for the current year.

Account	Debit	Credit
Estimated Revenues—Earnings from Temporary		
Deposits and Investments		
599-00-5742-00-000-Y-00-0-00	\$22,814	
Committed Fund Balance—Committed to Capital		
Acquisition Program Retirement of Long-Term Debt		
599-00-3420-00-000-Y-00-0-00		\$22,814

- C. Record the issuance of loan, the deposit of proceeds with the fiscal agent, and the payment of fees to the fiscal agent.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$4,493,392	
Expenditures—Other Debt Service Fees		

199-71-6599-00-999-Y-99-0-00	\$96,608	
Other Resources—Loan Proceeds		
199-00-7914-00-000-Y-00-0-00		\$4,590,000

D. Record the receipt of accrued interest on loan proceeds held by the fiscal agent.

Account	Debit	Credit
Cash and Temporary Investments		
599-00-1110-00-000-Y-00-0-00	\$22,814	
Earnings from Temporary Deposits and Investments		
599-00-5742-00-000-Y-00-0-00		\$22,814

E. Record the long-term loan payable in subsequent years.

Account	Debit	Credit
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00	\$4,590,000	
Loans Payable—Long-Term		
902-00-2520-00-000-Y-00-0-00		\$4,590,000

F. Record the purchase of equipment by the school district using loan proceeds held by the fiscal agent.

Account	Debit	Credit
Expenditures—Vehicles		
199-81-6631-00-999-Y-99-0-00	\$50,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$50,000

G. Record the cost of vehicles in general capital asset accounts.

Account	Debit	Credit
Vehicles		
901-00-1543-00-000-Y-00-0-00	\$50,000	
Net Investment in Capital Assets		
901-00-3200-00-000-Y-00-0-00		\$50,000



H. Record the closing entries for the current year temporary accounts.

Account	Debit	Credit
Committed Fund Balance—Committed to		
Capital Acquisition Program		
199-00-3470-00-000-Y-00-0-00	\$4,443,392	
Appropriations—Fees		
199-71-6599-00-999-Y-99-0-00	\$96,608	
Appropriations—Vehicles		
199-81-6631-00-999-Y-99-0-00	\$50,000	
Estimated Other Resources—Loan Proceeds		
199-00-7914-00-000-Y-00-0-00		\$4,590,000
Other Resources—Loan Proceeds		
199-00-7914-00-000-Y-00-0-00	\$4,590,000	
Expenditures—Other Debt Service Fees		
199-71-6599-00-999-Y-99-0-00		\$96,608
Expenditures—Vehicles		
199-81-6631-00-999-Y-99-0-00		\$50,000
Committed Fund Balance—Committed to		
Capital Acquisition Program		
199-00-3470-00-000-Y-00-0-00		\$4,443,392

I. Record the closing entries for current year for temporary accounts in debt service fund.

Account	Debit	Credit
Committed Fund Balance—Committed to Capital		
Acquisition Program Retirement of Long-Term Debt		
599-00-3470-00-000-Y-00-0-00	\$22,814	
Estimated Revenues—Earnings from Temporary		
Deposits and Investments		
599-00-5742-00-000-Y-00-0-00		\$22,814

Account	Debit	Credit
Earnings from Temporary Deposits and Investments		
599-00-5742-00-000-Y-00-0-00	\$22,814	

Committed Fund Balance—Committed to Capital Reserve		
for Acquisition Program		
Retirement of Long-Term Debt		
599-00-3470-00-000-Y-00-0-00		\$22,814

J. Record the closing entries for the current year temporary accounts.

Account	Debit	Credit
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00	\$22,814	
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00		\$22,814

Accounting entries in subsequent years for the purchase of personal property with loan proceeds held by the fiscal agent are made in the same manner as those illustrated above for the purchase of vehicles. The types of personal property purchased must be in accordance with terms of the personal property finance contract. Accounting entries for retirement of the loan, beginning with installments payable during the second year of the contract, are illustrated as follows.

A. Record the estimated revenues and expenditures for the budget for the subsequent year for the debt general service fund.

Account	Debit	Credit
Committed Fund Balance—Committed to Capital		
Acquisition Program Retirement		
of Long-Term Debt		
599-00-3420-00-000-Y-00-0-00	\$22,814	
Estimated Revenues—Taxes, Current Year Levy		
599-00-5711-00-000-Y-00-0-00	\$1,193,690	
Appropriations—Long-Term Debt Principal		
599-71-6513-00-999-Y-99-0-00		\$665,000
Appropriations—Interest on Debt		
599-71-6523-00-999-Y-99-0-00		\$551,504

B. Record the portion of the maintenance tax levy that is dedicated to the payment of long-term debt.

Account	Debit	Credit
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Receivables—Property Taxes—Current		
599-00-1210-00-000-Y-00-0-00	\$1,193,690	
Deferred Inflow of Resources (Revenue)		
599-00-2310-00-000-Y-00-0-00		\$1,193,690

- C. Record the receipt of the portion of the maintenance tax receipts dedicated to the payment of long-term loans.

Account	Debit	Credit
Cash and Temporary Investments		
599-00-1110-00-000-Y-00-0-00	\$1,193,690	
Inflow of Resources (Revenue)		
599-00-2310-00-000-Y-00-0-00	\$1,193,690	
Receivables—Property Taxes—Current		
599-00-1210-00-000-Y-00-0-00		\$1,193,690
Revenues—Taxes, Current Year Levy		
599-00-5711-00-000-Y-00-0-00		\$1,193,690

- D. Record the loan principal and interest expenditures for the current year.

Account	Debit	Credit
Expenditures—Long-Term Debt Principal		
599-71-6513-00-999-Y-99-0-00	\$665,000	
Expenditures—Interest on Debt		
599-71-6523-00-999-Y-99-0-00	\$551,504	
Cash and Temporary Investments		
5199-00-1110-00-000-Y-00-0-00		\$1,216,504

- E. Record the closing entries for the reduction of long-term debt.

Account	Debit	Credit
Loans Payable—Long-Term		
902-00-2520-00-000-Y-00-0-00	\$665,000	
Net Investment in Capital Assets		
902-00-200-00-000-Y-00-0-00		\$665,000

## C.7 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 the invoices and goods are received or the service is performed, record the invoice and the liability. For this illustration, general supplies of \$1,000 were purchased for the athletic teams in the high school (75 percent of total) and the middle school (25 percent 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.8 Accounting for Federal Grants

### C.8.1 Federally Financed Grant Funded Through TEA, Example 1

The school district is approved to operate a federally financed grant funded through TEA. For purposes of this illustration, the approved indirect cost rate is 2 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, 201X and ending June 30, 201X. The indirect cost is budgeted in the general fund and the remainder of the grant is budgeted in the special revenue fund (ESEA, 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 (ESEA, Title I, Part A)		
211-00-5929-00-000-Y-00-0-00	\$102,000	
Estimated Revenues—Federal Revenues		
Distributed by TEA (ESEA, 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 receipt of 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 the district funds that are to be reimbursed to the school district were used during the period for the project. The indirect cost was earned on the basis of the expenditures and is credited as revenue to the general fund. The 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 (ESEA, 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 (ESEA, 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 (ESEA, Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		\$520

5. Record the payment of project liabilities.

Account	Debit	Credit
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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 school district for \$1,520 in earned revenue and advancing \$26,400 for project use during the second quarter.

6. Record the receipt of 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. The 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 (ESEA, 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 (ESEA, 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 receipt of 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 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.



<b>Account</b>	<b>Debit</b>	<b>Credit</b>
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 (ESEA, 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 (ESEA, Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		\$360

11. Record the retirement of project liabilities.

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
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 the 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.

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
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 (ESEA, 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 (ESEA, Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		\$400

13. Record the retirement of 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 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 (ESEA, Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		\$2,000
Revenues—Federal Revenues Distributed by TEA (ESEA, 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 (ESEA, 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.8.2 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 school district 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 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 (ESEA, 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 (ESEA, 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, 201X, all remaining project liabilities are paid, and the project is closed.

2. Record the payment of 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 (ESEA, Title I, Part A)		
199-00-5929-00-000-Y-00-0-00		\$2,000
Revenues—Federal Revenues Distributed by TEA (ESEA, 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 (ESEA, 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.8.3 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 school district is either billed at the discounted rate or reimbursed by the vendor or Federal Communications Commission (FCC) after paying the full rate. There are inconsistencies nationally among school districts 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 school district has recorded the expenditure at the discounted rate,

using a locally defined contra account. If the district 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.9 Accounting for Capital Leases Repaid with Federal Funds

### C.9.1 Lease-Purchase (Capital Lease)

A school district enters into a lease-purchase (capital lease) agreement for an elementary school computer lab to be used in its ESEA, Title I, Part A—Improving Basic Programs program. The computer lab purchase totals \$100,000. The school district signs a five-year lease-purchase agreement. The agreement requires a down payment of \$20,000. Payments of \$20,000 are to be made annually in years two through five at an annual interest rate of 5 percent.

#### C.9.1.1 Year 1 of the Lease-Purchase

- A. Record the expenditure for the computer lab, the receipt of the lease-purchase proceeds, and the down payment. (Note: The expenditure and receipt should not be included on the Title I quarterly expenditure report. Therefore, these amounts will represent reconciling items on a school district’s Schedule of Federal Financial Assistance in its annual audit report.)

Account	Debit	Credit
Expenditures—Capital Lease of Furniture and Equipment		
211-11-6659-00-101-Y-24-0-00	\$100,000	
Other Resources—Proceeds from Capital Leases		
211-00-7914-00-000-Y-00-0-00		\$80,000
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		\$20,000

- B. Record the computer lab acquisition in the general capital asset accounts.

Account	Debit	Credit
Assets Purchased Under Capital Leases—		
Furniture and Equipment		
901-00-1559-00-000-Y-00-0-00	\$100,000	
Net Investment in Capital Assets		
901-00-3200-00-000-Y-00-0-00		\$100,000

- C. Record the liability for the balance of the lease-purchase in the general long-term debt fund.

Account	Debit	Credit
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Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00	\$80,000	
Leases Payable—Long-Term		
902-00-2531-00-000-Y-00-0-00		\$80,000

**C.9.1.2 Year 2 of the Lease-Purchase**

A. Record the payment of the lease-purchase principal and interest.

Account	Debit	Credit
Capital Lease Principal		
211-71-6512-00-999-Y-99-0-00	\$20,000	
Capital Lease Interest		
211-71-6522-00-999-Y-99-0-00	\$4,000	
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		\$24,000

B. Record the payment of the lease-purchase principal in the general long-term debt fund.

Account	Debit	Credit
Capital Leases Payable—Long-Term		
902-00-2531-00-000-Y-00-0-00	\$20,000	
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00		\$20,000

**C.9.1.3 Year 3 of the Lease-Purchase**

A. Record the payment of the lease-purchase principal and interest.

Account	Debit	Credit
Capital Lease Principal		
211-71-6512-00-999-Y-99-0-00	\$20,000	
Capital Lease Interest		
211-71-6522-00-999-Y-99-0-00	\$3,000	
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		\$23,000



B. Record the payment of the lease-purchase principal in the general long-term debt fund.

Account	Debit	Credit
Capital Leases Payable—Long-Term		
902-00-2531-00-000-Y-00-0-00	\$20,000	
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00		\$20,000

**C.9.1.4 Years 4 and 5 of the Lease-Purchase**

Record entries in the same manner as for years 2 and 3.

## C.10 Accounting for Gifts and Bequests

As a governmental entity, your school district 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 school district.

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 districts 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 districts to make application in order to receive the monies.

### C.10.1.1 Gift from a Private Benefactor

In the following example, the school district has accepted a cash gift of \$1,000 from a private benefactor to be used at the discretion of the school board for general operations. Accounting entries are shown below.

Record the receipt of 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.10.1.2 Unconditional Gift of Land

In the following example, the donor has given the school district an unconditional gift of land instead of cash. An independent appraiser has valued the land at \$50,000 on the current market. No entry is required in the general fund. The entries in the general capital assets are shown below.

Record the donated land as a general capital asset.

Account	Debit	Credit
Land and Improvements		
901-00-1510-00-000-Y-00-0-00	\$50,000	
Net Investment in Capital Assets		
901-00-3200-00-000-Y-00-0-00		\$50,000

### C.10.1.3 Private Donor Gift to Student Council

In the following example, a private donor has contributed \$100 in cash to the student council for its general use. The transaction will be accounted for in a student activity account fund (agency fund). Agency funds have no fund equity, and assets are equal to liabilities. The entries in the agency fund are as follows.

Record the donation to the student council.

Account	Debit	Credit
Cash and Temporary Investments		
845-00-1110-00-000-Y-00-0-00	\$100	
Due to Student Groups		
845-00-2190-00-000-Y-00-0-00		\$100

### C.10.1.4 Conditional Gift from a Benefactor

In the following example, a benefactor has contributed \$100,000 with the restriction that the donation and any resulting revenues from its investment be used to furnish the school library with computerized encyclopedias. Entries to record the donation and to establish an expendable trust fund are as follows.

Account	Debit	Credit
Restricted for School Library for Computerized Encyclopedias		
819-00-1810-00-000-Y-00-0-00	\$100,000	
Expenditures—Library Books and Media		
819-12-6669-00-001-Y-99-0-00	\$100,000	
Accounts Payable		
819-00-2110-00-000-Y-00-0-00		\$100,000
Gifts and Bequests		
819-00-5744-00-000-Y-00-0-00		\$100,000

Capital assets purchased by expendable trust funds are recorded in the general capital asset accounts.

***C.10.1.5 Donation to Establish a Scholarship Fund***

The following example illustrates entries to establish a nonexpendable trust fund. A benefactor has donated \$500,000 in securities for the purpose of providing student scholarships from interest earnings. The principal is to be held intact. Accounting entries are as follows.

A. Record the donation and establish the trust fund.

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
Restricted Assets —Cash and Temporary Investments		
839-00-1810-00-000-Y-00-0-00	\$500,000	
Gifts and Bequests		
839-00-5744-00-000-Y-00-0-00		\$500,000

B. Record interest earnings on the nonexpendable scholarship fund.

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
Restricted Assets—Cash and Temporary Investments		
839-00-1810-00-000-Y-00-0-00	\$40,000	
Payable from Restricted Net Position for Scholarships		
839-00-2440-00-000-Y-00-0-00		\$40,000

## C.11 Accounting for Impairment of Assets

The examples in this section provide guidance on accounting and financial reporting for impairment of capital assets and for insurance recoveries.

### C.11.1 Restoration Cost Approach under Replacement Cost Option

A high school building is evacuated after mold contamination. The cost to rehabilitate the building is significant. In this example, the impairment loss and the associated insurance recovery were realized in the same fiscal year. If an insurance recovery is received in a subsequent year, then it will not be netted against impairment loss and the recovery will be reported as a program revenue, nonoperating revenue or extraordinary item, as appropriate.

Description	Amount
Historical Cost of Building	\$24,350,000
Accumulated Depreciation	\$9,200,000
Carrying Value	\$15,150,000
Restoration Costs (capitalizable)	\$24,000,000
Remediation Costs (noncapitalizable)	\$16,000,000
Total Restoration and Remediation Costs	\$40,000,000
Current Replacement Cost	\$62,000,000
Ratio Restoration Costs to Current Replacement Cost	
$\$24,000,000 / \$62,000,000$	38.7%
Insurance Recovery During Accounting Period	\$3,000,000
Description	Amount
Gross Loss = 38.7% X \$15,150,000	\$5,864,520
Net Impairment Loss = Gross Loss Less Insurance	\$2,864,520
Total Effect on Statement of Activities = Remediation	\$18,864,52

Adjusting Carrying Value	
Carrying Value \$15,150,000 Less Impairment Loss	\$36,285,48

A. Record the impairment loss and insurance recovery in the statement of activities ([GASB Statement No. 34](#) conversion entry)

Account	Debit	Credit
Loss on Impairment		
199-00-8913-00-000-Y-000	\$5,864,520	
Capital Asset		
199-00-15XX-00-000-Y-00-0-00		\$5,864,520
Cash		
199-00-1110-00-000-Y-00-0-00	\$3,000,000	
Loss on Impairment		
199-00-8913-00-000-Y-000		\$5,864,520
Net Loss on Recovery		
199-00-8913-00-000-Y-000	\$2,864,520	

B. Record the restoration, remediation, and insurance recovery in governmental funds.

Account	Debit	Credit
Restoration Costs		
199-81-6XXX-00-999-Y-99-0-00	\$24,000,000	
Cash		
199-00-1110-00-000-Y-00-0-00		\$24,000,000
Remediation Costs		
199-51-6XXX-00-999-Y-99-0-00	\$16,000,000	
Cash		
199-00-1110-00-000-Y-00-0-00		\$16,000,000
Cash		
199-00-1110-00-000-Y-00-0-00	\$3,000,000	
Insurance Recovery		
199-00-7919-00-000-Y-000		\$3,000,000

**C.11.2 Deflation of Restoration Costs Option Example**

This example illustrates the restoration cost approach under deflation of restoration costs option. In this example, the impairment loss and the associated insurance recovery were realized in the same fiscal year. If an insurance recovery is received in a subsequent year, then it will not be netted against impairment loss and the recovery will be reported as a program revenue, nonoperating revenue, or extraordinary item, as appropriate.

Description	Amount
Restoration Costs	\$24,000,000
Deflator Factor	.81309
Deflated Costs	\$19,514,160
Ratio Acquisition Year Dollars = Deflated Restoration Costs/Historical Costs =	80.14%
Apply Ratio to Carry Value to Calculate Gross loss = 80.14% X \$15,150,000	\$12,141,253
Net Impairment (Gain) Loss = \$12,141,253 - \$3,000,000	\$9,141,253
Total Effect on Statement of Activities for Current Period = Noncapitalizable Costs Plus Impairment	\$25,141,253
Adjusted Carrying Value = Carrying Value \$15,150,000 Less Gross Impairment Loss \$12,141,253 Plus restoration costs \$24,000,000	\$27,008,747

- A. Record the impairment loss and insurance recovery in the statement of activities ([GASB Statement No. 34](#) conversion entry).

Account	Debit	Credit
Loss on Impairment		
199-00-8913-00-000-Y-000	\$12,141,253	
Capital Asset		
901-00-15XX-00-000-Y-00-0-00		\$12,141,253
Cash		
199-00-1110-00-000-Y-00-0-00	\$3,000,000	

Loss on Impairment		
199-00-8913-00-000-Y-000		\$12,141,253
Net Loss on Recovery		
199-00-8913-00-000-Y-000	\$9,141,253	

B. Record restoration, remediation, and insurance recovery in governmental funds.

Account	Debit	Credit
Restoration Costs		
199-81-6XXX-00-999-Y-99-0-00	\$24,000,000	
Cash		
199-00-1110-00-000-Y-00-0-00		\$24,000,000
Remediation Costs		
199-51-6XXX-00-999-Y-99-0-00	\$16,000,000	
Cash		
199-00-1110-00-000-Y-00-0-00		\$16,000,000
Cash		
199-00-1110-00-000-Y-00-0-00	\$3,000,000	
Insurance Recovery		
199-00-7919-00-000-Y-000		\$3,000,000



## C.12 Accounting for Catastrophic Gains and Losses

This example illustrates the 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 receipt of insurance proceeds.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$20,000	
Revenues—Insurance Recovery		
199-00-5745-00-000-Y-00-0-00		\$20,000

B. Record the payment for the contract repair of classroom.

Account	Debit	Credit
Expenditures—Building Purchase, Construction, and Improvement		
199-81-6629-00-999-Y-99-0-00	\$17,000	
Account	Debit	Credit
Expenditures—Furniture and Equipment		
199-81-6639-00-999-Y-99-0-00	\$2,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$19,000

**Notes:**

- (1) The general capital asset fund should also be adjusted to remove costs associated with the destroyed classroom and equipment and to add the costs of repairs. Alternatively, the general

capital asset fund D could be adjusted for the amount of the net addition (that is, betterment) to the assets.

- (2) If repairs occur in two fiscal years, the associated repair expenditures, insurance proceeds, and additions to capital assets should be recorded in the appropriate fiscal year. Deferred expenditure and revenue accounts should not be utilized.

## C.13 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.13.1 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	-	-
<b>TOTAL</b>	<b>187</b>		<b>29,430</b>	<b>29,430</b>	<b>NIL</b>

#### C.13.1.1 Example 1

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 following:

- 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 district might incur, such as matching FICA and matching TRS expenditures, or district-paid health insurance costs. The school district 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 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
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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 of the salary has been earned by June, pay the teacher the net pay and record 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

**C.13.1.1 Example 2**

In this example, a 10-month teacher is paid 50 percent from local or state funds and 50 percent from federal funds. The school district uses a payroll clearing account to which salary is transferred at the time earned. September’s salary (Month 2) is illustrated below.

A. Record the salary earned from the general fund (SCE).

Account	Debit	Credit
Expenditures - Salaries or Wages - Teachers and Other Professional Personnel		
199-11-6119-00-101-Y-24-0-00	\$1,495	
Accrued Wages Payable		
199-00-2160-00-000-Y-00-0-00		\$1,495

B. Record the salary earned from the special revenue fund (ESEA, Title I, Part A—Improving Basic Programs).

Account	Debit	Credit
Expenditures - Salaries or Wages - Teachers and Other Professional Personnel		
211-11-6119-00-101-Y-24-0-00	\$1,495	
Accrued Wages Payable		
211-00-2160-00-000-Y-00-0-00		\$1,495

C. Record the amount due to the payroll clearing account from the general fund (50 percent of teacher’s gross pay).

Account	Debit	Credit
Accrued Wages Payable		
199-00-2160-00-000-Y-00-0-00	\$1,226	

Due to Payroll Fund		
199-00-2177-00-000-Y-00-0-00		\$1,226

D. Record the amount due to the payroll clearing account from the special revenue fund (50 percent of teacher’s gross pay).

Account	Debit	Credit
Accrued Wages Payable		
211-00-2160-00-000-Y-00-0-00	\$1,226	
Due to Payroll Fund		
211-00-2177-00-000-Y-00-0-00		\$1,226

E. Record the payment of the teacher’s gross salary from the general fund to the payroll clearing account.

Account	Debit	Credit
Due to Payroll Fund		
199-00-2177-00-000-Y-00-0-00	\$1,226	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$1,226

F. Record the payment of the teacher’s gross salary from the special revenue fund to the payroll clearing account.

Account	Debit	Credit
Due to Payroll Fund		
211-00-2177-00-000-Y-00-0-00	\$1,226	
Cash and Temporary Investments		
211-00-1110-00-000-Y-00-0-00		\$1,226

G. Record the amounts due from the general and special revenue funds in the payroll clearing account.

Account	Debit	Credit
Due from General Fund		
843-00-1281-00-000-Y-00-0-00	\$1,226	
Due from Special Revenue Fund		
843-00-1282-00-000-Y-00-0-00	\$1,226	
Accrued Wages Payable		

843-00-2160-00-000-Y-00-0-00		\$1,895
Withholding Taxes Payable		
843-00-2151-00-000-Y-00-0-00		\$400
Teacher Retirement Payable		
843-00-2155-00-000-Y-00-0-00		\$157

H. Record the deposit from the general and special revenue funds in the payroll clearing account.

Account	Debit	Credit
Cash and Temporary Investments		
843-00-1110-00-000-Y-00-0-00	\$2,452	
Due from General Fund		
843-00-1261-00-000-Y-00-0-00		\$1,226
Due from Special Revenue Fund		
843-00-1262-00-000-Y-00-0-00		\$1,226

I. Record the payment of the teacher’s salary, the withholding liabilities, and the amounts due from the general and special revenue funds in the payroll clearing account.

Account	Debit	Credit
Accrued Wages Payable		
843-00-2160-00-000-Y-00-0-00	\$1,895	
Cash and Temporary Investments		
843-00-1110-00-000-Y-00-0-00		\$1,895

J. Record the payment of the withholding liabilities to the appropriate vendors.

Account	Debit	Credit
Payroll Deductions and Withholdings—		
Federal Income Taxes		
843-00-2151-00-000-Y-00-0-00	\$400	
Cash and Temporary Investments		
843-00-1110-00-000-Y-00-0-00		\$400

Account	Debit	Credit
Payroll Deductions and Withholdings—		



Teacher Retirement		
843-00-2155-00-000-Y-00-0-00	\$157	
Cash and Temporary Investments		
843-00-1110-00-000-Y-00-0-00		\$157

## C.14 Accounting for Proprietary and Fiduciary Fund Types

### C.14.1.1 Example 1

The following illustrates a fictitious enterprise fund operation for an elementary school owned store. This store is operated out of facilities on a school campus. Equipment used by the store includes a cash register and a copying machine, both of which are depreciated on a straight-line method. Other assets include cash, a temporary investment, and first in, first out merchandise inventory. The school district furnishes the facility, accounting services, and utilities. Part-time employees operate the store during certain hours throughout the day, and are involved in selling notebooks, pencils, pens, and other merchandise to students, teachers, and others.

At the beginning of the year, the school store had a trial balance as follows.

Trial Balance 9/1/XX.

Account	Debit	Credit
Cash and Temporary Investments		
749-00-1110-00-000-Y-00-0-00	\$6,000	
Accrued Interest Receivable		
749-00-1250-00-000-Y-00-0-00	\$200	
Inventories—Supplies and Materials		
749-00-1310-00-000-Y-00-0-00	\$2,300	
Furniture and Equipment		
749-00-1539-00-000-Y-00-0-00	\$4,000	
Accumulated Depreciation—Furniture and Equipment		
749-00-1573-00-000-Y-00-0-00	(\$1,000)	
Accrued Wages Payable		
749-00-2160-00-000-Y-00-0-00		\$200
Net Position—Unrestricted		
749-00-3900-00-000-Y-00-0-00		\$11,300
	\$ 11,500	\$ 11,500

During the course of the year, the school store operation resulted in cash sales that amounted to \$20,000, and interest was received in the amount of \$600, plus an accrual of \$100 in additional interest

earned. Merchandise inventory purchased for the year amounted to \$7,000, annual expenses included salaries of \$2,000 (including \$150 accrual), cost of merchandise sold was \$8,000, and depreciation expense for equipment was \$500. Also, a certificate of deposit with a face value of \$10,000 and a vending machine costing \$1,000 were purchased. In summary, the following entries were recorded.

A. Record the assets and revenues.

Account	Debit	Credit
Cash and Temporary Investments		
749-00-1110-00-000-Y-00-0-00	\$20,600	
Accrued Interest Receivable		
749-00-1250-00-000-Y-00-0-00	\$100	
Accrued Interest Receivable		
749-00-1250-00-000-Y-00-0-00		\$200
Revenues—Cocurricular, Enterprising		
Services or Activities		
749-00-5759-00-000-Y-00-0-00		\$20,000
Earnings from Temporary Deposits and Investments		
749-00-5742-00-000-Y-00-0-00.		\$500

B. Record the assets, disbursements, expenditures, expenses, and liabilities.

Account	Debit	Credit
Cash and Temporary Investments		
749-00-1110-01-000-Y-00-0-00	\$10,000	
Inventories—Supplies and Materials		
749-00-1310-00-000-Y-00-0-00	\$7,000	
Furniture and Equipment		
749-00-1539-00-000-Y-00-0-00	\$1,000	
Accrued Wages Payable		
749-00-2160-00-000-Y-00-0-00	\$200	
Expenses—Salaries or Wages for Support Personnel		
749-36-6129-00-101-Y-99-0-00	\$2,000	
Expenses—Items for Sale		
749-36-6443-00-101-Y-99-0-00	\$8,000	
Expenses—Depreciation		

749-36-6449-00-101-Y-99-0-00	\$500	
Cash and Temporary Investments		
749-00-1110-00-000-Y-00-0-00		\$20,050
Inventories—Supplies and Materials		
749-00-1310-00-000-Y-00-0-00		\$8,000
Accumulated Depreciation—		
Furniture and Equipment		
749-00-1573-00-000-Y-00-0-00		\$500
Accrued Wages Payable		
749-00-2160-00-000-Y-00-0-00		\$150

C. Record the closing entries for the year.

Account	Debit	Credit
Net Position—Unrestricted		
749-00-3900-00-000-Y-00-0-00	\$10,500	
Revenues—Cocurricular, Enterprising		
Services or Activities		
749-00-5759-00-000-Y-00-0-00	\$20,000	
Earnings from Temporary Deposits and Investments		
749-00-5742-00-000-Y-00-0-00	\$500	
Net Position—Unrestricted		
749-00-3900-00-000-Y-00-0-00		\$20,500
Expenses—Salaries and Wages for		
Support Personnel		
749-36-6129-00-101-Y-99-0-00		\$2,000
Expenses—Items for Sale		
749-36-6443-00-101-Y-99-0-00		\$8,000
Expenses—Depreciation		
749-36-6499-00-101-Y-99-0-00		\$500

At the close of the year, the school store’s trial balance and financial statements appear as follows.

Trial Balance 8/31/XX

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
Cash and Temporary Investments		
749-00-1110-00-000-Y-00-0-00	\$16,550	
Accrued Interest Receivable		
749-00-1250-00-000-Y-00-0-00	\$100	
Inventories—Supplies and Materials		
749-00-1310-00-000-Y-00-0-00	\$1,300	
Furniture and Equipment		
749-00-1539-00-000-Y-00-0-00	\$5,000	
Accumulated Depreciation—Furniture and Equipment		
749-00-1573-00-000-Y-00-0-00	(\$1,500)	
Accrued Wages Payable		
749-00-2160-00-000-Y-00-0-00		\$150
Net Position—Unrestricted		
749-00-3900-00-000-Y-00-0-00		\$21,300
	\$21,450	\$21,450

Statement of Revenues, Expenses, and Changes in Fund Net Position

<b>Operating Revenues:</b>	<b>Detail</b>	<b>Total</b>
Sales	\$20,000	
Total Revenues		\$20,000
<b>Operating Expenses:</b>		
Salaries or Wages for Support Personnel	\$2,000	
Items for Sale	\$8,000	
Depreciation	\$500	
Total Operating Expenses		\$10,500
Operating Income		\$ 9,500
Nonoperating Revenues (expenses)		
Earnings from Temporary Deposits and Investments	\$500	
Operating Income (Loss)Revenues (Expenses)		\$500
Change in Net Position		\$10,000

Net Position 9/01/XX		\$11,300
Net Position 8/31/YY		\$21,300

Statement of Cash Flows

<b>Cash Flows from Operating Activities:</b>	<b>Detail</b>	<b>Total</b>
Cash Received from Customers	\$20,000	
Cash Payments to Suppliers	(\$7,000)	
Cash Payments to Employees	(\$2,050)	
Net Cash Provided by (Used for)		
Operating Activities		\$10,950
Cash Flows from Non-Capital		
Financing Activities		-
Cash Flows from Capital and		
Related Financing Activities:		
Acquisition of Capital Assets	(\$1,000)	
Net Cash Provided (Used for) Capital		
and Related Financing Activities		(\$1,000)
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	\$600	
Purchase of Investment Securities	(\$10,000)	
Net Cash Provided (Used for) Investing Activities		(\$9,400)
Net Increase in Cash and Cash Equivalents		\$550
Cash and Cash Equivalents at		
Beginning of the Year		\$1,000
Cash and Cash Equivalents at End of Year		\$1,550

Reconciliation of Operating Income to Net Cash Provided

<b>By Operating Activities</b>	<b>Detail</b>	<b>Total</b>
Operating Income (Loss)		\$9,500
Adjustments to Reconcile Operating		
Income to Net Cash Provided by Operations		
Depreciation	\$500	

Changes to Assets and Liabilities:		
Decrease (Increase) in Inventories	1,000	
Increase (Decrease) in Payables	(50)	
Total Adjustments		\$1,450
Net Cash Provided by (Used for) Operating Activities		\$10,950

**C.14.1.1 Example 2**

Nonexpendable trust funds are defined as unbudgeted funds where principal is held intact, and revenues resulting from interest, royalties or other earnings are used only for specified purposes. Examples of this type of fund include scholarship funds and loan funds. The Permanent School Fund administered by the state of Texas is a good example of a nonexpendable trust fund.

Assume that a school district has a scholarship fund that pays college tuition to designated outstanding graduates of the high school. This fund was established by a private donation of a blue chip preferred stock valued at \$500,000, and dividends and other fund revenues are used to pay tuition costs. The scholarship fund is accounted for in a nonexpendable trust fund.

At the beginning of the year, the nonexpendable trust fund had a trial balance as follows.

A. Trial Balance 9/01/XX

Account	Debit	Credit
Other Receivables—Dividends		
849-00-1290-00-000-Y-00-0-00	\$5,000	
Restricted Assets - Cash and Temporary Investments		
849-00-1810-00-000-Y-00-0-00	\$501,000	
Restricted Fund Balance—Other Reserves of Fund Balance		
849-00-3490-00-000-Y-00-0-00		\$6,000
Contributed Capital		
849-00-3200-00-000-Y-00-0-00		\$500,000
	\$506,000	\$506,000

During the course of the year, dividends were received in the amount of \$5,000, and additional dividends were declared for \$7,000. The fund paid tuition costs of \$4,500 for the benefit of scholarship recipients, a certificate of deposit with a face value of \$1,000 was purchased, and resulting interest of \$50 was accrued. In summary, the following entries were recorded.

A. Record the assets and revenues.

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
Accrued Interest Receivable		
849-00-1250-00-000-Y-00-0-00	\$50	
Other Receivables—Dividends		
849-00-1290-00-000-Y-00-0-00	\$7,000	
Restricted Assets—Cash and Temporary Investments		
849-00-1810-00-000-Y-00-0-00	\$5,000	
Other Receivables—Dividends		
849-00-1290-00-000-Y-00-0-00		\$5,000
Revenues—Earnings from Permanent Funds and Endowments		
849-00-5741-00-000-Y-00-0-00		\$7,000
Earnings from Temporary Deposits and Investments		
849-00-5742-00-000-Y-00-0-00		\$50

B. Record the investment, purchase and operating expenditures.

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
Restricted Assets—Cash and Temporary Investments		
849-00-1810-00-000-Y-00-0-00	\$1,000	
Expenses - Student Tuition—Higher Education or Non-Public Schools		
849-61-6223-00-999-Y-11-0-00	\$4,500	
Restricted Assets—Cash and Temporary Investments		
849-00-1810-00-000-Y-00-0-00		\$5,500

C. Record the closing entries for the year.

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
Restricted Fund Balance—Other Reserves of Fund Balance		
849-00-3490-00-000-Y-00-0-00	\$4,500	
Earnings from Permanent Funds and Endowments		



849-00-5741-00-000-Y-00-0-00	\$7,000	
Earnings from Temporary Deposits and Investments		
849-00-5742-00-000-Y-00-0-00	\$50	
Restricted Fund Balance—Other Reserves of Fund Balance		
849-00-3490-00-000-Y-00-0-00		\$7,050
Expenses—Student Tuition—Higher Education or Non-Public Schools		
849-61-6223-00-999-Y-11-0-00		\$4,500

At the close of the year, the nonexpendable trust fund's trial balance and financial statements appear as follows.

Trial Balance 8/31/XX

Account	Debit	Credit
Accrued Interest Receivable		
849-00-1250-00-000-Y-00-0-00	\$50	
Other Receivables—Dividends		
849-00-1290-00-000-Y-00-0-00	\$7,000	
Restricted Assets—Cash and Investments		
849-00-1810-00-000-Y-00-0-00	\$501,500	
Restricted Fund Balance—Other Reserves of Fund Balance		
849-00-3490-00-000-Y-00-0-00		\$8,550
Contributed Capital		
849-00-3200-00-000-Y-00-0-00		\$500,000
	\$508,550	\$508,550

Statement of Revenues, Expenses, and Changes in Fund Balance

Description	Detail	Total
Operating Revenues:		
Earnings from Permanent Funds and Endowments	-	
Earnings from Temporary Deposits and Investments	-	
Total Revenues		\$0

Operating Expenses		
Tuition	\$4,500	
Operating Income (Loss)		(\$4,500)
Nonoperating Revenues (expenses)		
Earnings from Endowments	\$7,000	
Earnings from Temporary Deposits and Investments	\$50	
Net Nonoperating Revenues (Expenses)		\$ 7,050
Net Income		\$ 2,550
Net Position		
Restricted for Endowments 9/1/XX		\$ 6,000
Restricted for Endowments 8/31/XX		\$ 8,550
Contributed Capital		\$500,000
Net Position 8/31/XX		\$508,550

Statement of Cash Flows

Description	Detail	Total
Cash Flows from Operating Activities		
Payments to Scholarship Recipients	(\$4,500)	
Net Cash Provided by (Used for) Operating Activities		(\$4,500)
Cash Flows from Non-Capital Financing Activities		-
Cash Flows from Capital & Related Financing Activities		-
Cash Flows from Investing Activities		
Interest and Dividends on Investments	\$5,000	
Purchase of Investment Securities	(\$1,000)	
Net Cash Provided (Used for) Investing Activities		\$4,000
Net Increase in Cash and Cash Equivalents		(\$500)
Cash and Cash Equivalents at Beginning of Year		\$1,000
Cash and Cash Equivalents at End of Year		\$500

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

By Operating Activities:	Detail	Total
Operating Income (Loss)		(\$4,550)

Adjustments to Reconcile Operating		
Income to Net Cash Provided Operations		
Depreciation		-
Changes to Assets and Liabilities:		-
Total Adjustments		-
Net Cash Provided by (Used for) Operating Activities		(\$4,550)

## C.15 Accounting for Agency Funds

### C.15.1 Example 1

This example is of a clearing account arrangement and shows a situation where school picture money (where pictures are sponsored by the student council) is accounted for in an agency fund. In this case, the student council contracts with a photographer. The student council sells pictures for \$11 a package and pays the photographer \$10 for each package sold. A total of 100 packages are sold by the student council.

- A. In the agency fund, record the sale of the pictures, the amount due to the student council (profit), and the invoice to the photographer.

Account	Debit	Credit
Cash and Temporary Investments		
845-00-1110-00-000-Y-00-0-00	\$1,100	
Accounts Payable		
865-00-2110-00-000-Y-00-0-00		\$1,000
Due to Student Groups		
865-00-2190-00-000-Y-00-0-00		\$100

- B. In the agency fund, pay the invoice to the photographer.

Account	Debit	Credit
Accounts Payable		
865-00-2110-00-000-Y-00-0-00	\$1,000	
Cash and Temporary Investments		
865-00-1110-00-000-Y-00-0-00		\$1,000

### C.15.1 Example 2

Local school district policy recognizes certain class funds and other types of student organization activities. This policy, in part, provides that high school classes may raise monies through extracurricular activities, such as car washes and bake sales, and use the monies for purposes set forth in school board approved class organization bylaws. A member of the high school faculty acts as the class sponsor. The local policy provides that balances remaining after graduation of the class

become the property of the school district. In the below example, the senior class has raised monies for class organization use.

During the year, the class raised funds by sponsoring car washes on Saturdays. Car wash facilities and supplies were donated by various service station dealers throughout the school district.

Trial Balance 9/1/XX

Agency Fund 20XX-Y Senior Class

Account	Debit	Credit
Cash and Temporary Investments		
865-00-1110-00-000-Y-00-0-00	\$2,200	
Accrued Interest Receivable		
865-00-1250-00-000-Y-00-0-00	\$200	
Due to Student Groups		
865-00-2190-00-000-Y-00-0-00		\$2,400
Total	\$2,400	\$2,400

Trust and Agency Fund—Senior Class

- A. Record the receipts from the car washes and the interest on investments.

Account	Debit	Credit
Cash and Temporary Investments		
865-00-1110-00-000-Y-00-0-00	\$1,300	
Due to Student Groups		
865-00-2190-00-000-Y-00-0-00		\$1,100
Accrued Interest Receivable		
865-00-1250-00-000-Y-00-0-00		\$200

The class votes to spend its money on a senior trip during the senior days prior to graduation exercises, a purpose authorized in the class bylaws. It is estimated that expenses of this trip will be \$2,300. The class sponsor is advanced \$2,300 to pay anticipated expenses. Expenses documented after the fact amount to \$2,200, and the class sponsor returns \$100.

- B. Record the cash advance to the class sponsor.

Account	Debit	Credit
Due to Student Groups		
865-00-2190-00-000-Y-00-0-00	\$2,300	
Cash		
865-00-1110-00-000-Y-00-0-00		\$2,300

C. Record the cash returned by the class sponsor.

Account	Debit	Credit
Cash and Temporary Investments		
865-00-1110-00-000-Y-00-0-00	\$100	
Due to Student Groups		
865-00-2190-00-000-Y-00-0-00		\$100

In accordance with local school board policy, unused funds of a graduating class become the property of the school district, and the fund is closed for the 20XX-YY senior class.

Trial Balance 8/31/XX

Trust and Agency Fund 20XX-YY Senior Class

A. Close out the fund for the senior class.

Account	Debit	Credit
Cash and Temporary Investments		
865-00-1110-00-000-Y-00-0-00	\$1,480	
Due to Student Groups		
865-00-2190-00-000-Y-00-0-00		\$1,480
	\$1,480	\$1,480

general fund:

B. Record donation from the senior class in the general fund.

Account	Debit	Credit
Cash and Temporary Investments		

199-00-1110-00-000-Y-00-0-00	\$1,480	
Revenues—Gifts and Bequests		
199-00-5744-00-000-Y-00-0-00		\$1,480

## C.16 Accounting for Market Changes in Investments

### C.16.1 Example 1

This example shows accounting entries under [GASB Statement No. 31](#) for purchase of securities at cost, other securities at fair value at the beginning of the fiscal period, and for recording changes in fair value and sale of securities during the fiscal period. Changes in fair value must be reported quarterly as required by the [Public Funds Investment Act](#), but are only required to be recorded annually under [GASB Statement No. 31](#).

School districts may record the entries more frequently than annually if desired. Districts may record book value separate from market value through use of separate locally defined codes for asset values and investment incomes. School districts are not permitted to distinguish realized gains and losses from unrealized gains and losses on the face of the financial statements, but separate investment income codes may be used to record realized and unrealized (market) changes (gain and losses). Districts are permitted to disclose information on realized gains and losses in the footnotes to the financial statements if certain additional interpretive information is included. The examples that follow explain the use of locally defined codes to track book values and market gains and losses.

A. Record purchase of securities at cost.

Account	Debit	Credit
Temporary Investments		
199-00-1116-00-000-Y-00-0-00	\$10,000	
Cash in Banks		
199-00-1101-00-000-Y-00-0-00		\$10,000

B. Analysis of Change in Value of Investment Activity

Security	Cost	A	B	C	D	E	F
		Beg. Value 09/01/XX	Purchases	Sales	Subtotal	End Value 08/31/XX	Change
1	\$10,000	\$0	\$10,000		\$10,000	\$10,120	\$120
2	5,000	5,500			5,500	5,640	140
3	10,000	9,000			9,000	9,900	900
4	10,000	10,000		9,800	200	0	(200)



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Total	<u>\$35,000</u>	<u>\$24,500</u>	<u>\$10,000</u>	<u>\$9,800</u>	<u>\$24,700</u>	<u>\$25,660</u>	<u>\$960</u>
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Column D = Columns A + B - Column C

Column F = Column E - Column D

C. Record the net gain in fair value of investments.

Account	Debit	Credit
Temporary Investments		
199-00-1117-00-000-Y-00-0-00	\$960	
Investment Income		
199-00-5748-00-000-Y-00-0-00		\$960

**C.16.1 Example 2**

This example shows accounting entries where there is a net loss in the valuation of investments at year-end.

A. Record the purchase of securities at cost.

Account	Debit	Credit
Temporary Investments		
199-00-1116-00-000-Y-00-0-00	\$10,000	
Cash in Banks		
199-00-1101-00-000-Y-00-0-00		\$10,000

B. Analysis of Change in Value of Investment Activity

Security	Cost	A			B		C		D		E		F	
		Cost	Beg. Value	End Value	Purchases	Sales	Subtotal	End Value	Change					
		09/01/XX									08/31/XX			
1	\$10,000	\$0	\$10,000			\$10,000	\$10,020	\$20						
2	5,000	5,500				5,500	5,640	140						
3	10,000	9,000				9,000	9,000	0						

4	10,000	10,000		9,800	200	0	(200)
Total	\$35,000	\$24,500	\$10,000	\$9,800	\$24,700	\$24,660	(40)

Column D = Columns A + B - Column C

Column F = Column E - Column D

C. Record the net loss in fair value of investments.

Account	Debit	Credit
Investment Income		
199-00-5748-00-000-Y-00-0-00	\$40	
Temporary Investments		
199-00-1117-00-000-Y-00-0-00		\$40

## Appendix D: Other Federal and State Requirements

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### D.1 Other Federal Requirements

On December 26, 2013, new Uniform Grants Guidance from the Office of Management and Budget (OMB) was introduced, and on December 19, 2014, the new uniform grants guidance was amended. OMB uniform guidance for grants and agreements is contained in [2 CFR §200](#). The new uniform grants guidance replaced the various OMB circulars that governed school districts. The new uniform grants guidance was amended on December 19, 2014. The Uniform Grants Guidance consolidates the cost principles, administrative rules, and audit rules found in the following OMB circulars:

- A-21 Cost Principles for Educational Institutions (applicable to institutions of higher education [IHEs])
- A-87 Cost Principles for State, Local and Indian Tribal Governments (applicable to LEAs, including all open-enrollment charter schools, and ESCs)
- A-122 Cost Principles for Non-Profit Organizations
- A-102 Grants and Cooperative Agreements with State and Local Governments (applicable to LEAs and ESCs)
- A-110 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (applicable to IHEs and nonprofits)
- A-133 Audits of States, Local Governments and Non-Profit Organizations
- A-50 Audit Follow-up (applicable to all entities)

For grant awards made prior to December 26, 2014, the uniform requirements found in [34 CFR, Parts 74](#), and [34 CFR, Part 80](#), still apply. For **changes in to funding increments** and **grant awards** made on or after December 26, 2014, the uniform grant guidance in <sup>87</sup> applies.

#### *D.1.1 Federal Grant Requirements for All Federal Programs*

As a recipient of federal funds your district, in conjunction with the requirements outlined in the Notice of Grant Agreement, and other applicable local, federal, and state laws, must also adhere to the federal and requirements outlined in the FASRG. The requirements are applicable to Texas school districts and the external independent auditors of the school district. The requirements in this section of the FASRG are excerpted from the CFR. Requirements in this section have been paraphrased; therefore, it is the responsibility of your school district and your school district's independent auditor to read the applicable parts of the CFR in their entirety.

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<sup>87</sup> [2 CFR §200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)<sup>88</sup> [2 CFR §§2-199, Office of Management and Budget Governmentwide Guidance for Grants and Agreements](#)

Under [2 CFR §200.302](#) your school district must have a financial system that:

- provide for accurate, current, and complete disclosure of results regarding the use of funds under grant projects;
- provide adequate source documentation for federal and non-federal funds used under grant projects;
- contain procedures to determine the allowability, allocability, and reasonableness of obligations and expenditures made by the school district; and
- enable the school district to maintain effective internal control and fund accountability procedures, e.g., requiring separation of functions so that the person who makes obligations for the school district is not the same person who signs the checks to disburse the funds for those obligations.

School districts must also account for funds in accordance with applicable state and local laws and procedures that apply to the expenditure of and the accounting for funds. Your school district's procedures must be sufficient to permit the preparation of reports that may be required under the grant as well as provide the tracing of expenditures to a level adequate to establish that award funds have not been used in violation of any applicable statutory restrictions or prohibitions.

#### **D.1.1.1 Uniform Grant Requirements**

[2 CFR Part 200](#), OMB uniform guidance for grants and agreements, is a set of authoritative rules and regulations about federal grants from the OMB. [2 CFR Parts 2–199](#), contains governmentwide guidance for grants and agreements and [2 CFR Part 200](#), contains uniform administrative requirements, cost principles, and audit requirements for federal awards.

- Office of Management and Budget Governmentwide Guidance for Grants and Agreements<sup>88</sup>
  - [2 CFR §180—OMB Guidelines to Agencies on Government Wide Debarment and Suspension \(NonProcurement\)](#)
- [2 CFR §200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
  - Subpart A—Acronyms and Definitions<sup>89</sup>
  - Subpart B—General Provisions<sup>90</sup>
  - Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards<sup>91</sup>
  - Subpart D—Post Federal Award Requirements<sup>92</sup>
  - Subpart E—Cost Principles<sup>93</sup>

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<sup>88</sup> [2 CFR §§2-199, Office of Management and Budget Governmentwide Guidance for Grants and Agreements](#)

<sup>89</sup> [2 CFR §200, Subpart A—Acronyms and Definitions](#)

<sup>90</sup> [2 CFR §200, Subpart B—General Provisions](#)

<sup>91</sup> [2 CFR §200, Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards](#)

<sup>92</sup> [2 CFR §200, Subpart D—Post Federal Award Requirements](#)

<sup>93</sup> [2 CFR §200, Subpart E—Cost Principles](#)

- Subpart F—Audit Requirements<sup>94</sup>
- Appendix I to Part 200—Full Text of Notice of Funding Opportunity<sup>95</sup>
- Appendix II to Part 200—Contract Provisions for Non-Federal Entity Contracts Under Federal Awards<sup>96</sup>
- Appendix V to Part 200—State and Local Governmentwide Central Cost Allocation Plans<sup>97</sup>
- Appendix VII to Part 200— States and Local Government and Indian Tribe Indirect Cost Proposals<sup>98</sup>
- Appendix XI to Part 200—Compliance Supplement (See D.1.1.2)
- Appendix XII to Part 200—Award Term and Condition for Recipient Integrity and Performance Matters<sup>99</sup>

### D.1.1.2 Appendix XI to Part 200—Compliance Supplement

Formerly known as OMB Circular A-133 Compliance Supplement, it has a new name, [Appendix XI to Part 200—Compliance Supplement](#), as of the August 9, 2016, release of this document. The supplement is Appendix XI of the uniform guidance, [2 CFR Part 200](#). Some of the noticeable changes are:

- All instances of the terms “**must**” and “**should**” were reviewed. In the compliance supplement, **must** refers to a requirement and **should** relates to a best practice or recommended approach.

For a complete list of the changes that were made to the 2016 Compliance Supplement, see [Appendix 5 of the Compliance Supplement](#).

- Appendix XI to Part 200—Compliance Supplement<sup>100</sup>
  - [Part 1 – Background, Purpose, and Applicability](#)
  - [Part 2 – Matrix of Compliance Requirements](#)
  - [Part 3 – Compliance Requirements](#)
  - [Part 4 – Department of Education Cross-Cutting Section](#)
  - [Part 5 – Clusters of Programs](#)
  - [Part 6 – Internal Controls](#)
  - [Part 7 – Guidance for Auditing Programs Not Included](#)

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<sup>94</sup> [2 CFR §200, Subpart F—Audit Requirements](#)<sup>95</sup> [Appendix I to Part 200 – Full Text of Notice of Funding Opportunity](#)<sup>96</sup> [Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards](#)

<sup>95</sup> [Appendix I to Part 200 – Full Text of Notice of Funding Opportunity](#)<sup>96</sup> [Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards](#)

<sup>96</sup> [Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards](#)

<sup>97</sup> [Appendix V to Part 200 – State/Local Governmentwide Central Service Cost Allocation Plans](#)

<sup>98</sup> [Appendix VII to Part 200 – States and Local Government and Indian Tribe Indirect Cost Proposals](#)

<sup>99</sup> [Appendix XII to Part 200—Award Term and Condition for Recipient Integrity and Performance Matters](#)

<sup>100</sup> [Appendix XI to Part 200—Compliance Supplement](#)

**D.1.1.3 Davis-Bacon Act**

2 CFR Part §200, Appendix II to Part 200—Contract Provisions for Non-Federal Entity Contracts Under Federal Awards, contains the provisions of the [Davis-Bacon Act](#) that are applicable to federal grant awards. (Davis-Bacon Act (Title 29 CFR)<sup>101</sup>)

**D.1.1.4 Child Nutrition Programs**

The [USDA](#) administers several school nutrition programs:

- [School Breakfast Program \(SBP\) \(CFDA 10.553\)](#)
- [National School Lunch Program \(NSLP\) \(CFDA 10.555\)](#)
- [Special Milk Program \(SMP\) \(CFDA 10.556\)](#)
- [Summer Food Service Program \(SFSP\) \(CFDA 10.559\)](#)
- [Fresh Fruit and Vegetable Program \(CFDA 10.582\)](#)

In Texas, the Texas Department of Agriculture (TDA)<sup>102</sup> is the state agency that administers school nutrition programs.

More information on the SBP, NSLP, SFSP, SMP, and fresh fruit and vegetable program, administered by the TDA, can be found on the TDA's [Square Meals](#) web page.

Compliance requirements disclosed in this section are applicable to all Texas school districts, and independent auditors are to use them in testing for compliance with provisions of federal grants and contracts.

To ensure compliance with the all applicable federal requirements, your school district should read each of the requirements disclosed in this section in detail.

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<sup>101</sup> [Title 29 CFR - Labor, Davis-Bacon Act](#)<sup>102</sup> [Texas Department of Agriculture's Square Meals webpage](#)<sup>103</sup> [TEC, §44.007](#)

<sup>102</sup> [Texas Department of Agriculture's Square Meals webpage](#)<sup>103</sup> [TEC, §44.007](#)

## D.2 Other State Requirements

### D.2.1 Pecuniary Interest

School districts shall have written policies which shall govern the performance of school district employees and school board members in the award and administration of contracts supported by federal funds. No employee or board member shall participate in selection, award, or administration of a contract supported by federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when:

- the employee or board member;
- any member or their immediate family;
- their partner; or
- an organization which employs or is about to employ any of the above, has a financial or other interest in the firm selected for award.

The school district's employees and board members shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to subagreements.

School districts may set minimum rules where the financial interest is not substantial, or the gift is an unsolicited item of nominal intrinsic value.

### D.2.2 Procurement Standards

School districts will use their own procurement procedures which reflect applicable state and local laws and regulations, provided that the procedures conform to applicable federal law and the standards identified in this section.

- School districts will maintain a contract administration system that ensures contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- School districts will ensure that its employees avoid business arrangements or situations resulting in a conflict of interest. ([See D.2.1 Pecuniary Interest](#))
- School district procedures will provide for a review of proposed procurements to avoid purchases of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.
- To foster greater economy and efficiency, school districts are encouraged to enter into state and local intergovernmental agreements for procurement or use of common goods and services.

- School districts are encouraged to use federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.
- School districts are encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item to ensure that its essential function is provided at the overall lower cost.
- School districts will make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
- School districts will maintain records sufficient to detail the significant history of a procurement. These records will include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- School districts will use time and material type contracts only after a determination that no other contract is suitable, and if the contract includes a ceiling price that the contractor exceeds at its own risk.
- School districts alone will be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the district of any contractual responsibilities under its contracts. Federal agencies will not substitute their judgment for that of the district unless the matter is primarily a federal concern. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.
- School districts will have protest procedures to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency. A protester must exhaust all administrative remedies with the school district before pursuing a protest with the federal agency or TEA. Reviews of protests by the federal agency or TEA will be limited to:
  - violations of state or federal law or regulations, and the standards of this section.
  - violations of the school district’s protest procedures for failure to review a complaint or protest.

Protests received by the federal agency or TEA other than those specified above will be referred to the school district.

[2 CFR §200.317](#), also requires that your school districts procurement procedures include:

- written competition procedures;
- written codes of conduct for school district staff concerning procurement;



- written cost and price analysis procedures;
- written recordkeeping requirements that meet federal laws and regulations; and
- written contractor compliance requirements that meet federal laws and regulations.

### ***D.2.3 Single Audit Requirements***

In addition to the required AFR that is required in the TEC ([See F.1 Annual Financial and Compliance Report Requirements](#)), [2 CFR Part 200 Subpart F](#), requires that school districts obtain an audit (known as the single audit) of the school district's expenditures under federal grants if the school district expends more than \$750,000 in federal funds in one fiscal year. [2 CFR Part 200 Subpart F](#), contains the requirements imposed on school districts for audits done in connection with the law.

## Appendix E: Catalog of Federal Domestic Assistance Identification Numbers

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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 which 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 CFDA identification numbers.

Identification numbers commonly used by Texas school districts are cross-referenced in [A.2 Fund Codes](#). Your district will use applicable grant award CFDA numbers to complete the annual financial and compliance report's Exhibit K, Schedule of Expenditure of Federal Awards.

## Appendix F: Example Annual Financial and Compliance Report

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### F.1 Annual Financial and Compliance Report Requirements

Your district must file with TEA an AFR or a comprehensive annual financial report (CAFR) that has been modified to include the information required in an AFR.<sup>103</sup> At the same time, your district must also include a **data feed text file**. All AFRs must be electronically submitted to TEA.

**Note:** In some circumstances, your district may also have to submit its AFR to a federal agency. For more information, see Module 1, 1.5.3.1 Single Audit Filing.

Your district's AFR is due to TEA no later than the 150th day after the end of the district fiscal year that the report covers. If your district's fiscal year ends June 30, the report is due November 27. If your district's fiscal year ends August 31, the report is due January 28.<sup>104</sup>

### F.2 Example Independent School District Annual Financial and Compliance Report

The AFR template contained in this section was created in accordance with requirements of GAAP, GASB, TEC, TAC, FASRG, and other applicable laws and statutes.

The AFR template contains the standard format for the required AFR that your district must submit annually. There are alternative approaches to illustrate your district's required financial data, required supplementary information, note disclosures, and other required disclosures. Consult with your district's external independent auditor for acceptable alternative methods. The method that your district and external independent auditor choose must adhere to requirements of GAAP, GASB, TEA, TEC, TAC, FASRG, and other applicable laws, statutes, and authoritative guidance.

The links for the standard format for the AFR:

([Excel](#))      ([pdf](#)) (Link the pdf version of the AFR template.)

GASB, GAAP, TEA, and other accounting requirements change from time to time; therefore, it is the responsibility of your school district to ensure that all current requirements are adhered to when the AFR is prepared and submitted to TEA.

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<sup>103</sup> [TEC, §44.007](#)

<sup>104</sup> [TEC, §44.008](#)

## Appendix G: Internal Service Funds Guidelines

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Internal service funds are used by school districts for activities that provide goods and services to other funds, departments, or other governments on a cost-reimbursement basis. The use of internal service funds by your district may:

- facilitate better managerial decision making;
- efficiently manage specific services offered by your district;
- enhance the decision-making process for operation of services offered by the district;
- create effective cost price analysis for goods and services offered by your district;
- allow your district to optimize resources;
- allocate certain costs internally among various district functions;
- reduce overall costs to the district; and
- strengthen financial internal controls.

The use of an internal service fund may also allow your district to remove the obscurity associated with resources that are utilized across different departments within your school district.

### G.1 Establishment of Internal Service Funds

The use of internal service funds is solely at the discretion of your school district. If your district decides to use internal service funds,

- individual internal service funds must be used to account for individual services;
- only the minimum number of funds consistent with legal and operating requirements should be established; and
- the economic resources measurement focus, and accrual basis of accounting must be used.

Some of the services that your district may consider creating an internal service fund for are, but not limited to:

- print shop
- graphics shop
- construction
- transportation
- information systems
- personnel
- alternative certification programs
- University Interscholastic League (UIL)
- Virtual School
- communication devices
- maintenance
- self-funded health insurance

- self-funded worker’s compensation program
- support services
- risk financing activities of the district

Internal service funds may be established anytime throughout the school year; however, the most appropriate time to establish a new internal service fund is during the annual budget process.

### ***G.1.1 Should My District Implement Internal Service Funds?***

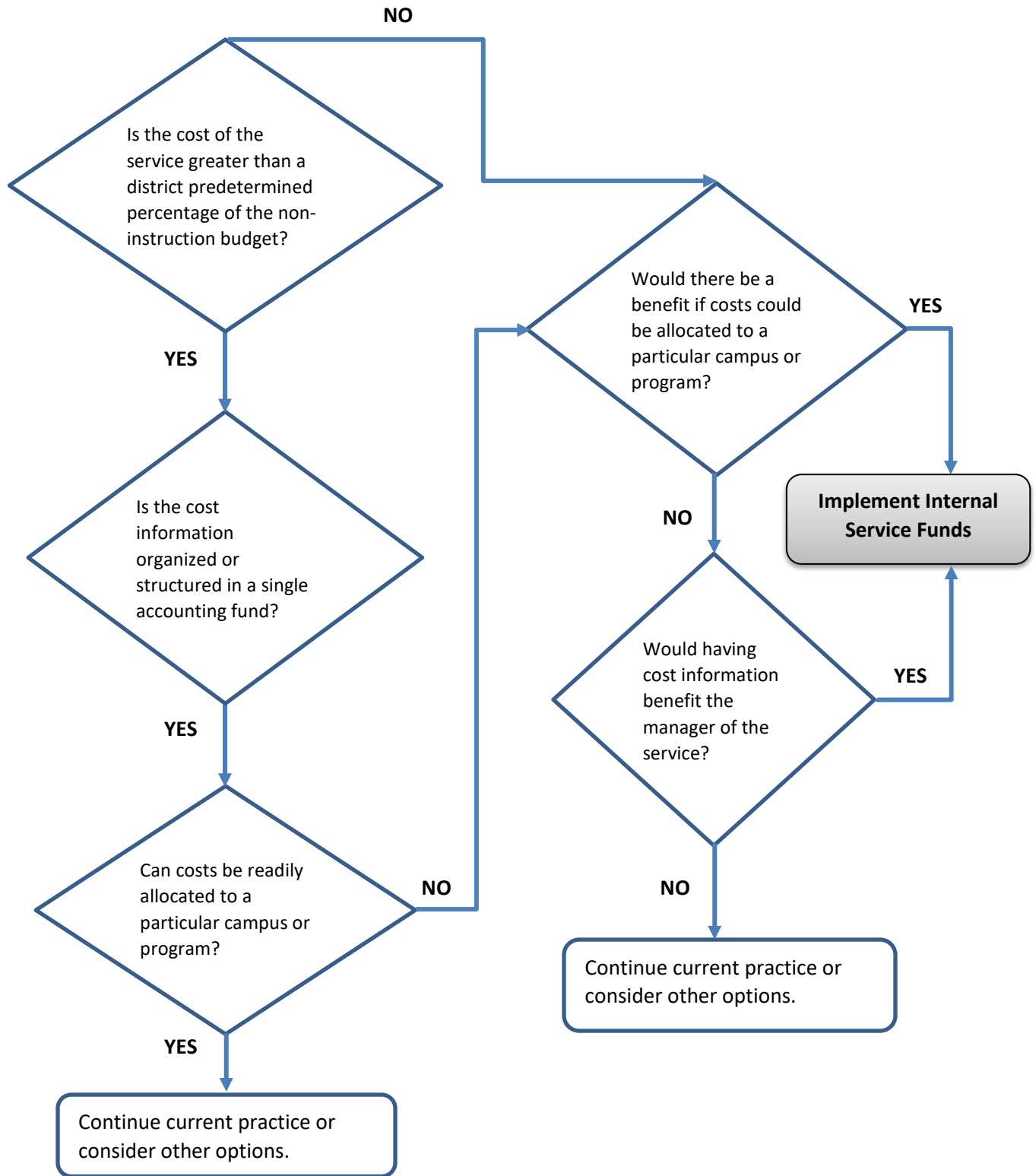
Exhibit G.1, Decision-Making Tree, may be used to help your district decide if the use of internal service funds is right for your district. Before using the Decision-Making Tree, please read the paragraphs below.

Districts should first determine a cost-benefit ratio that they believe represents a significant portion of the non-instruction budget or a priority for cost control initiation. If the service being provided comprises more than that amount, you would answer yes and follow the arrow to the next question. Otherwise, you would answer no and follow that path.

If you answered yes, the next question to consider is whether the cost information is organized or structured so that costs are in a single accounting fund. If the answer to this is yes, you would then need to determine whether the costs can be readily allocated to a particular campus, program, or activity. If they can, you probably have adequate cost information. However, you may want to consider how appropriately priced your internal services are.

If you answered no, you should ask whether a benefit would be derived if costs could be allocated to a particular campus, program, or activity. If there would be, you should consider implementation of internal service funds. If you see no benefit to the ability to allocate, you should consider whether the manager of the service might benefit from having additional detailed cost information. If so, again, you should consider implementing internal service funds. If you see no benefit from either of these abilities, your district may want to continue with the current district accounting practice. However, your district may want to consider how appropriately priced your services are and consider outsourcing the function or joining with other districts to have the service provided cooperatively.

**Exhibit G.1 Decision-Making Tree**



## G.2 Accounting for Internal Service Funds

Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as 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, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis.

Internal service funds utilize the accrual basis of accounting meaning revenues are recognized when earned and expenses are recognized when incurred. These funds are generally established in order to determine the cost of a specific service. Although no encumbrance type budget is required for internal service funds, some type of budget is highly recommended. Departments for which internal service fund accounting is used no longer receive an allocation from the general fund or grant revenues, but rather earn their revenues by providing (selling) their services to the other divisions of the district or other governments. Therefore, they need a business management structure for controlling costs. Funds are allocated to the other departments and/or campuses, or governments which in turn purchase their needed services from the internal service fund.

Although the purpose of the internal service fund is not to accumulate assets, both current and capital assets play a primary role in the services the funds provide.

### G.2.1 Assets

#### G.2.1.1 Cash and Investments

Internal service funds use cash similar to an enterprise fund and usually the costs of operating an internal service fund are incurred before the cash for services is received. Usually there is not cash available for investments, but when the funds are not required for loans, they can be invested. Cash and investments must be disclosed within the reporting entity's cash and investment note disclosure. Refer to the cash flow reporting section in *FASRG* Module 1 section 1.7.6.2 for further guidance.

#### G.2.1.2 Inventory

Inventories in the internal service fund should be valued at the lower of cost or market value. The cost of inventory can be determined by first-in, first-out (FIFO); last-in, first out (LIFO); weighted average; and specific identification.

#### G.2.1.3 Receivables

In internal service funds, the receivable category usually includes two primary classifications, intergovernmental receivables and due from other funds. The account most applicable to internal

service funds is the due from other funds account which should represent amounts receivable for goods sold or services rendered.

Internal service funds usually do their billings no less than monthly. Receivables should be checked at least annually to verify their collectability and an analysis should be done to verify the feasibility of maintaining the particular activity within the internal service fund or move it back to the general fund.

**G.2.1.4 Capital Assets**

In most internal service funds, capital assets are used in revenue-generating activities. These assets are purchased with cash or cash in conjunction with a trade-in, acquired through a lease agreement or transferred from the general capital asset accounts. The most common form of acquisition is the direct purchase. The amount of capital assets capitalized should include all reasonable and necessary cost incurred to ready the asset for its intended function. These costs can include delivery, closing costs, title and legal fees, etc.

Assume that a school district has purchased a vehicle at a cost of \$15,500, a \$250 destination charge, and a \$50 title and license charge for a total cost of \$15,800. This vehicle is used in a print shop accounted for in an internal service fund. Entries to record the purchase of vehicle #001 are:

Purchase of Vehicles		
Account	Debit	Credit
750-00-1531-00-000-Y-00-0-00	\$15,800	
Cash and Temporary Investments		
750-00-1110-00-000-Y-00-0-00		\$15,800

**G.2.1.5 Capital Leases**

Some lease agreements are worded in such a way that an asset and a liability need to be recorded. The determination whether a lease is capital or operating is in GAAP literature. Usually at least one of the following conditions must be satisfied for a capital lease:

- The ownership of the property transfers to the lessee at the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated useful life of the leased property.
- At the inception of the lease, the present value of the minimum lease payments is equal to 90 percent or more of the fair value of the leased property.

When a lease satisfies one of the above criteria, an asset and a liability is recorded. The initial recorded value of the asset should be determined as the lesser of fair market value of the leased property or the present value of the minimum lease payments.



The following illustration reflects an example of accounting for a capital lease.

The Local Independent School District enters into an agreement to lease equipment. This agreement has a provision where title to the equipment will pass from the lessor to the school district at the end of 11 years.

- Payments of \$10,000 are due on September 1 of each year, beginning with September 1, 2018.
- The fair value of the equipment on September 1, 2018, is \$60,000, with an estimated life of 20 years with no salvage value.
- An implicit interest rate of 15 percent is used by the lessor in computing the lease payments (rounded from \$60,188 to \$60,000 for simplicity purposes in determining the value over the 11-year lease-purchase period).

Lease Amortization Schedule

Payment Date	Annual Lease	Interest on Unpaid Obligation	Reduction of Lease Obligation	Balance of Lease
				\$60,000
9/1/18	\$10,000		\$10,000	50,000
9/1/19	10,000	\$7,500	2,500	47,500
9/1/20	10,000	7,125	2,875	44,625

The method of accounting for the above lease amortization schedule for a proprietary fund type (a print shop internal service fund) is as follows.

1. Record the acquisition and the capital lease payable in the appropriate proprietary fund.

Account	Debit	Credit
Equipment Under Capital Leases		
752-00-1559-00-000-Y-00-0-00	\$60,000	
Capital Leases Payable—Long-Term		
752-00-2531-000-Y-00-0-00		\$60,000

2. Record the first year’s payment.

Account	Debit	Credit
Capital Leases Payable—Long-Term		
752-00-2531-00-000-Y-00-0-00	\$10,000	
Cash and Temporary Investments		
752-00-1110-00-000-Y-00-0-00		\$10,000

3. Record the first year’s interest and depreciation expense.

Account	Debit	Credit
Expenses—Capital Lease Interest		
752-71-6522-00-999-Y-99-0-00	\$7,500	
Expenses—Depreciation		
752-81-6449-00-999-Y-99-0-00	\$3,000	
Accrued Interest Payable		
752-00-2430-00-000-Y-00-0-00		\$7,500
Accumulated Depreciation—Other Equipment		
752-00-1579-00-000-Y-00-0-00		\$3,000

4. Record the second year’s payment.

Account	Debit	Credit
Accrued Interest Payable		
752-00-2430-00-000-Y-00-0-00	\$7,500	
Capital Leases Payable—Long-Term		
752-00-2531-00-000-Y-00-0-00	\$2,500	
Cash and Temporary Investments		
752-00-1110-00-000-Y-00-0-00		\$10,000

Capital leases, GASB Codification Section L20 (NCGAS 5, Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments) requires state and local governments to observe:

- the gross amount of assets recorded under capital leases presented by major classes according to nature or function
- future minimum lease payments for each of the five succeeding fiscal years and in five-year increments thereafter
- assets recorded under capital leases and the related depreciation should be separately identified in the general capital asset fund

### G.2.2 Depreciation

Your district must follow the guidance issued by GASB for depreciation.

GASB Codification Section 1400.113 states that “depreciation expense should be measured by allocating the expected net cost of using the asset (historical cost less estimated salvage value) over its estimated useful life in a systematic and rational manner.” Salvage value is the estimated fair value of a capital asset remaining at the conclusion of its estimated useful life. It may be calculated for a class of assets or individual assets. TEA’s suggested depreciation method is the straight-line depreciation method; however, any acceptable method determining depreciation may be used. The depreciation method can vary for different categories of assets. Some of the common categories of depreciation are:

- straight-line method
- decreasing charge methods, which include declining balance, double declining balance, and sum of the years’ digits, among others
- increasing charge methods
- unit of production/service methods, which allocate the depreciable cost of an asset over its expected output

Districts should use the depreciation method deemed appropriate for a given set of circumstances.

Periodic depreciation using the straight-line method is determined by taking actual cost, subtracting the estimated salvage value, and dividing by the number of years or months that the asset is expected to be used. Accumulated depreciation for an asset is the annual depreciation times the number of years that it has been actually used. For example, assume that vehicle #001 cost \$15,800 and is expected to be used for five years. At the end of five years, the salvage value is estimated to be \$500. Annual depreciation is \$3,060, which is determined by taking the actual cost of \$15,800, subtracting the estimated salvage value of \$500, and then dividing by the estimated life of five years. For simplicity in accounting, depreciation of capital assets is usually determined at the close of each fiscal year. Once a method of depreciation is placed into use by a school district, it should be consistently and systematically applied. However, this does not mean uniformly applied to all depreciable.

In the following illustration on depreciation, it is estimated that the vehicle will have a useful life of five years and will have a salvage value of \$500. For simplicity of accounting, assume further that the vehicle was delivered at the beginning of the fiscal year. The straight-line method is used to determine depreciation expense.

Account	Debit	Credit
Depreciation Expense		
751-41-6449-00-999-Y-99-0-00	\$3,060	
Account	Debit	Credit
Accumulated Depreciation—Vehicles		
751-00-1574-00-000-Y-00-0-00		\$3,060

Disposal: Assume that the school district sells vehicle #001 for \$250 after it has been completely depreciated. Note that the \$250 non-operating expense—loss on sale of real and personal property equity is equal to the \$500 salvage value determined at the time that the vehicle was purchased less the \$250 sale price. The following entries are made.

A. Record the sale of vehicle #001.

Account	Debit	Credit
Cash and Temporary Investments		
751-00-1110-00-000-Y-00-0-00	\$250	
Accumulated Depreciation—Vehicles		
751-00-1574-00-000-Y-00-0-00	\$15,300	
Loss on Sale of Real and Personal Property		
751-41-8951-00-999-Y-99-0-00	\$250	
Vehicles		
751-00-1543-00-000-Y-00-0-00		\$15,800

Assume that the same situation exists regarding the above vehicle #001, except that the school district sells the vehicle for \$2,000 after the close of the third year, but prior to its total depreciation. The following entries are made.

B. Record the sale of vehicle #001.

Account	Debit	Credit
Cash and Temporary Investments		
751-00-1110-00-000-Y-00-0-00	\$2,000	
Accumulated Depreciation—Vehicles		
751-00-1574-00-000-Y-00-0-00	\$9,180	
Loss on Sale of Real and Personal Property		
751-00-8951-00-000-Y-00-0-00	\$4,620	
Vehicles		
751-00-1543-00-000-Y-00-0-00		\$15,800

### G.2.3 Liabilities

GAAP for internal service funds require all obligations related to the funds’ activities to be displayed as fund liabilities. The liabilities should either be classified as short-term, long-term, or divided between

short-term and long-term when a balance sheet is presented. In internal service funds, long-term debt is rare except for the existence of capital leases and liabilities under self-insurance.

### G.2.4 Net Position

Internal service fund net position is presented in three categories:

- net investment in capital assets,
- restricted, and
- unrestricted.

Since an internal service fund is a proprietary fund the accounting equation is **assets – liabilities = net position**.

Revenues and expenses in an internal service fund must be identified as operating or non-operating. Operating activities relate to the primary functions of the internal service fund.

### G.2.5 Revenues

Revenues are earned as an internal service fund provides goods and services to another department such as an academic unit, an administrative unit, or another government. These revenues are recognized in the period in which they are earned.

Unearned revenue is usually not reported in an internal service fund since receivables are not reported until the service is provided. As soon as a service is performed or a product is provided, a receivable and revenue should be reported.

### G.2.6 Expenses

Expenses in the internal service fund are recognized in the period in which they are incurred. For services done by an internal service fund, the expense is reported when the service has been performed and the amount of the liability can be estimated. Inventories of consumable materials and supplies are acknowledged as expenses when they are used in providing the services. Usually, the cost of supplies and materials used are reported as expenses when the inventory is taken from the inventory stock.

Assume that an ESC operates a print shop which provides printing services to all the departments/offices in the ESC. The print shop operations are accounted for in an internal service fund. During the year, charges to departments/offices are based on a rate structure which considered cost per unit sufficient to maintain a break-even reimbursement basis for the ESC. The following departments/offices had charges for the month of December.

Function	Department	Amount
12	Media Services	\$ 4 5 0
13	Curriculum Assistance	625

53	Computer Services	100
34	Bus Driver Training	75
11	Instruction-Migrant Education (Federally Funded)	175
		\$1,425

A. Record print charges to other funds in the print shop internal service fund, assuming charges are not immediately settled in cash.

Account	Debit	Credit
Due from General Fund		
752-00-1261-00-000-Y-00-0-00	\$1,250	
Due from Special Revenue Fund		
752-00-1262-00-000-Y-00-0-00	175	
Revenues—Interfund service Provided and Used Interfund		
752-00-5754-00-000-Y-00-0-00		\$1425

B. Record amount charged for printing services to the general fund and special revenue funds by the print shop internal service fund. As noted above, assume the charges are not immediately settled in cash.

Account	Debit	Credit
Expenditures—General Supplies		
199-12-6399-00-000-Y-99-0-00	\$450	
199-13-6399-00-000-Y-99-0-00	\$625	
199-53-6399-00-000-Y-99-0-00	\$100	
Assets—Inventory		
752-00-1310-00-000-Y-00-0-00		\$1175

Account	Debit	Credit
Due from General Fund		
752-00-1261-00-000-Y-00-0-00	\$1175	
Due to Internal Service Fund		\$1175
199-00-2176-00-000-Y-00-0-00		

Expenditures—General Supplies		
199-34-6399-00-000-Y-99-0-00	\$75	
Assets—Inventory		
752-00-1310-00-000-Y-00-0-00		\$75
Due from General Fund		
752-00-1261-00-000-Y-00-0-00	\$75	
Due to Internal Service Fund		
199-00-2176-00-000-Y-00-0-00		\$75
Expenditures—General Supplies		
212-11-6399-00-000-Y-24-0-00	\$175	
Assets—Inventory		
752-00-1310-00-000-Y-00-0-00		\$175
Due from General Fund		
752-00-1261-00-000-Y-00-0-00	\$175	
Due to Internal Service Fund		
199-00-2176-00-000-Y-00-0-00		\$175

### G.2.7 Transfers

Districts often make transfers between fund types and internal service funds. Some of the main reason transfers are made are:

- the transfer of existing governmental fund type activities to a new internal service fund
- the abolishment of a current internal service fund with the remaining assets, liabilities and equities being transferred to a governmental fund type and or the account groups
- an annual subsidy from a governmental fund to an internal service fund

When a new internal service fund is established, the transfer is considered an operating transfer.

Assume that a school district desires to establish an internal service fund for the purpose of operating a motor pool for all types of district owned vehicles. Traditionally, costs of vehicles have been borne by the general fund. As a result, vehicles costing \$500,000 are recorded in the general capital assets fund (GCAF) and bus warrants for \$100,000 are recorded in the general long-term debt fund. The school district established an internal service fund for the motor pool by making the following transfers, including a transfer of \$50,000 in cash.

- A. Transfer cash from the general fund to the motor pool internal service fund.

Account	Debit	Credit
Transfers Out		
199-00-8911-00-999-Y-99-0-00	\$50,000	
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00		\$50,000

B. Transfer the cost of the vehicles from the CGCAF to the motor pool internal service fund.

Account	Debit	Credit
Net Investment in Capital Assets		
901-00-3200-00-000-Y-00-0-00	\$500,000	
Vehicles		
901-00-1543-00-000-Y-00-0-00		\$500,000

C. Transfer the bus warrants from the general long-term debt fund to the motor pool internal service fund.

Account	Debit	Credit
Loans Payable—Long-Term		
902-00-2520-00-000-Y-00-0-00	\$100,000	
Net Investment in Capital Assets		
902-00-3200-00-000-Y-00-0-00		\$100,000

D. Record the transferred assets, liabilities, and fund balance from the general fund, GCAF, and the general long-term debt fund to the motor pool internal service fund, and to establish the accumulated depreciation for vehicles.

Account	Debit	Credit
Cash and Temporary Investments		
751-00-1110-00-000-Y-00-0-00	\$50,000	
Vehicles		
751-00-1543-00-000-Y-00-0-00	\$500,000	
Transfers In		



751-00-7999-00-000-Y-00-0-00		\$50,000
Accumulated Depreciation—Vehicles		
751-00-1572-00-000-Y-00-0-00		\$25,000
Loans Payable—Long-Term		
751-00-2520-00-000-Y-00-0-00		\$100,000
Contributed Capital		
751-00-3200-00-000-Y-00-0-00		\$375,000

At the close of the accounting period, it is determined that the motor pool internal service fund has sufficient assets to return the \$50,000 cash transfer to the general fund. The following entries are made to record this transfer.

A. Record the transfer to the general fund.

Account	Debit	Credit
Transfers Out		
751-00-8911-00-999-Y-99-0-00	\$50,000	
Cash and Temporary Investments		
751-00-1110-00-000-Y-00-0-00		\$50,000

B. Record the transfer from the motor pool internal service fund to the general fund.

Account	Debit	Credit
Cash and Temporary Investments		
199-00-1110-00-000-Y-00-0-00	\$50,000	
Transfers In		
199-00-7999-00-000-Y-00-0-00		\$50,000

**Note:** The infusion or return of capital should not be confused with recurring subsidies.

### G.2.8 Financial Reporting of Internal Service Funds

Internal service funds are considered proprietary funds. Financial information for internal service funds is reported on the following required financial statements:

- Combining Statement of Net Position—Internal Service Funds

- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Internal Service Funds
- Combining Statement of Cash Flows—Internal Service Funds

Financial information for internal service funds are also disclosed on the following statements:

- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Per [GASB Statement No. 34](#), although internal service funds are reported as proprietary funds of the government, the activities accounted for in them are usually more governmental than business type in nature. If enterprise funds are the predominant or only participants in an internal service fund, however, the district should report that internal service fund’s residual assets and liabilities within the business-type activities column in the statement of net position.

[GASB Statement No. 34](#) does not define predominantly. The term will require professional judgment. Your district should consider whether the fund’s primary purpose is to serve the district (i.e., creation of a centralized function to improve operating efficiency, determine individual service costs, or restrict use of authorized resources) or to provide and charge a fee for goods and services and the other divisions of the district and/or other governments are just a customer.

Although not required, it is recommended that a budget report be completed as part of an overall system of good internal control.

Districts should consider eliminating ineffective or unnecessary internal service funds and performing the accounting for the activities in these funds as a special revenue fund or in a separate department in the general fund. Note that if this onetime option is used, the internal service funds will actually be eliminated in the general ledger and the activities accounted for in the general fund department. Once the initial elimination is made on the books, the internal service funds will not exist, except as a department of the general fund.

If the district does not eliminate internal service funds, then the internal activity and internal balances in fund financial statements must be eliminated when preparing the government-wide statement of net position and statement of activities. This will eliminate the doubling-up effect of amounts in the government-wide financial statements. Doubling-up is the double counting of revenues and expenditures when user fee revenues are charged to other funds.

In the statement of activities, the eliminations are necessary to remove the doubling-up effect of internal service fund activities. To eliminate the “doubling-up” effect in the statement of activities only the residual balances are reported. Internal revenues (except investment income) and expenses (except interest) should be netted. The difference should be charged back entirely on pro-rata basis to the funds/functions that used services or acquired goods from that internal service fund (e.g., if the internal service fund reports net income, the entire amount should be charged back to the participating funds and would reduce their expenses related to the services and goods purchased from that fund).

Certain revenues and expenses are not internal and should not be eliminated, especially significant investment income or interest expense. In this case, they have to be reported in the related categories in the statement.

### ***G.2.9 Internal Service Fund Cost and Price Analysis Guide***

It is important for each district to complete a cost and price analysis for each internal service fund that the district establishes. The relationship of costing and pricing is important since one of the main objectives of an internal service fund is to recover total cost through user charges.

#### **G.2.9.1 Cost Analysis**

Cost analysis may be defined as the process of defining a service and establishing the cost of providing that service. Total cost should be defined as all costs incurred to provide the service. Costing of services is enhanced in internal service funds because a separate fund is established that provides a vehicle to account for direct costs and least cost analysis is required outside of the accounting system. The focus of costing for your district is determining the cost of providing a service to departments within other funds.

#### **G.2.9.2 Defining the Service**

The first step in cost analysis is defining the service. With internal service funds, this task usually is clear, because some type of output is usually produced, such as printed pages, a repaired bus, or a consumable inventory. Each internal service fund that your district establishes should be to provide a particular service or services. Combining various types of services in a single fund, such as printing and data processing, makes it difficult to define each individual service cost.

Upon defining the internal service fund, your district must then select a unit of measure for the service delivery. Some internal service funds may use a single unit of measure, such as a unit of clock time for data processing, whereas central stores operation could maintain hundreds of units of measure, such as one unit for each different individual inventory item.

It may be desirable to have a unit of service focus on outputs. For example, a printing and duplicating fund may use the number of pages printed or duplicated as the unit of measure. However, in a vehicle maintenance fund in which repair parts and labor are both used, a single unit of measure may not be appropriate.

With internal service funds, all costs charged to the fund are considered direct costs of the services provided. If only one service is provided all direct costs are readily available for analysis and pricing. However, when more than one unit of service is generated in a single fund, some of the costs will be considered direct and some indirect. For example, an individual may be assigned as the director of all internal service fund activities within a single internal service fund. In these instances, all direct costs related to the director, such as salary and employee benefits, are considered indirect costs to each individual internal service fund activities and must be allocated through the service unit.

### G.2.9.3 Pricing Services

While costing is factual, pricing is a management, policy, and political issue. A primary objective of internal service funds is to recover total cost including any related indirect costs. A common pricing system that your district may consider divides the total cost of operations by the number of units of service resulting in a per unit cost. Deriving a per unit cost may allow your district to create a price point for the goods and services offered that will allow your district to effectively recover total costs for the goods and or services.

When considering an internal pricing system your district should:<sup>105</sup>

1. Identify the goals of internal service pricing. The goals will guide the pricing model that your district creates.
2. Develop an allocation strategy. Decide which internal services will be priced and allocated to user departments. Differentiate between market and policy or regulatory services. Market services are those where the user department occupies the role of consumer (examples include IT, transportation, and maintenance). Policy or regulatory services are used to establish organization-wide policies or ensure compliance with standards (examples include budgeting, internal auditors, or chief executive).
3. Define level of costing detail. Low level and high level of detail. Low level defines services at the department level, and high level defines services at the programs or subdepartment level (examples of high level include the various divisions of finance and IT).
4. Determine price of service.
5. Determine basis of allocation. Costs can be allocated in an internal service fund on the principles of cause-and-effect relationship, benefits received, fairness, and legal constraints.
6. Consider potential drawbacks. Unmet expectations, internal pricing exceed the benefits of the system, acrimony, and debate over the charge system may arise.

Depreciation is a common issue in pricing. Properly recording depreciation will allow your district to determine all costs of operating the internal service fund. Depreciation expense and accumulated depreciation must be recorded and reported.

Your district should regularly review the internal price rates against actual experience for appropriate adjustments. In addition to reviewing the internal price rates, your district should regularly review the accounting mechanism used to produce the internal charge.

For more information on internal service funds see GASB statements:

[GASB Statement No. 10: Accounting and Financial Reporting for Risk Financing and Related Insurance Issues](#)

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<sup>105</sup> [Government Finance Officers Association, Pricing Internal Services](#)

GASB Statement No. 34: Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments

GASB Statement No. 68: Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27

# Appendix H: Financial Accountability and the Financial Integrity Rating System of Texas (FIRST)

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Accountability forms the cornerstone of financial reporting for state and local governmental entities. It is the paramount objective of financial reporting.

## H.1 Financial Accountability

In the case of Texas public schools, accountability prescribes a reporting relationship between campus, school district and administrators, and governing bodies such as school district boards of trustees, TEA, the legislature, and other stakeholders. Ultimately, accountability requires a school district to justify to stakeholders the purposes for which public resources are raised and used. This is based upon the belief that stakeholders have a “right to know” how and why governmental resources have been acquired and used.

### *H.1.1 State Accountability Legal Requirements*

The TEC contains several sections that have been adopted to ensure that a school district is accountable to the state for its financial and student achievement results. The following provisions of the TEC are related to accountability:

- A school district’s president of the board of trustees must call a meeting of the trustees to adopt the budget for the succeeding fiscal year. A district must give at least 10 days’ public notice of the meeting before the scheduled date of the public meeting, and any taxpayers or persons that reside in the school district may be present and participate in the meeting. ([TEC, §44.004](#))
- Concurrently with the publication of notice of the budget above, a school district must post a summary of the proposed budget on its internet website or in its central administrative office if it does not have an Internet website. The budget summary must include a comparison to the previous year’s actual spending and information relating to per-student and aggregate spending on instruction, instructional support, central administration, district operations, debt service, and any other category designated by the commissioner. ([TEC, §44.0041](#))
- A school district must file its officially adopted budget with the TEA by the date set by the SBOE. ([TEC, §44.005](#))
- A school district, on final approval of the budget by the board of trustees, must post the adopted budget on the school district’s website. ([TEC, §44.0051](#))
- A school district’s trustees must adopt and install a standard school fiscal accounting system which meets the minimum requirements prescribed by the commissioner. The accounting system must conform to generally accepted accounting principles (GAAP). ([TEC, §44.007](#))
  - GAAP is established by the Governmental Accounting Standards Board (GASB), an entity at the national level.

- Conformance with GAAP is essential, because GAAP allows separate school districts to report comparable financial data to the TEA.
- A school district must file a report of all revenues and expenditures for the preceding fiscal year with the TEA at the time the budget for the current fiscal year is filed. This report must also include management, cost accounting, and financial information required by the SBOE. This information must be presented in the form prescribed by the board and be sufficient to enable the board to monitor the funding process and determine educational system costs by school district, campus, and program. ([TEC, §44.007](#))
- A school district must report to the commissioner the percentage of the district’s total expenditures for the preceding fiscal year that it used to fund direct instructional activities and the percentage of the district’s full-time equivalent employees during the preceding fiscal year whose job function was to directly provide classroom instruction to students. ([TEC, §44.0071](#))
- At least annually, a school district must provide educators employed by the district with a list of school district employees that it determines to be engaged in directly providing classroom instruction to students. The list must include the percentage of time spent by each employee in directly providing classroom instruction to students. This information is reported by the district locally and not through TAPR. ([TEC, §44.0071](#))
- A school district must have an annual audit of its accounts performed at the close of the fiscal year. The annual financial and compliance report (AFR) approved by the school district board of trustees must be filed with the TEA no later than 150 days after the close of the school district’s fiscal year. The audit must meet the minimum requirements prescribed by the SBOE and include an audit of the accuracy of the fiscal data provided by the school district through the [PEIMS](#) and [TSDS](#) systems. A school district’s audit report is reviewed by the TEA and the commissioner, who notifies the board of trustees of objections, violations of sound accounting practices, or legal and regulatory requirements. The commissioner must be allowed access to all financial records and other documentation in the review of school district and open-enrollment charter school audit reports. When an audit report reflects the violation of penal codes, the commissioner addresses such information to the appropriate county or district attorney and the attorney general. ([TEC, §44.008](#))
- All Texas school districts and campuses must be rated by the TEA.
- Base indicators used for determining academic accountability ratings include overall student achievement on the State of Texas Assessments of Academic Readiness (STAAR), overall student progress, closing performance gaps, STAAR postsecondary readiness standard, graduation rates (or dropout rates if graduation rates are not available), graduation plan, and college readiness. Distinction designations are awarded in several different areas to campuses for outstanding performance in relation to 40 other comparable campuses. A school district is eligible to earn a distinction designation in postsecondary readiness.
  - School districts and campuses are assigned ratings of Met Standard, Met Alternative Standard, and Improvement Required.
  - Additional details on the Texas Academic Accountability System are explained in the [Accountability Manual](#) published annually by the TEA.

## H.2 Financial Integrity Rating System of Texas (FIRST)

SB 218, 77th Texas Legislature, 2001, added TEC, §39.082 and §39.083, requiring the commissioner to adopt rules for the implementing and administering the financial accountability rating system prescribed by TEC, Chapter 39, Subchapter D. The result of the aforementioned TEC statutes is the School Financial Integrity Rating System of Texas (FIRST), a financial accountability system.

19 Texas Administrative Code (TAC) Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, adopted to be effective October 20, 2002, establishes provisions that detail the purpose, ratings, types of ratings, criteria, reporting, and sanctions for the financial accountability rating system in accordance with SB 218, 77th Texas Legislature, 2001. The adopted rules also include the financial accountability rating forms entitled "School FIRST – Rating Worksheet" and "Charter FIRST – Rating Worksheet" that explain the indicators that the TEA will analyze to assign school districts and open-enrollment charter schools financial accountability ratings for each applicable rating year.

HB 3, 81st Texas Legislature, 2009, added a restriction in [TEC, §39.082\(c\)](#), that prevents the FIRST system from including an indicator or any other performance measure that either requires a school district to spend at least 65% or any other specified percentage of district operating funds for instructional purposes or lowers the financial management performance rating of a school district for failure to spend at least 65% or any other specified percentage of district operating funds for instructional purposes.

HB 5, 83rd Texas Legislature, 2013, added a deadline for the release of preliminary School FIRST and Charter FIRST ratings. The TEA must make the preliminary School FIRST and Charter FIRST rating for each school district and open-enrollment charter school publicly available no later than **August 8** of each year.

The FIRST system is designed to encourage school districts and open-enrollment charter schools to manage their financial resources to provide the most money possible for direct instructional purposes. The system collects data and monitors the financial performance of school districts and open-enrollment charter schools. The FIRST rating is a component of a school district's and open-enrollment charter school's accreditation status.

FIRST requires school districts and open-enrollment charter schools to report certain financial data to the TEA; the TEA to assign a financial accountability rating to each school district and open-enrollment charter school; and school districts and open-enrollment charter schools to develop an annual financial management report for taxpayers and parents based on their financial data, accountability rating, financial disclosures.

For further specific information concerning financial accountability see the [TEC, Chapter 39](#), and [19 TAC §109.1001](#).

Current ratings are found under the [Financial Integrity Rating System of Texas](#) heading on the Financial Accountability web page which is located on the [Finance and Grants](#) section of the TEA website.



### **H.2.1 Ratings**

The TEA will base the financial accountability rating for a rating year on the data from the fiscal year preceding the rating year. For example, if the FIRST rating year is 2017–2018, the TEA will use data from fiscal year ended 2017.

Beginning with the 2015–2016 FIRST rating year and in all subsequent rating years, the TEA will issue the following types of FIRST ratings:

- A—Superior Achievement
- B—Above Standard Achievement
- C—Standard Achievement
- F—Substandard Achievement

The commissioner may lower a financial accountability rating based on the findings of an action conducted under [TEC, Chapter 39](#).

A financial accountability rating remains in effect until replaced by a subsequent financial accountability rating.

The TEA will issue preliminary financial accountability ratings to school districts and open-enrollment charter schools on or before **August 8** of each year. If a school district or open-enrollment charter school misses the statutory deadline for filing the annual financial and compliance report, under [TEC, §44.008](#), the TEA will not delay the issuance of the preliminary or final FIRST ratings. Instead, the school district or open-enrollment charter school will receive an F rating for substandard achievement.

If the TEA does not receive a written request for an appeal of a preliminary rating, the preliminary rating will become final on the **31st** day after issuance.

### **H.2.2 Appeal Process**

A school district or open-enrollment charter school may appeal its preliminary financial accountability rating by using the appeals process outlined under [19 TAC §109.1001](#).

The division responsible for financial accountability must receive a written request for an appeal no later than **30 days** after the TEA releases the preliminary rating. The appeal must include adequate evidence and additional information that supports the school district's or open-enrollment charter school's position. The TEA will not consider appeals received 31 days or more after the issuing a preliminary rating.

A school district or open-enrollment charter school may submit a written appeal for review of the preliminary rating based on a data error attributable to the TEA or any adverse issue the school district or open-enrollment charter school identifies in the preliminary rating. The TEA is required to apply the FIRST rules uniformly. The TEA will only consider appeals that would result in the change of the preliminary rating.

The TEA division responsible for financial accountability will select an external review panel to independently oversee the appeals process, and the TEA staff will submit the information provided by the school district or open-enrollment charter school to the external review panel members.

Each external review panel member will examine the appeal and supporting documentation and submit his or her recommendation to the TEA. The external review panel recommendations will be compiled and forwarded to the commissioner.

The commissioner will make a final decision no later than 60 days after the school district or open-enrollment charter school submits a written appeal request to the TEA.

A final rating issued by the TEA may not be appealed under [TEC, §7.057](#), or any other law or rule.

A school district or open-enrollment charter school, at its discretion, may obtain a financial accountability rating from another entity. However, the financial accountability rating does not substitute for a financial accountability rating issued by the TEA.

### ***H.2.3 FIRST Annual Financial Management Report***

Each school district and open-enrollment charter school is required to report information and financial accountability ratings to parents, taxpayers, and other stakeholders by holding a public hearing on the annual financial management report **within two months** of receiving a final financial accountability rating from the TEA. Each school district and open-enrollment charter school must implement the annual financial management report requirements in accordance with 19 TAC §109.1001.

A financial management report template has been created by the TEA that each school district and open-enrollment charter school may use at its discretion. The template contains all of the requirements that are disclosed under 19 TAC §109.1001 for the required financial management report.

School districts and open-enrollment charter schools are not required to use the financial management report created by the TEA; but each school district and open-enrollment charter school must include all of the financial management report elements that are required to be reported, as disclosed under 19 TAC §109.1001, in the financial management report that is created by each school district and open-enrollment charter school.



## Glossary

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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 sourced from the Government Finance Association’s Governmental Accounting, Auditing, and Financial Reporting, the terms and explanations have not been modified to reflect specific Texas school district 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.

**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.

**ACTIVE EMPLOYEES.** Individuals employed at the end of the reporting or measurement period, as applicable.

**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 postemployment 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.

**ACTUARIAL ASSUMPTIONS.** Term used in connection with defined benefit pension plans and other postemployment 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.

**ACTUARIAL COST METHOD.** Term used in connection with defined benefit pension plans and other postemployment 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.

**ACTUARIAL SECTION.** One of five sections of a CAFR of a public employee retirement system.

**ACTUARIAL VALUATION DATE.** The date as of which an actuarial valuation is performed.

**ACTUARIAL VALUE OF ASSETS.** Term used in connection with defined benefit pension plans and other postemployment 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).

**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.

**ADVERSE OPINION.** Term used in connection with auditing. Conclusion in the independent auditor's report that 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.

**AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION/OTHER POSTEMPLOYMENT 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.

**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.

**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 COVERED PAYROLL.** Term used in connection with defined benefit pension and other postemployment benefit plans. All elements included in annual compensation paid to active employees on which contributions to a plan are based.

**ANNUAL REQUIRED CONTRIBUTION (ARC).** Term used in connection with defined benefit pension and other postemployment benefit plans. The employer's required contribution for the year, calculated in accordance with certain parameters.

**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.

**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 postemployment 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 American Institute of Certified Public Accountants (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 in this series is *State and Local Governments*.

**AUDIT SCOPE.** In the content 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 replace 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 generally accepted government auditing standards (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.

**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 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.

**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.

**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.

**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.

**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.

**BLUE BOOK.** A term commonly used to designate the Government Finance Officers Association's (GFOA) 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 proceeds of the bonds to which it is related.

**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 commonly are 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 CAFR 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.

**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.

**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.

**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.

**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.

**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.

**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.

**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]

**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).]

**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.

**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 postemployment 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.

**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.

**COLLATERAL.** Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit.

**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, insure there will be no loss of public funds because of the default of a member.

**COLLECTIVE NET PENSION LIABILITY.** The net pension liability for benefits provided through (1) a cost-sharing pension plan or (2) a single-employer or agent pension plan in circumstances in which there is a special funding situation.

**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 OF SPONSORING ORGANIZATIONS (COSO).** Committee of Sponsoring Organizations of the Treadway Commission on Fraudulent Financial Reporting (**COSO**). Organization that published *Internal Control: An Integrated Framework*.

**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.

**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 OMB 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.

**COMPOSITE DEPRECIATION METHODS.** Depreciation methods applied to groups of assets rather than to individual assets.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR).** Financial report that contains, at a minimum, three section (introductory, financial, and statistical), and whose financial section provides information on each individual fund and component unit.

**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.

**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.

**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.

**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.

**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 PLAN (COST-SHARING PENSION PLAN).** A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

**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.

**COVERAGE RATIO.** Ratio of pledged revenues to related debt service payments.

**COVERED GROUP.** Term used in connection with pension and other postemployment benefit plans to describe plan members included in an actuarial valuation.

**CREDIT RISK.** Risk that an issuer or other counterparty to an investment will not fulfill its obligations.

**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 MSWLFs. 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

**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.

**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, ¶132-33]

**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, ¶134-35]

**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 POSTEMPLOYMENT 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 health care insurance premiums).

**DEFINED BENEFIT PENSION PLANS.** Pension plans that are used to provide defined benefit pensions.

**DEFINED BENEFIT PENSIONS.** Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such

as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of this Statement.)

**DEFINED CONTRIBUTION PENSION/OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN.** A pension or OPEB plan having terms that provide an individual account for each plan member and 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.

**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).

**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.

**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.

**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).

**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.

**DIRECT EXPENSE.** Expense that is specifically associated with a service, program, or department and, thus, is clearly identifiable to a particular function.

**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).

**DISALLOWED COSTS.** Claims for grantor resources that have been rejected by the grantor. Disallowed costs are to be distinguished from questioned costs, which are potentially 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.

**DISCOUNT RATE.** The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected (under the requirements of this Statement) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

**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.

**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.

**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).

**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 postemployment benefits to describe contributions actually made by the employer in relation to the annual required contribution (ARC) of the employer.

**ENCUMBRANCES.** Commitments related to unperformed (executory) contracts for goods or services. For financial reporting purposes, encumbrance accounting is restricted to governmental funds.

**ENTERPRISE FUND.** Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

**ENTITY DIFFERENCES.** A difference between the budgetary basis of accounting and GAAP arising because the appropriated budget includes organizations, programs, activities, or functions that are not within the financial reporting entity as defined by GAAP, or the appropriated budget excludes organizations program, activities, or functions that are part of the financial reporting entity.

**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.

**EQUIVALENT SINGLE AMORTIZATION PERIOD.** Term used in the context of pension and other postemployment 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.

**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.

**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.

**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 (FASAB). 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.

**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.

**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.

**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](#), ¶138-39]

**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.

**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.

**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.

**FINANCIAL ACCOUNTING FOUNDATION (FAF).** Nonprofit organization responsible for overseeing the operations of both the GASB and the FASB.

**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 CAP 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.

**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 CAFR. 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.

**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 its budget, the levying of taxes or the setting of rates or charges, or 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.

**FIXED BUDGETS.** Term used in contrast with flexible budgets. Budgets that embody estimates of specific (fixed) dollar amounts.

**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

**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.

**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.

**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.

**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.

**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).

**FUNDED RATIO.** The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

**GAAFR.** The acronym for *Governmental Accounting, Auditing, and Financial Reporting*, a publication of the GFOA. Also known as the Blue Book, various editions of this book have been published since the mid-1930s.

**GAAP HIERARCHY.** *Establishment of the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity must adhere to.*

**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.

**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.

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP).** The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. .

**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 Accountability Office (GAO) promulgates GAGAS through its publication *Government Auditing Standards*, commonly known as the Yellow Book. The basic GAGAS standards 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 GFOA. 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.

**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.

**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).

**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.

**HEALTH CARE COST TREND RATE.** In connection with other postemployment benefit health care plans, the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of health care services, plan design, and technological developments.

**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.

**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.

**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).

**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 known loss events that are expected to be presented later as claims, unknown loss events that are expected to become claims, and expected future development on claims already reported.



**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.

**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.

**INFLOW OF RESOURCES.** An acquisition of net assets by a school district that is applicable to the reporting period. The acquisition of net assets occurs when net assets are obtained by a 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](#), ¶128]

**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.

**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.

**INSURED BENEFIT.** A pension and other postemployment 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.

**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.

**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.

**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.

**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.

**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.

**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 to achieve 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.

**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](#), ¶127]

**INTRODUCTORY SECTION.** The first of three essential components of any CAFR. 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.

**INVESTMENT SECTION.** One of the sections of a CAFR 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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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 extraordinary 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.

**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. This formal communication by the auditor to management 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.

**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 contributes 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.

**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, ¶16]
- **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, ¶16]

**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).

**MEASUREMENT PERIOD.** The period between the prior and the current measurement dates.

**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. Revenues are not recognized until they are measurable and available, and 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.

**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 one or more specific exceptions exist 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.

**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.

**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.

**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 seven statements and 11 interpretations prior to its dissolution in June 1984. These statements and interpretations remain in effect unless superseded by a subsequent GASB pronouncement.

**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.

**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.

**NET INVESTMENT IN CAPITAL ASSETS.** A 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](#), ¶19]

**NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY.** Liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria in GASB Statement No. 75.

**NET PENSION LIABILITY.** 1. The total pension liability less the amount of the pension plan's fiduciary net position (unfunded accrued liability). For cost-sharing plans, the school district's net pension liability is equal to its proportionate share of the total net pension liability for all participating employers, calculated based on the school district'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 update 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 district should recognize a liability in the governmental fund financial statements for defined contribution plan contributions that are due and payable pursuant to legal or contractual requirements and defined benefit plan benefit payments that are due and payable and in excess of available resources in the pension trust.

2. The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan.

**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.

**NONEMPLOYER CONTRIBUTING ENTITIES.** Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of this Statement, employees are not considered nonemployer contributing entities.

**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.

**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.

**NONRECIPROCAL INTERFUND ACTIVITY.** The internal counterpart to nonexchange transactions. This category includes both interfund transfers and interfund reimbursements.

**NONSPENDABLE FUND BALANCE.** Includes amounts that cannot be spent because they are either not in spendable form or 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](#), ¶16]

**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.

**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 has issued Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**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.

**OPEN AMORTIZATION PERIOD.** Term used in connection with defined benefit pension and other postemployment 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.

**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.

**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.

**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.

**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.

**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.

**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 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.

**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.

**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 POSTEMPLOYMENT BENEFITS (OPEB).** Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

**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.

**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.

**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]

**PASS-THROUGH GRANTS.** Grants and other financial assistance received by a governmental entity to transfer to, or spend on behalf of, a secondary recipient.

**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 CONTRIBUTIONS.** Additions to a pension plan's fiduciary net position for amounts from employers, nonemployer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.

**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 postemployment benefit plans, or other employee benefit plans.

**PENSION BENEFITS.** Retirement income and all other benefits (e.g., disability benefits, death benefits, life insurance) except health care benefits, that are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement. Post-employment health care benefits are considered other postemployment benefits, regardless of how they are provided.

**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.

**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.

**POSTEMPLOYMENT.** Period following termination of employment, including the time between termination and retirement.

**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, ¶19](#)]

**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.

**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.

**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.

**PROPRIETARY FUNDS.** A fund that tracks a district's activities that are operated like private businesses, charging customers a fee in return for goods or services. There are two different types of proprietary funds: an enterprise fund and an internal service fund. Proprietary funds focus on the determination of operating income, changes in revenues, expenses, and changes in fund net position (or cost recovery), financial position (net position), and cash flows.

**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 postemployment health care 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.

**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.

**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.

**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.

**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.

**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 one or more specific exceptions exist 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.

**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).

**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) assumes all or part of a risk undertaken originally by another insurer (ceding enterprise) for a consideration (premium). 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.

**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.

**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.

**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.

**RELIABILITY.** The principle that financial information should be verifiable, free from bias, and faithfully represent what it purports to represent.

**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]

**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 the government’s financial statements, the government’s supplementary schedule of expenditures of federal awards, the auditor’s reports, a summary schedule of prior audit findings, and 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.

**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.

**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. A fund balance should be reported as restricted when constraints placed on the use of resources are either:

- externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- imposed by law through constitutional provisions or enabling legislation. [[GASB Statement No. 54, ¶18](#)]

**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.

**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, ¶16](#)]

**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 externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**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.

**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.

**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.

**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.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS.** Term used in connection with defined benefit pension and other postemployment 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 postemployment 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 CFR, §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.

**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.

**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 COSTS.** Portions of the actuarial present value of projected benefit payments that are attributed to valuation years.

**SERVICE UNITS APPROACH.** Method of measuring capital asset impairments resulting from either changes in environmental factors (e.g., laws, regulations), technological developments and obsolescence, or 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.

**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.

**SINGLE AUDIT.** An audit performed in accordance with the [Single Audit Act of 1984](#) (as amended in [1996](#)) and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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, combining 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 FUNDING SITUATIONS.** Term used in connection with pensions. A situation in which a governmental entity is legally responsible for contributions to pension or other postemployment benefit plans that cover the employees of another governmental entity or entities. For example, a state government may be legally responsible for the annual “employer” contributions to a pension plan that covers employees of school districts within the state.

**SPECIAL ITEMS.** Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

**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.

**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.

**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.

**SPONSOR.** In the context of pension and other postemployment benefits, the entity that established the plan.

**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 postemployment 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.

**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 CAFR. The statistical section provides information on financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information.

**STOCK RIGHTS.** Rights given to existing stockholders to purchase newly issued shares in proportion to their holdings at a specific date.

**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.

**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.

**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 any selection of an accounting treatment when GAAP permit more than one approach, accounting practices unique to state and local governments, and 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.

**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.

**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 form, 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 can be used to provide services or 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.

**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 test need be met for only one of these four items.

**TERMINATION BENEFITS.** Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.

**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.

**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.

**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.

**TOTAL OTHER POST-EMPLOYMENT. BENEFITS LIABILITY.** The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement. The total OPEB liability is the liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in GASB Statement No. 75.

**TOTAL PENSION LIABILITY.** The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement.

**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).

**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.

**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.

**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.

**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.

**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. The 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.

**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).

**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.

**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.

**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 GAO'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.



## Acronyms

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AICPA – American Institute of Certified Public Accountants

ADA – Average daily attendance

CAFR – Comprehensive annual 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 postemployment benefits

PEIMS – Public Education Information Management System

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

USC – United States Code

USDA – United States Department of Agriculture

WADA – Weighted average daily attendance

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