The State Board of Education (SBOE) adopts an amendment to §109.41, concerning financial accounting guidelines. The amendment is adopted without changes to the proposed text as published in the February 27, 2026 issue of the *Texas Register* (51 TexReg 1248) and will not be republished. The amendment adopts by reference the updated *Financial Accountability System Resource Guide* (FASRG), which includes annual updates and removes information related to the compensatory education allotment to align with House Bill (HB) 2, 89th Texas Legislature, Regular Session, 2025. Although no changes were made to §109.41 since published as proposed, the FASRG adopted by reference does include changes to Module 1, Module 1 Appendices, and Modules 3 and 5 at adoption.

REASONED JUSTIFICATION: The *FASRG* describes the rules of financial accounting for school districts, charter schools, and education service centers and is adopted by reference under §109.41. In addition, revisions to the FASRG align the content with current governmental accounting and auditing standards, remove obsolete requirements, and remove descriptions and discussions of best practices and other non-mandatory elements.

Requirements for financial accounting and reporting are derived from generally accepted accounting principles (GAAP). School districts and charter schools are required to adhere to GAAP. Legal and contractual considerations typical of the government environment are reflected in the fund structure basis of accounting.

An important function of governmental accounting systems is to enable administrators to assure and report on compliance with finance-related legal provisions. This assurance and reporting means that the accounting system and its terminology, fund structure, and procedures must be adapted to satisfy finance-related legal requirements. However, the basic financial statements of school districts and charter schools should be prepared in conformity with GAAP.

School district and governmental charter school accounting systems shall use the accounting code structure presented in the Account Code Structure section of Module 1 of the FASRG and nonprofit charter school accounting systems shall use the accounting code structure presented in the Accounting Code Structure section of Module 2 of the FASRG. Funds shall be classified and identified on required financial statements by the same code number and terminology provided in the Account Code section of Module 1 FAR Appendices for school districts and governmental charter schools and Module 3 of the FASRG for nonprofit charter schools.

State law provides authority for both the SBOE and the commissioner of education to adopt rules on financial accounting. To accomplish this, the SBOE and the commissioner each adopt the FASRG by reference under separate rules. The SBOE adopts the FASRG by reference under 19 TAC §109.41, and the commissioner adopts the FASRG by reference under new §109.5001.

The following changes have been made to FASRG Modules 1 through 6.

Module 1, Financial Accounting and Reporting (FAR) and FAR Appendices

Module 1 aligns with current governmental accounting standards. Module 1 includes the following changes. Updates have been made to accounting codes and accounting guidance, including the removal of several program intent codes related to state compensatory education, and previous guidance has been clarified, including additional information on shared services arrangements. School districts and charter schools are required to maintain proper budgeting and financial accounting and reporting systems. In addition, school districts are required to establish principles and policies to ensure uniformity in accounting in conformity with GAAP established by the Governmental Accounting Standards Board (GASB).

Module 1 and Module 1 FAR Appendices were modified at adoption to clarify accounting and tracking of state funds and to align guidance with GASB Statement No. 103, including replacing terminology, accounting, and reporting for special and extraordinary items with unusual and infrequent items.

Module 2, Special Supplement - Charter Schools

Module 2 aligns with current financial accounting reporting standards. Proposed Module 2 includes the following changes. Updates have been made to accounting codes and accounting guidance, and previous guidance has been clarified. The module establishes financial and accounting requirements for Texas public charter schools to ensure uniformity in accounting in conformity with GAAP. The module also includes current guidance that complements the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide, State and Local Governments* and supplements the *Government Auditing Standards* of the United States Government Accountability Office (GAO). These requirements facilitate preparation of financial statements that conform to GAAP established by the Financial Accounting Standards Board (FASB).

Module 3, Special Supplement - Non-profit Charter Schools Chart of Accounts

Module 3 aligns with current financial accounting standards. Module 3 includes the following changes. Updates have been made to accounting codes and accounting guidance, including the removal of several program intent codes related to state compensatory education, and previous guidance has been clarified. Charter schools are required to maintain proper budgeting and financial accounting and reporting systems that are in conformity with Texas Education Data Standards in the Texas Student Data Systems (TSDS) PEIMS. In addition, charter schools are required to establish principles and policies to ensure uniformity in accounting in conformity with GAAP established by the FASB. The module also includes current auditing guidance that complements the AICPA *Audit and Accounting Guide, State and Local Governments* and supplements the *Government Auditing Standards* of the United States GAO. These requirements facilitate preparation of financial statements that conform to GAAP established by the FASB.

Module 3 was modified at adoption to clarify accounting and tracking of state funds and to replace terminology, accounting, and reporting for special and extraordinary items with unusual and infrequent items to align guidance with FASB Accounting Standards Update No. 2015-01.

Module 4, Auditing

Module 4 aligns with current auditing standards. Module 4 includes the following changes. Updates have been made to accounting codes and accounting guidance, and previous guidance has been clarified. The module establishes auditing requirements for Texas public school districts and charter schools and includes current requirements from Texas Education Code (TEC), §44.008, as well as Code of Federal Regulations, Title 2, Part 200, Subpart F, Audit Requirements, that implement the federal Single Audit Act. The module also includes current auditing guidance that complements the AICPA *Audit and Accounting Guide, State and Local Governments* and supplements the *Government Auditing Standards* of the United States GAO. These requirements facilitate preparation of financial statements that conform to GAAP established by the GASB.

Module 5, Purchasing

Module 5 aligns with current purchasing laws and standards. Module 5 includes the following changes. Updates have been made to purchasing guidance that has changed from previous legislation, including an increase in the purchasing threshold from $50,000 to $100,000 for procurement requirements. Purchasing rules that needed additional explanation have been clarified. School districts and charter schools are required to establish procurement policies and procedures that align with their unique operating environment and ensure compliance with relevant statutes and policies.

Module 5 was modified at adoption to further align the threshold for purchasing contracts requirements with TEC, §44.031.

Module 6, Compensatory Education, Guidelines, Financial Treatment, and an Auditing and Reporting System

Module 6, which provides information to assist school districts and charter schools with using the state compensatory education allotment, was deleted because HB 2, 89th Texas Legislature, Regular Session, 2025, repealed TEC, §48.104(j-1) and (k)-(o), which set requirements for using the allotment.

The FASRG is posted on the Texas Education Agency website at https://tea.texas.gov/finance-and-grants/financial-accountability/financial-accountability-system-resource-guide.

The SBOE approved the amendment for first reading and filing authorization at its January 30, 2026 meeting and for second reading and final adoption at its April 10, 2026 meeting.

In accordance with TEC, §7.102(f), the SBOE approved the amendment for adoption by a vote of two-thirds of its members to specify an effective date earlier than the beginning of the 2026-2027 school year. The earlier effective date will ensure the provisions of the FASRG align with current governmental accounting and auditing standards for school districts and charter schools as soon as possible. The effective date is 20 days after filing as adopted with the *Texas Register*.

SUMMARY OF COMMENTS AND RESPONSES: The public comment period on the proposal began February 27, 2026, and ended at 5:00 p.m. on March 30, 2026. The SBOE also provided an opportunity for registered oral and written comments at its April 2026 meeting in accordance with the SBOE board operating policies and procedures. No public comments were received.

STATUTORY AUTHORITY. The amendment is adopted under Texas Education Code (TEC), §7.102(c)(32), which requires the State Board of Education (SBOE) to adopt rules concerning school district budgets and audits of school district fiscal accounts as required under TEC, Chapter 44, Subchapter A; TEC, §44.001(a), which requires the commissioner to establish advisory guidelines relating to the fiscal management of a school district; TEC, §44.001(b), which requires the commissioner to report annually to the SBOE the status of school district fiscal management as reflected by the advisory guidelines and by statutory requirements; TEC, §44.007(a), which requires the board of trustees of each school district to adopt and install a standard school fiscal accounting system that conforms with generally accepted accounting principles; TEC, §44.007(b), which requires the accounting system to meet at least the minimum requirements prescribed by the commissioner, subject to review and comment by the state auditor; TEC, §44.007(c), which requires a record to be kept of all revenues realized and of all expenditures made during the fiscal year for which a budget is adopted. A report of the revenues and expenditures for the preceding fiscal year is required to be filed with the agency on or before the date set by the SBOE; TEC, §44.007(d), which requires each district, as part of the report required by TEC, §44.007, to include management, cost accounting, and financial information in a format prescribed by the SBOE in a manner sufficient to enable the board to monitor the funding process and determine educational system costs by district, campus, and program; and TEC, §44.008(b), which requires the independent audit to meet at least the minimum requirements and be in the format prescribed by the SBOE, subject to review and comment by the state auditor. The audit must include an audit of the accuracy of the fiscal information provided by the district through the Public Education Information Management System.

CROSS REFERENCE TO STATUTE. The amendment implements Texas Education Code, §§7.102(c)(32); 44.001(a) and (b); 44.007(a)-(d); and 44.008(b).

<rule>

§109.41. Financial Accountability System Resource Guide.

The rules for financial accounting are described in the official Texas Education Agency (TEA) publication Financial Accountability System Resource Guide, Version 20, which is adopted by this reference as the agency's official rule. A copy is available on the TEA website with information related to financial compliance.