

OFFICIAL BUDGET

2013



2014

EFFECTIVE: JULY 1, 2013 TO JUNE 30, 2014

June 19, 2013

PRESENTED BY: MICHAEL HOLLAND, SUPERINTENDENT
PREPARED BY: LUCAS JANDA, CHIEF FINANCIAL OFFICER

FORNEY INDEPENDENT SCHOOL DISTRICT • BUSINESS OFFICE
600 BOIS D'ARC ST, FORNEY, TEXAS • KAUFMAN COUNTY • WWW.FORNEYISD.NET

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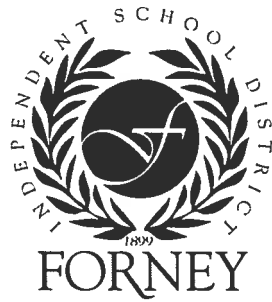
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INTRODUCTORY SECTION



INTRODUCTORY INFORMATION

Forney Independent School District

Principal Officials

BOARD OF TRUSTEES

<u>Trustee Name</u>	<u>Length of Service</u>	<u>Term Expires</u>
Mr. Keith Bell, President	15 Years	2016
Vacant, Vice President		
Mr. David Walker, Secretary	15 Years	2016
Mr. Heath Carroll	1 Year	2015
Mrs. Becky Dobbs	11 Years	2014
Mrs. Kathy Hall	0 Years	2016
Mr. Greg Pharris	5 Years	2014
Mr. Mike White	1 Year	2015

ADMINISTRATIVE OFFICIALS

<u>Name of Official</u>	<u>Position</u>	<u>Years at FISD</u>
Mr. Michael Holland	Superintendent	2
Mrs. Suzie McWilliams	Deputy Superintendent	3
Dr. Brian Zemlicka	Assistant Superintendent	2
Mr. Lucas Janda	Chief Financial Officer	2

OFFICIALS ISSUING REPORT

<u>Name of Official</u>	<u>Position</u>	<u>Years at FISD</u>
Mr. Lucas Janda	Chief Financial Officer	2

Forney Independent School District

Consultants and Advisors

AUDITORS

Whitley Penn
2000 Loop 197 North, Suite 200
Texas City, Texas 77590

BOND COUNSEL

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Dallas, Texas 75201

DEPOSITORY BANK

City Bank
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Forney, Texas 75126

FINANCIAL ADVISOR

Specialized Public Finance, Inc.
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Dallas, Texas 75206

GENERAL COUNSEL

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505 E. Huntland Dr., Suite 600
Austin, Texas 78752

Forney Independent School District

Executive Summary

Board Goal #2

In order to maximize taxpayer dollars, Forney ISD will work diligently to ensure fiscal responsibility in all areas throughout the district.

Mission Statement

In partnership with parents and the community, the District shall create and sustain an environment to maximize the potential of each learner.

Vision Statement

Inspiring students through innovative education.

Budget Document Purpose and Basis for Presentation

This document, as a whole, and the year-end Annual Financial Report are the primary vehicles used to present the financial plan and the results of operations of the District.

This budget is intended to serve as a policy document, as an operations guide, as a financial plan, and as a communications device.

The primary purpose of this document is to provide timely and useful information concerning the past, current, and projected financial status of the Forney Independent School District (FISD) in order to facilitate financial decisions that support the education of our students.

Budget Document Sections

The District's budget is organized into four major sections: *Introductory, Organizational, Financial, and Informational*. All sections include sub-sections that assist the reader in understanding all areas that drive the annual budget of Forney Independent School District.

The *Introductory Section* provides a complete overview of the entire budget document. The Introductory Section is the budget in narrative form (charts, tables and graphs are used to assist the reader in this section as well as all other sections and sub-sections). This section includes the following sub-section: *introductory information*.

Budget Document Sections (continued)

The *Organizational Section* describes FISD – who we are, where we are located, how our organization is structured, how our financial system functions and the budgets thereto, and the significant areas that impact the finances of the District. This section informs the reader on the District’s budget policies and development process, long range goals, and the budget calendars used to adequately prepare and review the budget document. This section of the budget document includes the following sub-sections: *district information, enrollment information, academic information, accounting information, and significant budget and financial information.*

The *Financial Section* is typically what we consider to be “the budget.” This section is organized in a hierarchal order starting with the general fund. Charts, tables and graphs explain significant budget data. Included in this section are schedules for the General Fund, School Nutrition Fund and Debt Service Fund. Schedules are also provided that focus on key financial trends and the direct impact on the District’s fund balance. This section includes the following sub-sections: *budget information, general fund information, food service information, debt service information, construction fund information, and financial accountability information.*

The *Informational Section* is the final section of the budget document. This section is full of explanatory information such as account code explanations, terms often used in school finance, and other district-related information. This final section includes the following sub-sections: *performance measures section, personnel information, tax information, and additional information.*

Budget Process



Starting with the February 18, 2013 budget workshop, the FISD Board of Trustees and administration began the process of ensuring that all financial resources have been allocated effectively and are focused on the education of our students.

Statistics, trends, and other data will be utilized to make accurate financial decisions for the District.

Ultimately, a public hearing on the budget will be held in June and the Superintendent will make a formal recommendation related to the budget for 2013-2014.

In addition, the District will concurrently post a summary of the proposed budgets on the FISD website as required by Section 44.0041 of the TEC.

A public hearing on the proposed tax rate will be held after the certified values are provided by Kaufman CAD (this typically is in late July and the hearing must fall in a window of time defined by the state).

No significant changes have been made to the budget process or policies related thereto.

Major Goals and Objectives of Budget Process

The following is a list of major goals and objectives that have been prepared to drive the budget process:

- Provide programs and opportunities for all students to exceed their educational goals;
- Provide resources necessary to reach the goals established in all campus improvement plans as well as the District improvement plan;
- Provide a compensation package that recruits, attracts, and retains highly qualified staff;
- Continue to prepare a budget that adds 1% of operating expenses to fund balance; and
- Continue to monitor the financial solvency plan in relation to district finances.

Budget Information

The annually adopted budget includes the general, food service, and debt service funds (which also serve as the highest area of public interest). The annual budget serves as the foundation for the District's financial planning and control. FISD maintains budgetary controls throughout all of its financial systems in order to ensure compliance with legal provisions embodied in the appropriations approved by the Board.

Total expenditures for these funds are \$74,800,000. The total *proposed* tax rate for 2013/14 is \$1.54 per \$100 of valuation – which is the same tax rate adopted in 2012/13.

Tax Rate



A summary of the *draft* budget is as follow:

	General Fund	Food Service Fund	Debt Service Fund
Total Revenues	\$ 59,700,000	\$ 3,700,000	\$ 14,400,000
Total Expenses	\$ 56,700,000	\$ 3,700,000	\$ 14,400,000
Net Surplus (Deficit)	\$ 3,000,000	\$ - 0 -	\$ - 0 -

Note: Of the \$60 million in estimated general fund revenues, please understand that \$2.7 million of this value is the recognition of the 3rd year equal adjustment of the 2010/11 overpayment. Meaning, the amount of cash received will not match FISD's revenue budget as we will have \$2.7 million withheld by the Agency.

The construction fund has been included in this budget document for informational purposes only – not for formal approval.

Legislative Information

At the end of the 2013 regular legislative session Senate Bill 1 was approved by both houses and includes \$3.4 billion of new funding for public education – this is in addition to the amount being provided for enrollment growth. The estimated impact for Forney ISD is an additional \$2.7 million of new money (which is in addition to approximately \$1.6 million of new student growth and other revenue sources).

While the new revenues are great, they do not replace the cuts made by the Texas legislature in 2011. Nor does the system appear to have changed significantly enough to reverse Judge Dietz's ruling earlier this year.

As a matter of background information, on February 4, 2013 Judge Dietz ruled in favor of school districts by declaring the following:

- School finance system violates the “efficiency” provisions of Article VII, § 1 of the Texas Constitution in that it fails to provide substantially equal access to revenues necessary to provide a general diffusion of knowledge;
- School finance system is not adequately funded and therefore fails to make suitable provision for the support and maintenance of the system in violation of Article VII, § 1 of the Texas Constitution; and
- School finance system has created a state property tax in violation of Article VIII, § 1-e of the Texas Constitution.

Please understand that even if the Texas Supreme Court upholds Judge Dietz's rulings, it is possible that Forney ISD will receive NO additional funding.

We are closely following this topic and on June 18, 2013 Judge Dietz announced that he will re-open this topic in January 2014.

General Fund Information

As we finish up the 2012/13 fiscal year, it appears we will add a little more than \$3.4 million (possibly more) to fund balance which will result in a small, but POSITIVE, fund balance!!!

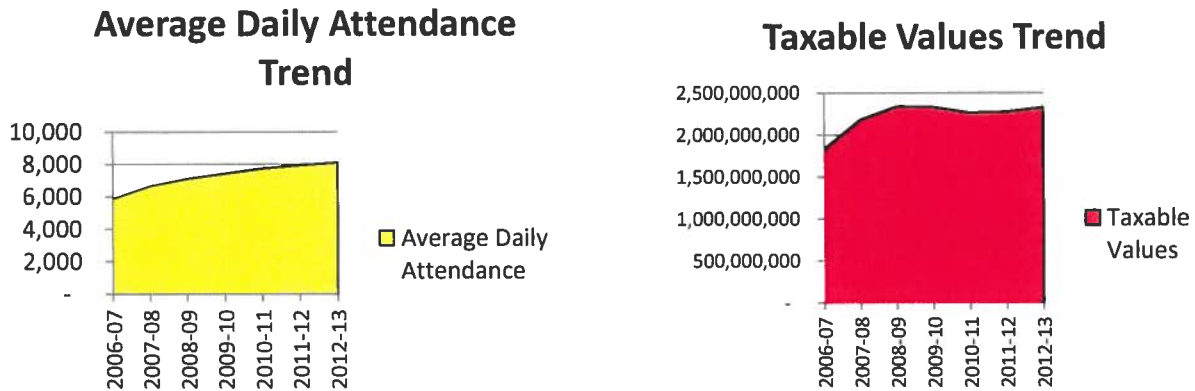
The key factors leading to the anticipated surplus include \$1.8 million of one-time revenues from the net gain of insurance proceeds and the sale of Mulberry Park. However, effective fiscal management by the Board and Superintendent has led to over \$1 million of reoccurring profits we will get to roll over into the 2013/14 budget.

While this is a great accomplishment, it is critical that we continue to work toward building a fund balance that represents two months of operating costs.

General Fund Information (continued)

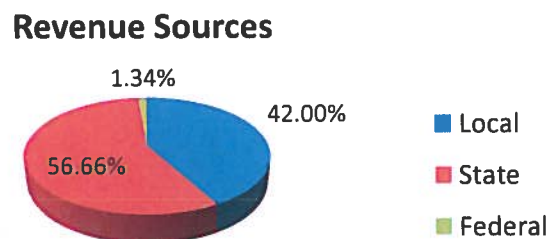
Forney ISD is considered, once again, a “property poor” school district for the 2013/2014 school year.

The District’s enrollment has steadily increased over the last few school years while taxable values have remained relatively constant in the same period of time. The charts below identify these trends accordingly.



The general fund budget was prepared based on trends and drivers such as enrollment growth (anticipated ADA is 8,350), providing high quality education programs to students, and a 1% increase in economic disadvantaged student population.

Local property taxes continue to be a significant revenue source for the District. The graph below shows that nearly 42 cents of every dollar collected at the District is from the local property taxpayers.



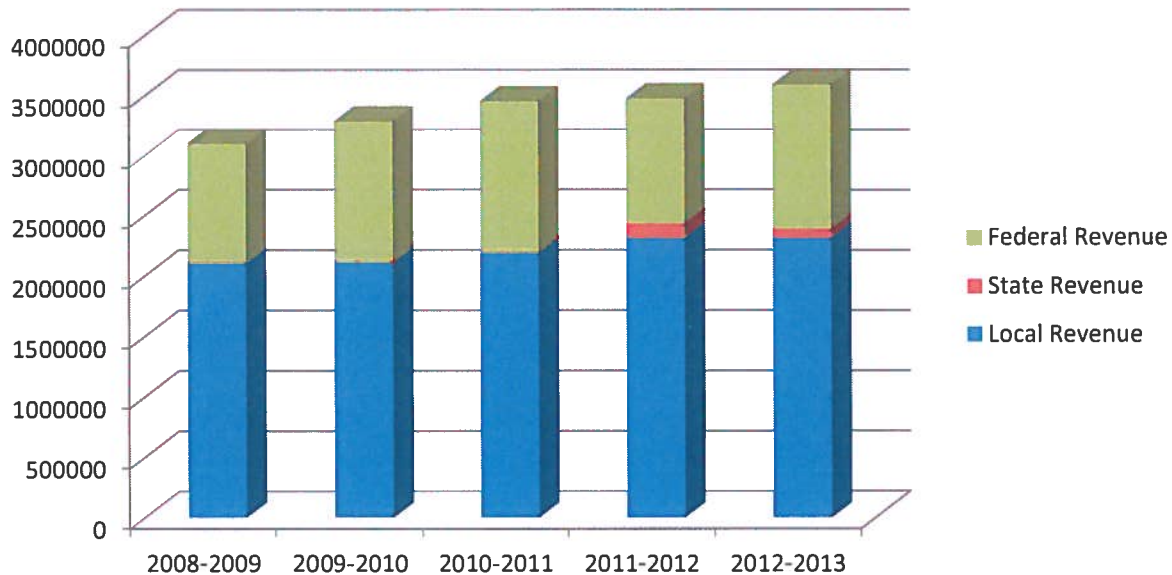
The general fund *draft* budget includes the following financial highlights:

✓ Total Revenues	\$ 59,700,000
✓ Total Expenditures	\$ 56,700,000
✓ Budget Surplus	\$ 3,000,000
✓ Starting Teacher Salary	\$ 45,645
✓ M&O Tax Rate	\$ 1.04

Food Service Fund Information

The food service budget will be prepared based on enrollment growth, similar breakfast and lunch schedules (as compared to the 2012/13 school year), a 1% increase in the free and reduced lunch count, and inflationary increase in food costs.

The trend for revenues by major category for the last five years is as follow:



The program has operated with a \$300 thousand or better surplus in each of the last two fiscal years and administration is quite proud of the food service team.

The food service program is working toward funding the following initiatives:

- Full unrestricted indirect cost permitted by law
- Replacement of capital expenditure items

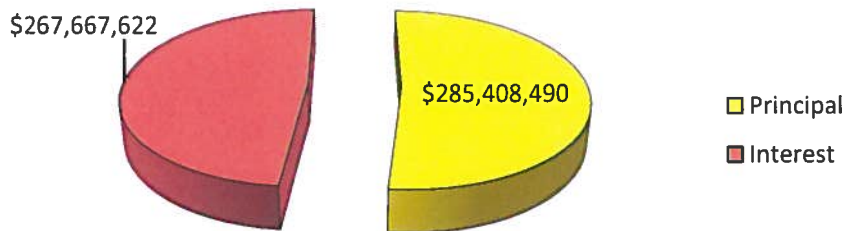
The *draft* budget includes the following financial highlights:

✓ Total Revenues	\$ 3,700,000
✓ Total Expenditures	\$ 3,700,000
✓ Budget Surplus	\$ - 0 -

Debt Service Fund Summary

The debt service fund (often referred to as the 'Interest and Sinking Fund' or the 'I&S fund') is primarily funded by local property tax collections. The District is eligible for state assistance programs (EDA and IFA). Over the last five years, property values have stayed relatively stagnant so it is likely the same I&S tax rate will be recommended without very significant value growth. Ultimately, a public hearing on this topic will be held once certified values are received.

The total amount of principal and interest owed on outstanding bonds as of June 30, 2012 is identified below.



The budget currently includes the following financial highlights:

✓ Total Revenues	\$ 14,400,000
✓ Total Expenditures	\$ 14,400,000
✓ Budget Surplus (Deficit)	\$ - 0 -
✓ I&S Tax Rate	\$ 0.50

Future Budget Years

The District's budgeting process is more than just funding the next fiscal year's operations. There are several factors that have to be considered when forecasting the financial impact of a particular fund and those include, but are not limited to, the following:

- ✓ Student enrollment growth rate
- ✓ Student attendance rate
- ✓ Special population changes
- ✓ New unfunded mandates
- ✓ Changes in assessed valuations
- ✓ Delinquent tax collection rate
- ✓ Staff counts and salary schedule considerations
- ✓ Programs and course offerings
- ✓ Potential for catastrophic events
- ✓ Electricity rate changes (based on executed contracts)
- ✓ Market rate on investments
- ✓ Grant funding reductions

Future Budget Years (continued)

Considering that Senate Bill 1 from the 83rd Legislative Session appropriates funds through August 31, 2015, we are able to forecast out one year (in addition to 2013/14) and a financial summary for the general fund could look as follow if staff and salary considerations mirror that of 2013/14:

Revenues:

5700	Local Revenues	\$ 25,380,000
5800	State Revenues	36,650,000
5900	Federal Revenues	<u>825,000</u>
	Total Revenues	\$ 62,855,000

Expenditures:

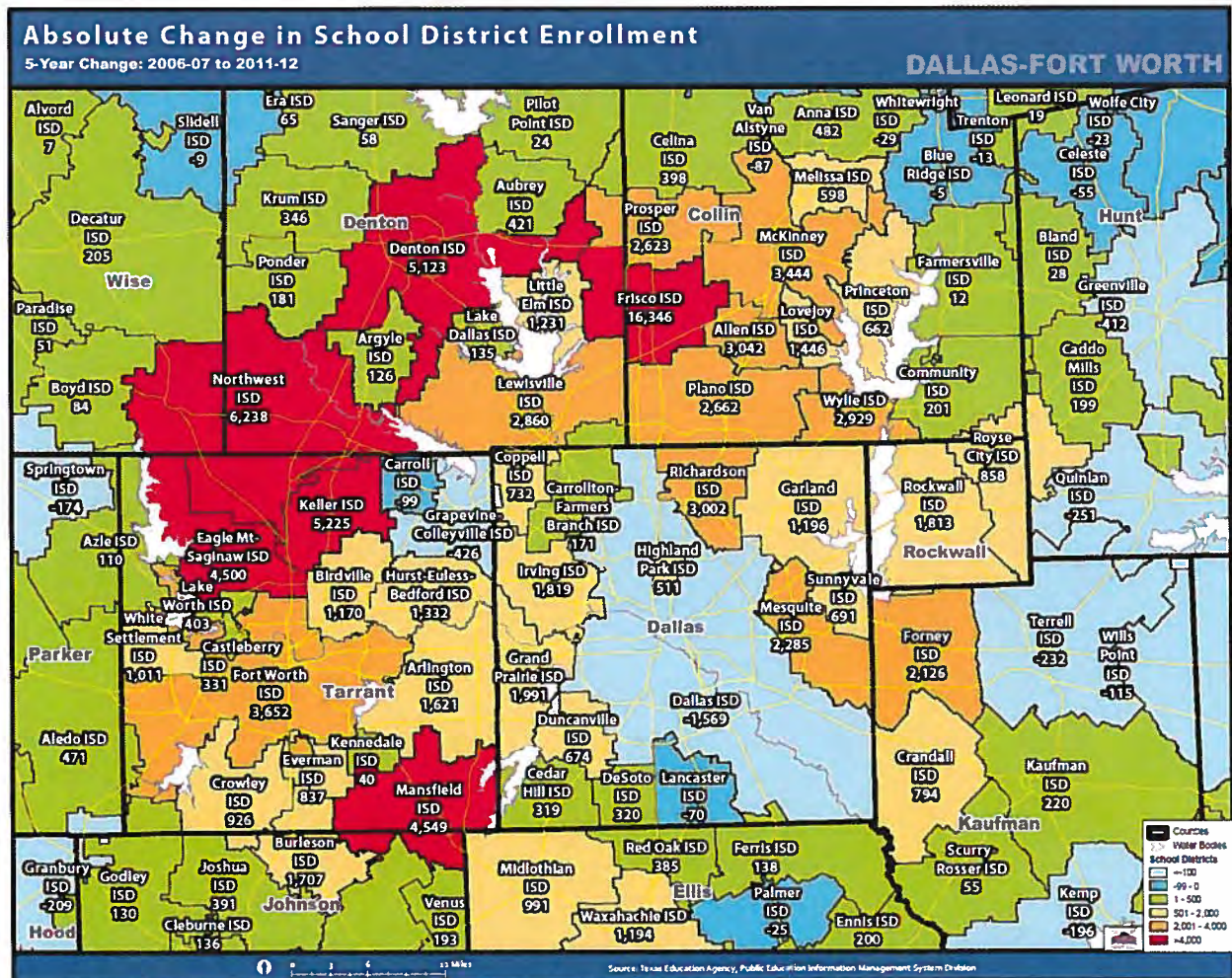
11	Instruction	\$ 33,775,000
12	Library and Media	825,000
13	Staff Development	1,325,000
21	Instructional Leadership	445,000
23	School Leadership	4,075,000
31	Guidance Counseling & Assessment	2,000,000
33	Nursing	900,000
34	Student Transportation	1,900,000
36	Extracurricular Activities	2,000,000
41	General Administration	1,990,000
51	Maintenance and Operations	7,100,000
52	Security	500,000
53	Data Processing	1,200,000
61	Community Services	5,000
71	Debt Service	450,000
99	Other Intergovernmental Charges	<u>490,000</u>
	Total Expenditures	\$ 58,955,000

Net Surplus (Deficit)	\$ 3,900,000
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Please understand that future pay scales, staff counts, student counts, etc. cannot be predicted so the budget above is for discussion purposes only and could serve as a guide when developing the 2014/15 budget.

Enrollment Statistics, Trends, and Forecasts

Overall, the enrollment trends experienced by Forney ISD are consistent with that reported in our surrounding areas. The chart below depicts the Dallas-Fort Worth area student trends over the last five years from 2006/07 to 2011/12.



Forney ISD employs several methods to forecast student enrollment: cohort survival, construction analysis, and retention rates. These projection methods are widely accepted by many districts, demographers, and the Texas Education Agency. The District performs the calculations based on historical enrollments by attendance zone and grade level.

The forecasted growth for the 2012-13 school year was 277 students. On September 28, 2012 we hit our mark exactly. Unfortunately, we saw some decline in enrollment thereafter. This is an unusual trend as the District enrollment typically stays the same or has a slight increase in enrollment through the end of the Fall. There is a monetary impact to this occurrence but cost-savings efforts in trash collections and other non-instructional staff reductions shall offset the loss in revenue.

Enrollment Statistics, Trends, and Forecasts (continued)

Long-range enrollment projections have indicated that enrollment growth will pick back up in 2013/14 (272 new students) on-forward based on demographer data provided by the EDC.

Based on current enrollment counts by campus and forecasts for 2013/14, it will not be necessary to modify boundaries (attendance zones) at this time. As the District continues to grow, it is critical that each school be looked at individually to determine when full capacity may be reached.

Total Student Enrollment Trend	
2013-2014	8,760
2012-2013	8,488
2011-2012	8,288
2010-2011	8,087
2009-2010	7,795

The City of Forney provides the FISC Business Office with a monthly summary of new home starts as well as monthly commercial starts. The estimated value of the new starts accompanies the summary which should help the district make relatively accurate future enrollment forecasts for those properties inside the city limits.

The chart below is a summary of home starts for the last few years:



Community Development Home Starts Year Comparisons **FY 2013**

Year	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	August	Sept	Total
2012/2013	27	19	12	12	24	8	37	23					162
2011/2012	9	6	5	6	15	10	16	14	14	14	22	9	140
2010/2011	13	13	4	8	14	9	17	12	12	8	13	17	140
2009/2010	11	18	11	7	22	23	11	10	15	10	16	11	165
2008/2009	5	1	7	2	2	0	6	11	8	14	9	15	80
2007/2008	9	9	3	6	10	10	23	14	10	4	6	7	111
2006/2007	29	22	22	25	22	17	23	25	7	18	17	14	241
2005/2006	59	36	69	41	56	57	51	68	40	50	51	27	605
2004/2005	36	31	41	38	44	78	56	53	51	32	38	38	536

The Forney EDC publishes a quarterly demographer report on their website. This report is very useful and includes useful information such as a profile of the Forney residential layout.

Staffing Summary

At this time, 28.5 positions have been added to address student growth and the expansion of the Dual Language Program to 5th grade at Rhea ES and 6th grade at Blackburn ES. In 2014/15, one more grade level expansion will be needed at Rhea ES and then the K-6 program will be fully staffed – unless program growth requires additional positions.

While final staffing counts will not be determined until early September (after school starts and actual enrollment is realized), a modest number of positions have added for 2013/14. Again, this is to ensure Forney ISD maintains low student-to-teacher ratios and an exceptional school system to spur future growth.

The teacher pay scale includes a 2% pay raise. (The same holds true for all other District positions).

The FISD Teacher Pay Scale is very competitive versus the surrounding districts and the following is a summary of the highlights of the *draft* scale:

Starting Teacher	\$45,645
5 Years Experience	\$45,951
10 Years Experience	\$46,308
15 Years Experience	\$48,909
20 Years Experience	\$51,765
Maximum Salary for New Hires	\$59,798
Average Teacher Salary in FISD	\$48,415

Allocation of Human and Financial Resources

The budget for Forney ISD is people intensive. Approximately 83% of the budget is comprised of salaries and benefits so it is imperative to the continued financial health of the District to monitor staff levels during the staff allocation process.

Student to teacher ratios are reviewed systematically during the year and all support services are analyzed regularly to ensure ratios are acceptable to State averages.

Financial resources are distributed to each campus based upon average daily attendance (ADA) and special population and program needs. Student needs, such as instructional supplies, come from these budget allocations. Other costs, such as fuel and utilities, are based upon historical trends, special requests and relative information.

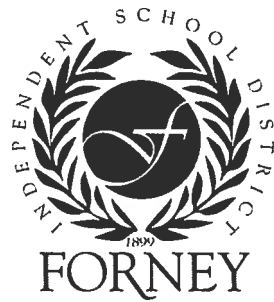
Other Information

Other key factors which are included as part of the budget process are:

- No significant non-routine capital expenditures are included in the 2013/14 budget;
- Future capital expenditure purchases are planned through contingency bond funds;
- 2013/2014 budget allows for the purchase of property, casualty, worker's compensation, unemployment, and student insurance; and
- ADA is calculated on a 96.25% attendance rate.



ORGANIZATIONAL SECTION



DISTRICT INFORMATION

Forney Independent School District

Facts about Forney

History of the City of Forney

In 1847, Sallie Daugherty came from Arkansas with her four sons and purchased 1,000 acres of land four miles southeast of present-day Forney, naming the area Union Hill. This area later became known as Lone Elm. In 1848, Kaufman County was carved out of the huge Nacogdoches County. In the late 1840's, Jacob Sheltman settled on his homestead two miles southwest of our town and began farming and raising his family.

In the early 1850's, more settlers began to arrive in this area. The John G. Lewis family arrived from Mississippi in 1855 and carved a homestead out the prairie and timber land south on what was called the Sheltman Lake property. Lewis and his son, John M., both enlisted as privates in the Confederate Army in 1861, being the only two Forney area people to do so as can be determined. Many other veterans later moved here after the great war. By 1860, many hardy settlers entered booming Texas, mainly from the South. Hearing of the good land of the rolling prairies of this North Central Texas area, many stopped here and began their lives as farmers and ranchers. The small village that began to spring up near the rim of the bluff that overlooked the Bois D'Arc Fork of the Trinity River was to be named Brooklyn. Some say it was named for a small brook that ran in a wooded area near the present school Administration building on Bois D'Arc Street in south Forney. Possibly, it was named for the Brooks family that arrived here in the 1860's from their home in Brookville, Mississippi.

By the late 1860's, the Village of Brooklyn was established as the only town and trading center on this prairie land east of Dallas and west of Kaufman. Terrell was not founded as a town until 1873.

By the 1870's, John C. McKellar arrived from Marshall and opened Brooklyn's first merchandise store near the present day school district administration building. His father, John A. McKellar, had sent his son to Brooklyn to get a head start in business as he knew the new railroad line would likely come through this area. A saloon and other small businesses soon sprang up near the McKellar store and the layout of the town as we know it today began.

By 1873, Brooklyn was a growing town, with saloons, merchandise store, lodge, and was being supported by a few hundred people. It was the year that the Texas and Pacific Railroad come through Brooklyn, which was to change the face of our town forever.

As the town progressed, through the influence the Railroad provided, it was now ready for a Post Office to satisfy the residents' needs. The name of Brooklyn was submitted to the Post Office Department in Washington, D.C., however, another town by the same name with a Post Office was already established in Fayette County, so another name had to be selected for our town if it wished postal service. Changing of a town name was unusual, even in 1873. John Wein Forney, born in Lancaster, Pennsylvania, in 1817, was a director of the Texas and Pacific Railroad Company and was believed to have been instrumental in the new railroad route through the village of Brooklyn. In gratitude to Mr. Forney, several influential residents suggested Forney's name be submitted as a Post Office, and it was accepted. Thus the name of the town of Forney was established permanently.

The prairies that surrounded the town were covered with a native grass that was found to produce a sweet, nutritious hay when cut and baled. For the next 50 years "*Forney Prairie Hay*" as it was known, was one of the leading export products of Forney.

When the peak of the hay industry had been reached, cotton took its place. Money and wealth came to many large landowners from hay and then cotton. By 1910, Forney boasted of eight cotton gins, the most for its size of any town in Texas. Fifteen to twenty thousand bales of cotton were ginned each fall and shipped to cotton markets across the United States.

Water was a resource that the city most needed in the early days, and several early drilling attempts ended in failure. On Thanksgiving Day in 1911, an artesian well of a depth of 2020 feet poured forth, and the town celebrated. This well supplied Forney as its main water source until the 1950's, when water was provided from then until present from Lake Lavon and the North Texas Municipal Water District. Electricity and city water and sewer lines were completed in the 1910-1912 period, making Forney one of the first smaller Texas towns to have these services.

The new Dixie Highway (U.S. 80) opened through Forney in the late 1920's, resulting in better automobile travel in this area. The Texas Interurban Railway Company began operations in 1923 on its Dallas-Forney-Terrell rail line. Running through Forney on Church Street, this streetcar-type electric rail line served for 10 years as an advanced commuter type service, a source unequalled before or since.

The Works Progress Administration constructed a new Spanish-style high school in Forney during 1937-39. Although in the depths of the Depression, the students of our town could boast one of the most modern and beautiful school buildings in the state when it was completed. The high school building was located on the original site of the first school in Forney, more than 71 years before.

During the 1940-1950 period, the town came virtually to a standstill, due primarily to the Second World War. Very few, if any, new businesses were opened in the city. Many larger companies chose Garland and Mesquite during the post-war period, after considering Forney as a prospective home. Little residential building was recorded and the town slumbered as many of its neighbors grew like wildfire. In the 1960's, attitudes began to change and key things happened that would affect Forney at a later date. The town joined the North Texas Municipal Water District as a charter member - a bold but unpopular decision of Forney's City Council that assured the town an adequate water supply for years to come.

The area north of the new Interstate Highway 20 was exclusively farmland in the 1960's. Today it composes a major residential section of Forney. During the late 1960's, a new elementary school was completed in South Forney and the city became a three-school town. It was during the 60's that the Forney High School jackrabbit football team won approximately 100 games in a ten-year period, one of the winningest records in Texas and a proud heritage of Forney athletes.

In the late 1960's, Glenn "Red" Whaley opened the first antique business in east Forney, the genesis of the huge antique business the city boasts today. Forney has now been recognized by the Texas Senate as the *"Antique Capital of Texas"* (Senate Resolution #101 - July, 1987).

After an extended slumber, Forney started to reawaken in the 1960s. The city joined the North Texas Municipal Water District, providing a higher quality and more dependable water supply. About this same time an antiques industry sprang up along IH-20 on the outskirts of town, and it is now its antiques that Forney is most widely known for. Also in the 1960s the general population growth of the Metroplex began to bring renewed residential construction to Forney and with it an economic shot-in-the-arm. Initially this revival was slow, but by 1990 the population surpassed 5,000, enabling Forney to lay claim to the advantages of being a home-rule city. New residences, schools, churches, and parks are now being added on every hand, and retail development is following.

The trains still pass through town as they did in 1873, but they no longer stop. The route of busy U.S. Highway 80 no longer runs down Broad Street. Virtually no cotton and only a little hay, corn, soybeans and small grain is grown in the surrounding countryside, and none is marketed in town. The last remaining cotton gin, which ceased operation about 1983, is now an antique mall. But today, although Forney is marching into the future with a new and different economy, it nevertheless looks back with nostalgia on the old and takes pride in its heritage.

Forney Independent School District

Description of Entity

Exceptional Academic Achievements

In 2010, the Texas Education Agency (TEA) rated Forney ISD an Exemplary District based on the results of the Texas Assessment of Knowledge and Skills (TAKS) test scores. In addition to the district receiving a rating of Exemplary, seven of the nine elementary schools in the district received an Exemplary rating and one of the district's middle schools, Warren Middle School also received a Exemplary rating. In addition to the state required curriculum, the district also offers Pre-Advanced Placement (Pre-AP) and Advanced Placement (AP) courses at the secondary level. Dual credit classes are also available for high school students including college algebra, statistics and freshman and sophomore English. Students can earn up to 18 hours of college credit through the dual credit program.

Technologically Advanced

Forney ISD and the community of Forney understand the importance of technology in education today. In November of 2006, voters in Forney approved a bond that included \$9,371,000 for student laptops. The laptop program, known as E-Books, began with a pilot program with 5th and 6th grade students at one of the district's elementary schools, and expanded to 7th and 8th grade students at the start of the 2008-2009 school year. By the 2010-2011 school year, every student in the district from the 5th grade up will utilize a district issued laptop as an educational resource. Students use the E-Books in both the classroom and at home.

Extracurricular Excellence

Forney ISD offers an abundance of extracurricular opportunities for students. Forney High School and North Forney High School, the two high schools in the district, provide opportunities for students to participate in a number of academic, agriculture, athletic, fine art, career and technology and health science programs, just to name a few.

Athletic programs in the secondary grade levels include football, basketball, volleyball, baseball, softball, soccer, golf, tennis, cross country, swimming, power lifting and track. Students can also participate in art, band, choir, drama, debate, Future Farmers of America (FFA), robotics, computer science and video production.

Focused on the Future

The Forney Independent School District Board of Trustees is dedicated to ensuring that the students and staff of the district have all of the needed tools, resources and opportunities available to them so that students in the District will receive the best education possible.

Forney Independent School District

Location of Entity

Located just 21 miles east of downtown Dallas, the City of Forney is a unique community steeped in historic tradition with a blend of modern America. Close enough to the big city to catch all the thrills and excitement of professional sports, elegant dining, shopping, plays, musicals and even amusement parks...yet far enough away to be able to return home to the peace and quiet of a small town neighborhood filled with children's laughter, little league baseball games and back yard bar-b-ques.

Situated east of downtown Dallas on Interstate Highway 80, just north of Interstate Highway 20, Forney is the perfect community for every individual. It is one of fastest growing cities in Kaufman County, which is one of the fastest growing counties in the United States. From 2001 to 2006, the City of Forney experienced a 57 percent growth in population.

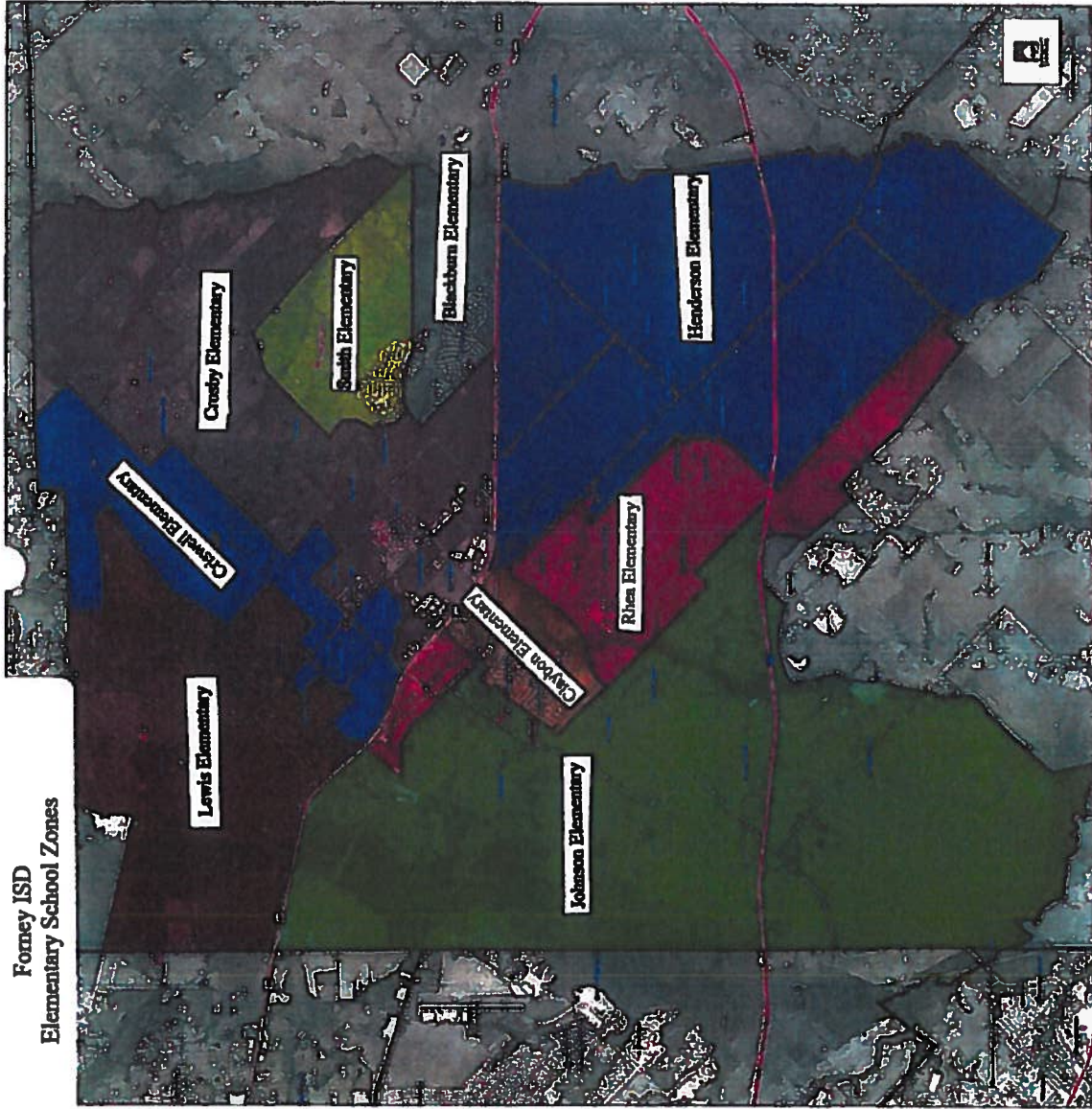
Since the turn of the century, Forney ISD has been ranked as one of the fastest-growing school districts in the State of Texas. During the 2012-2013 school year, Forney ISD had a total enrollment of more than 8,500 students and more than 1,000 teachers and staff. The make-up of the district includes nine elementary schools, two middle schools, two high schools and one alternative school spread out across the district that spans more than 80 square miles.

The Forney Independent School District is located in the midst of Mesquite ISD, Rockwall ISD, and Terrell ISD (see picture below).

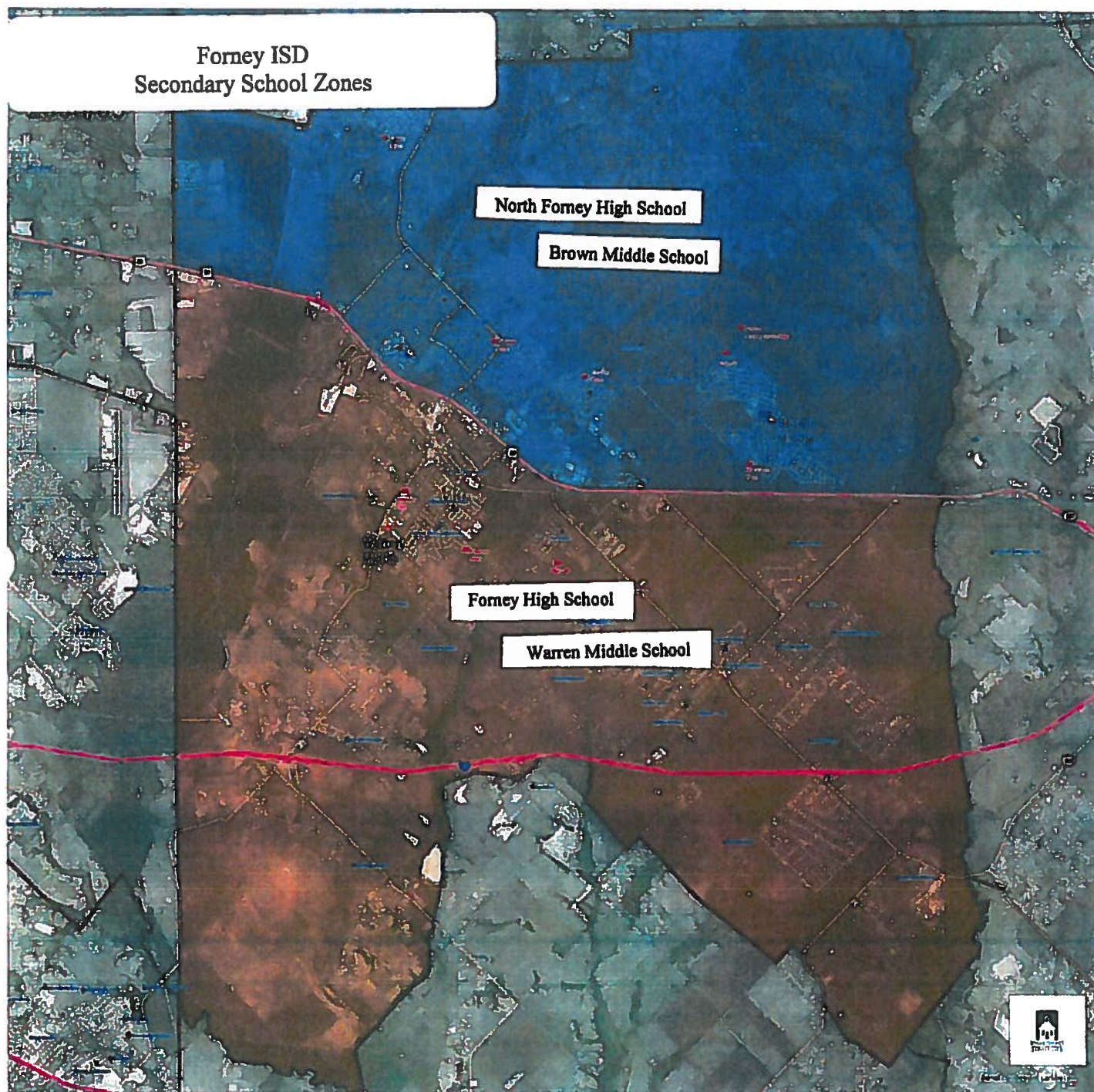
Forney ISD administration plans to review all school zones over the next several years as the District grows and may need to consider revising elementary and secondary campus boundaries to maximize capacity within existing facilities (see next 2 pages for current boundaries).

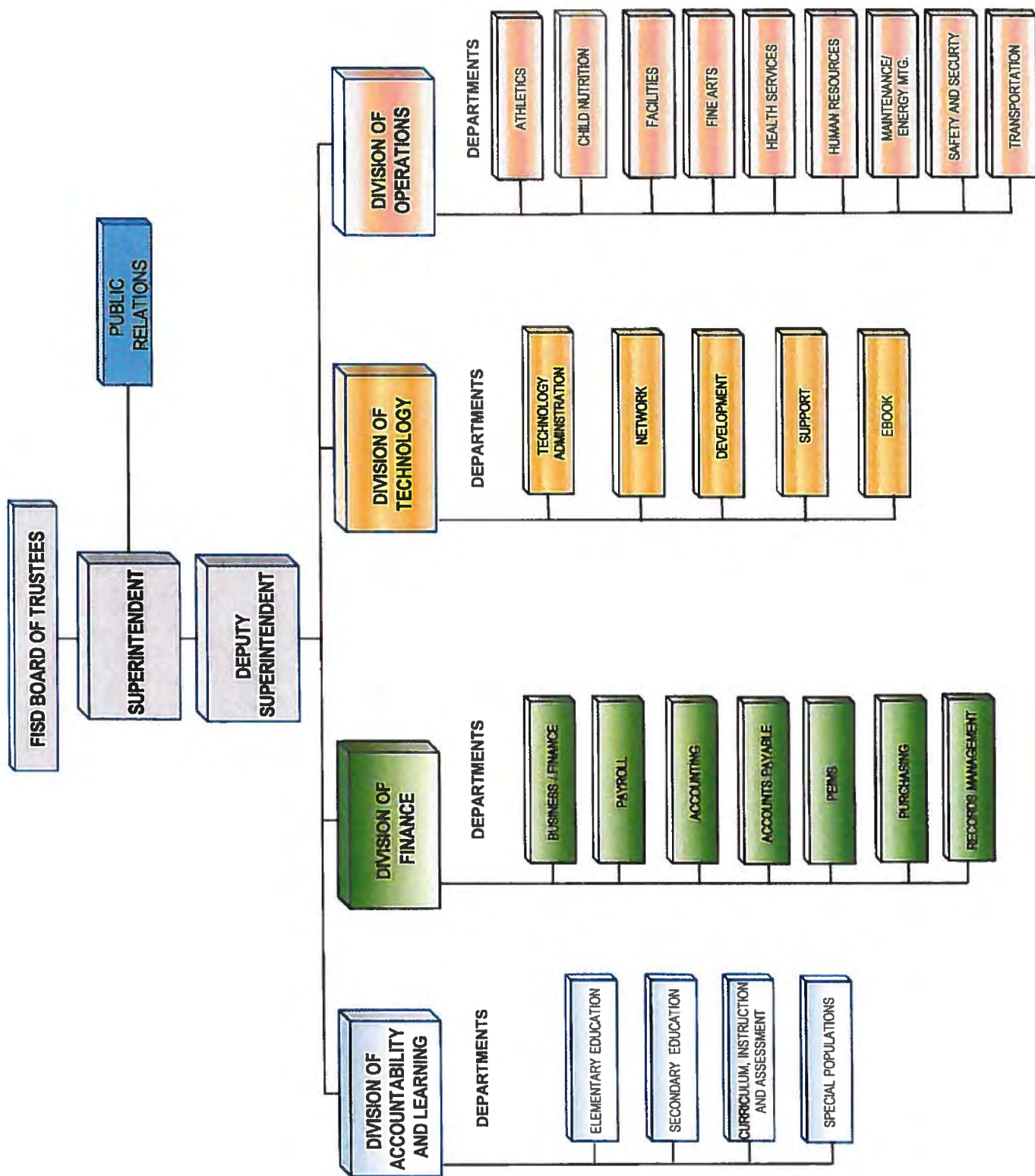


Forney ISD
Elementary School Zones



**Forney ISD
Secondary School Zones**





Forney Independent School District

Summary of Beliefs

During the summer of 2010, in connection with the Forney ISD Strategic Plan, the team of eight (Board and Superintendent) developed beliefs to guide the long term plan for the District. Those beliefs are as follow:

We believe... Truth and honesty are non-negotiable

Graduates should be equipped to pursue whatever path forward they desire (career, higher education, technical)

We will provide the best opportunity for students to become productive contributors to society

Each child has a right to an education that will allow him/her to maximize his/her abilities

Schools should foster an environment that instills a student's desire for knowledge and a love for learning

People are our best resources

Quality educators are the foundation for quality education

We should be fiscally responsible with taxpayer money

Students are our focal point and all decisions should be made in their best interest

A partnership between community and the district is essential for developing a quality educational system



ENROLLMENT INFORMATION

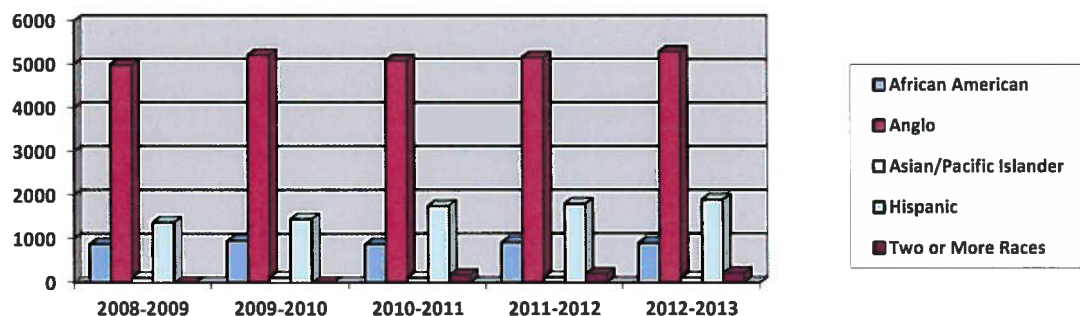
Forney Independent School District

Enrollment Overview

The projected student counts by grade level and demographics are based upon historical trends and other known variables.

The Forney Independent School District student population has changed some in recent years. The following trends have been identified and the budget documents account for such change:

- Increasing economic disadvantaged student population
- Increasing minority student population
- Increasing reliance on technology by student population



The public education system in the State of Texas is primarily funded by local property taxes and state aid. The state aid's primary driver is the students in attendance at a school district during the school year. Therefore, it is incumbent on school districts to promote and acknowledge their students, campuses, and community to bring in as many students as possible to generate the necessary funds to operate effectively. For Fisd, this was not enough so the District started a Limited Open Enrollment (LOE) program in January of 2012.

The LOE program allows for non-Forney students to attend the Forney Independent School District as long as they have met our stringent criteria and provide \$250 for tuition per semester. This program may bring in over 100 students. A study will be conducted annually to document that these students are doing well academically and have minimal attendance and discipline issues.

Forney Independent School District

Historical Enrollment Counts

School Year	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
District Enrollment	2,390	2,479	2,674	2,908	3,344	3,796	4,414	5,239	6,138	6,995	7,413	7,795	8,087	8,288	8,488
Percentage of Growth	N/A	3.7%	7.9%	8.8%	15.0%	13.5%	16.3%	18.7%	17.2%	14.0%	6.0%	5.2%	3.7%	2.5%	2.4%
Enrollment by Grade															
Early Childhood	5	2	1	4	7	9	11	7	3	13	9	6	8	19	21
Pre-Kindergarten	34	27	31	31	40	49	67	76	105	133	131	165	149	148	118
Kindergarten	174	188	199	244	286	312	366	486	548	558	595	574	607	583	649
First Grade	179	177	198	223	289	326	357	420	563	610	580	614	602	632	635
Second Grade	161	192	206	226	281	334	387	429	501	636	621	581	637	628	642
Third Grade	195	167	212	229	255	332	387	448	500	563	657	636	614	647	634
Fourth Grade	176	215	185	233	276	289	368	449	539	572	589	677	657	650	674
Fifth Grade	188	176	236	200	274	303	325	442	504	601	609	612	698	685	655
Sixth Grade	197	201	209	259	236	320	352	379	506	558	618	632	633	701	694
Seventh Grade	188	206	211	222	287	277	369	423	435	558	613	640	634	655	704
Eighth Grade	207	202	213	217	252	302	317	405	460	465	589	621	666	628	638
Ninth Grade	195	209	229	226	256	287	343	383	468	544	518	606	650	671	639
Tenth Grade	188	205	208	217	217	245	298	357	386	476	520	530	587	612	668
Eleventh Grade	167	155	195	198	208	218	250	289	354	378	433	491	496	556	588
Twelfth Grade	136	157	141	179	180	193	217	246	266	330	331	410	449	473	529
Total	2,390	2,479	2,674	2,908	3,344	3,796	4,414	5,239	6,138	6,995	7,413	7,795	8,087	8,288	8,488
Ethnic Distribution															
Anglo	2,056	2,105	2,260	2,473	2,781	3,072	3,469	3,934	4,382	4,786	4,990	5,219	5,092	5,165	5,289
Hispanic	174	205	229	261	351	450	596	779	994	1,282	1,380	1,455	1,756	1,808	1,896
African American	147	146	157	148	177	224	291	452	644	797	882	954	880	918	903
Asian/Pacific Islander	10	18	22	17	18	25	24	40	69	84	116	123	119	132	130
Native American	3	5	6	9	17	25	34	34	49	46	45	44	68	61	51
Two or More Races	-	-	-	-	-	-	-	-	-	-	-	-	172	204	219
Total	2,390	2,479	2,674	2,908	3,344	3,796	4,414	5,239	6,138	6,995	7,413	7,795	8,087	8,288	8,488

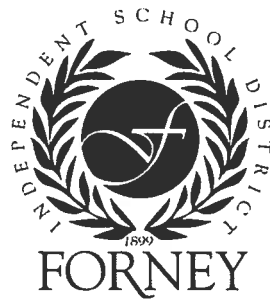
Forney Independent School District

Current Program Weights

The State of Texas funds public school districts based upon student populations in certain educational areas. These specific educational areas have weights assigned to them to provide equitable funding to districts for the additional cost incurred when providing these special services – hence, the term *Weighted Average Daily Attendance (WADA)*.

For the 2013/14 funding year, the following weights are provided accordingly:

Regular Program	1.00
Career and Technology	1.35
Gifted and Talented	0.12
Bilingual Program	0.10
Special Education – Mainstream	1.10
Special Education – Vocational Adjustment Class	2.30
Special Education – Off Home Campus	2.70
Special Education – Self Contained	3.00
Special Education – Resource Room	3.00
Special Education – Speech Therapy	5.00
Special Education – Homebound	5.00
Compensatory Education	0.20
Pregnancy Related	2.41



ACADEMIC INFORMATION

Forney Independent School District

Academic Programs and Classes

Our District takes pride in offering several academic opportunities for the students attending FISD in order to promote our mission... “In partnership with parents and the community, the District shall create and sustain an environment to maximize the potential of each learner.” The multitude of opportunities provides all students (of all needs and abilities) with classes or programs that can help them obtain the best education possible.

Examples of these instructional opportunities include:

High School Level	Advanced Placement courses, agriculture, dual credit classes, JROTC, and fine arts.
Middle School Level	Athletics, band, and foreign language are offered to students for the first time. These classes help develop the skills and techniques of the students.
Elementary School Level	Dual language program (two campuses) and MTA (autism) are provided to enhance the education of students through opportunities supplemental to their regular education.

While these academic classes and programs represent only a small portion of the opportunities offered at Forney ISD, they are excellent examples of the many opportunities students are given while attending the district.

Forney Independent School District

Academic Goals and Objectives

The Forney ISD Districtwide Education Improvement Committee has worked cooperatively to establish goals and objectives for the campuses and the district as a whole. Those goals and objectives are as follow:

Goal

#1 Increase the academic rigor and engage students to optimize learning.

#2 All stakeholders will extend support that will foster a culture of value to produce and retain quality employees.

#3 Continually evaluate, modify, and refine our classrooms and facilities to adapt to the changing needs of our students and our community.

#4 All stakeholders will optimize resources to enhance sustainable student success.

#5 Utilize relevant communication methods to ensure that accurate and timely information is conveyed among students, staff, parents, and community members.

Objective

Teachers and staff will implement rigorous and highly engaging lessons for all learners, while assessing individual needs to support differentiation, acceleration, and swift remediation in all content areas and across all student groups.

Campuses will sustain a culture of value for all staff and students through the collaborative decision-making in Professional Learning Communities across all grade levels and in each core subject area.

Campuses will maintain a safe, secure, disciplined, and drug-free environment conducive to student learning that addresses the needs of a diverse student population.

Campuses will conserve resources while continuing to provide exemplary instruction that enhances student achievement and the promotion of anti-bullying and character-building instruction for all students.

Campuses will maintain a full partnership with parents and community members in the education of their children, while being fiscally responsible.



ACCOUNTING INFORMATION

Forney Independent School District

Basis of Accounting

The funds and the accounts of Forney Independent School District have been established under the rules prescribed in the *Financial Accounting and Reporting Module* of the Texas Education Agency (TEA) Financial Accountability System Resource Guide (also known as FASRG). This budget document contains detailed information for all funds which are required to be approved annually.

Budgets for all funds are prepared using the same method of accounting as for financial reports (modified accrual). Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for principal and interest on general long-term debt which is recognized when due.

The following is a description of the funds for which annual budgets are required to be approved:

General Fund – Accounts for all financial transactions not properly includable in other funds. The principal sources of revenue include local property tax collections, state entitlements based on student counts, and federal reimbursements. Expenditures include all costs necessary for the daily operation of the schools.

Special Revenue Funds – Accounts for funds awarded to the District for the purpose of accomplishing specific educational tasks as defined by grantors in contracts or other agreements.

Food Service Fund – Accounts for the District's food service program including local, state, and federal revenue sources and all costs associated with the operation of the program.

Debt Service Fund – Accounts for the payment of interest and principal on all bonds of the District. The primary source of revenue is local property tax collections.

Capital Projects Fund – Accounts, on a project basis, for projects financed by the proceeds from bond issues or for capital projects otherwise mandated to be accounted for in this fund.

Forney Independent School District

Financial Accounting and Reporting

Financial Accounting Structure

The purpose of financial accounting and reporting by state and local governmental entities is to accumulate and provide information to facilitate decision making by various user groups. Certain *requirements* have been established requiring school districts to maintain proper budgeting and financial accounting and reporting systems. In addition, *principles and policies* to ensure uniformity in accounting have been developed. Specifically, the following financial accounting and reporting topics are:

- GAAP and legal compliance
- Legal requirements
- Accounting principles and policies
- Fund accounting
- Basis of accounting
- Encumbrance accounting
- Interfund transactions
- Nonexchange transactions
- Accounting changes
- Hierarchy of GAAP for state and local governments
- GASB statement summaries
- Change in fiscal year

GAAP and Legal Compliance

Guidelines for financial accounting and reporting are derived from generally accepted accounting principles (GAAP). School districts are required to adhere to GAAP.

Legal and contractual considerations typical of the government environment are reflected in the fund structure basis of accounting and are a major factor distinguishing governmental accounting from commercial accounting.

Governmental financial operations are regulated by various kinds of legal provisions. Other types of financial matters often are also regulated by charters, ordinances, resolutions, governing body orders, and intergovernmental grant or contract regulations.

The annual operating budget is one of the most important of all legal documents governing financial transactions. Upon board of trustee approval, the expenditure requests in the budget become binding appropriations that may not legally be exceeded by the school district without an amendment. Taxes and other revenue sources that finance budgeted expenditures usually require board enactment.

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, its terminology, fund structure and procedures must be adapted to satisfy finance related legal requirements. However, the basic financial statements of school districts should be prepared in conformity with GAAP.

In some instances legal provisions may conflict with GAAP. These differences often occur because constitutional, charter or other legal provisions governing fiscal operations are difficult to change. Conflicts between legal provisions and GAAP do not require maintaining two accounting systems. Rather, the accounting system may be maintained on a legal compliance basis but should include sufficient additional reports to permit GAAP- based reporting. If a school district prepares the budget on the cash basis or another basis not consistent with GAAP, financial management and reporting becomes complicated.

If legal requirements dictate another basis of accounts or reports, school districts should maintain the accounts and prepare budgetary reports on the legally prescribed budgetary basis to determine and to demonstrate legal compliance and maintain sufficient supplemental records to permit presentation of financial statements in conformity with GAAP. When financial statements prepared in conformity with GAAP do not satisfy legal and contractual requirements, the school district should present such additional schedules and narrative explanations in the comprehensive annual financial report as may be necessary to report its legal compliance responsibilities and accountabilities.

Legal Requirements

The Texas Education Code (TEC) and other state statutes contain the legal requirements for public school finance, accounting, budgeting and reporting. In summary, the state requirements are:

Accounting - A standard school fiscal accounting system must be adopted and installed by the board of trustees of each school district. The accounting system must conform to generally accepted accounting principles. This accounting system must also meet at least the minimum requirements prescribed by the state board of education, subject to review and comment by the state auditor.

Auditing - Accounting documents and records must be audited annually by an independent auditor. Texas Education Agency (TEA) is charged with review of the independent audit of the local education agencies. The Auditing and Data Collection & Reporting modules of this *Resource Guide* provide additional information regarding audits of school districts and financial reporting.

Budgeting - Not later than August 20 (June 19 for school districts with a July 1 fiscal year start date) of each year, the superintendent (or designee) must prepare a budget for the school district. The legal requirements for funds to be budgeted are included in the Budgeting module of the *Resource Guide*. The budget must be adopted before expenditures can be made, and this adoption must be prior to the setting of the tax rate for the budget year. The budget must be itemized in detail according to classification and purpose of expenditure, and must be prepared according to the rules and regulations established by the state board of education. The adopted budget, as necessarily amended, shall be filed with TEA through the [Public Education Information Management System \(PEIMS\)](#) as of the date prescribed by TEA. The school district's board minutes should be used to record the adoption of the budget and any amendments to the budget. Budget amendments are to be made prior to exceeding a detailed functional expenditure category, and these amendments are to be recorded in the board minutes. Filing of the final amended budget with TEA is satisfied whenever the annual audit report, showing a comparison of budget amounts with actual amounts, is filed. The Budgeting module of this *Resource Guide* provides additional information regarding budgeting issues.

Reporting - The commissioner of education may require reports concerning public school districts as deemed proper and furnish necessary blanks, forms and instructions for this purpose. The budgets and reports filed with TEA will be reviewed and analyzed by TEA staff to determine whether all legal requirements have been met and to collect data needed in preparing reports for the governor and the legislature. The law provides that the TEA may withdraw school accreditation from any school district failing to comply with budgeting, accounting, and reporting requirements. The Auditing, Data Collection, and Reporting modules of this *Resource Guide* provide additional information regarding audits of school districts and financial reporting.

Expenditures - In some areas, the laws are specific in restricting expenditures. There are many statutes, attorney general's opinions and state board of education rules concerned with authorized expenditures from school funds. These sources should be consulted when a question arises as to the legality of a proposed expenditure.

Other financial matters - The statutes also specify authorizations and restrictions concerning financial matters such as taxes, depositories, issuance of bonds and warrants, loans, investments, etc. In most cases, the school authorities should obtain competent legal advice pertaining to the specific transaction prior to its initiation.

Accounting Principles and Policies

Principles and policies adopted by the state board of education are official rules and constitute minimum budgeting, accounting, auditing and reporting requirements for independent school districts. The state board of education intent in prescribing these rules is to cause the budgeting and financial accounting and reporting system of independent school districts to conform with generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) for accounting treatments not specified in GASB pronouncements. *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) Section 1100, "Summary Statement of Principles," defines twelve principles of accounting and reporting shown below.

Summary Statement of Principles of Accounting and Reporting (as adapted from GASB Codification Section 1100)

Accounting and Reporting Capabilities - A governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the government in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Fund Accounting Systems - 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. Fund financial statements should be used to report detailed information about the primary government, including its blended component units. The focus of governmental and proprietary fund financial statements is on *major* funds.

Types of Funds - The following types of funds should be used by state and local governments:

Governmental Funds

- (1) *The General Fund* – to account for all financial resources except those required to be accounted for in another fund.
- (2) *Special Revenue Funds* – to account for the proceeds of specific revenue sources (other than trust for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specific purposes.
- (3) *Capital Projects Funds* – to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments). Capital outlays financed from general obligation bond proceeds should be accounted for through a capital projects fund.
- (4) *Debt Service Funds* – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Debt service funds are required if they are legally mandated and/or if financial resources are being accumulated for principal and interest payments maturing in future years.
- (5) *Permanent funds* – to report resources legally restricted so earnings, but not principal, may be used for purposes that support the school.

Proprietary Funds

(6) *Enterprise Funds* – to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- a.) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity.
- b.) Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c.) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

(7) *Internal Service Funds* – 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. Internal service funds should be used only if the reporting government is the predominant participant in the activity. Otherwise, the activity should be reported as an enterprise fund.

Fiduciary Funds

To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust and agency funds therefore cannot be used to support the government's own programs. These include:

(8) Pension (and other employee benefit) trust funds should be used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans.

(9) Investment trust funds should be used to report the external portion of investment pools reported by the sponsoring government.

(10) Private-purpose trust funds, such as a fund used to report escheat property, should be used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

(11) 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.

Number of Funds - Governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, however, because unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

Reporting Capital Assets - A clear distinction should be made between general capital assets and capital assets of proprietary and fiduciary funds. Capital assets of proprietary funds should be reported in both the government-wide and fund financial statements. Capital assets of fiduciary funds should be reported only in the statement of fiduciary net assets. All other capital assets of the governmental unit are general capital assets. They should not be reported as assets in governmental funds but should be reported in the governmental activities column in the government-wide statement of net assets.

Valuation of Capital Assets - Capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Donated capital assets should be recorded at their estimated fair value at the time of acquisition plus ancillary charges, if any.

Depreciation and Impairment of Capital Assets Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible or are infrastructure assets using the modified approach. Inexhaustible assets such as land and land improvements should not be depreciated. Depreciation expense should be reported in the government-wide statement of activities; the proprietary fund statement of revenues, expenses, and changes in fund net assets; and the statement of changes in fiduciary net assets. Capital assets should be evaluated for impairment when events or changes in circumstances suggest that the service utility of a capital asset may have significantly and unexpectedly declined.

Reporting Long-term Liabilities - A clear distinction should be made between fund long-term liabilities and general long-term liabilities. Long-term liabilities directly related to and expected to be paid from proprietary funds should be reported in the proprietary fund statement of net assets and in the government-wide statement of net assets. Long-term liabilities directly related to and expected to be paid from fiduciary funds should be reported in the statement of fiduciary net assets. All other unmatured general long-term liabilities of the governmental entity should not be reported in governmental funds but should be reported in the governmental activities column in the government-wide statement of net assets.

Accrual Basis in Governmental Accounting - The modified accrual basis of accounting or accrual basis of accounting, as appropriate, should be utilized in measuring financial position and operating results.

- (a) *Governmental fund* revenues and expenditures should be recognized on the modified accrual basis. Revenues should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except of unmatured interest on general long-term debt, which should be recognized when due.
- (b) *Proprietary fund statements net assets and* revenues, expenses and changes in fund net assets should be recognized on the accrual basis. Revenues should be recognized in the accounting period in which they are earned and become measurable; expenses should be recognized in the period incurred, if measurable.
- (c) *Fiduciary funds* should be reported 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 post employment healthcare plans.

- (d) *Transfers* should be recognized in the accounting period in which the interfund receivable and payable arise.

Budgeting, Budgetary Control, and Budgetary Reporting

- (a) An annual budget(s) should be adopted by every governmental unit.
- (b) The accounting system should provide the basis for appropriate budgetary control.
- (c) Budgetary comparison schedules should be presented as required supplementary information for the general fund and for each major special revenue fund that has a legally adopted annual budget. (The budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis.)

Transfer, Revenue, Expenditure, and Expense Account Classification

- (a) The statement of activities should present governmental activities at least at the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances—at a minimum by function. Governments should present business-type activities at least by different identifiable activities.
- (b) Governmental fund revenues should be classified by fund and source. Expenditures should be classified by fund and source. Expenditures should be classified by fund, function (or program), organization unit, activity, character, and principal classes of objects.
- (c) Proprietary fund revenues should be reported by major sources, and expenses should be classified in essentially the same manner as those of similar business organizations, functions, or activities.
- (d) Proceeds of general long-term debt issues should be classified separately from revenues and expenditures in the governmental fund financial statements.
- (e) Transfers should be classified separately from revenues and expenditures or expenses in the basic financial statements.

Common Terminology and Classification - A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund or activity.

Annual Financial Reports

- (a) Appropriate interim financial statements and reports of financial position, operating results, and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and, where necessary or desired, for external reporting purposes.
- (b) A comprehensive annual financial report should be prepared and published, covering all funds and activities of the primary government (including its blended component units) and providing an overview of all discretely presented component units of the reporting entity—including introductory section, management's discussion and analysis (MD&A), basic financial statements, required supplementary information other than MD&A, combining and individual fund statements, schedules, narrative explanations, and statistical section. The reporting entity is the primary government (including its blended component units) and all discretely presented component units.

- (c) The minimum requirements for MD&A, basic financial statements, and required supplementary information other than MD&A are:
 - (1) Management's discussion and analysis.
 - (2) Basic financial statements. The basic financial statements should include:
 - (a) Government-wide financial statements.
 - (b) Fund financial statements.
 - (c) Notes to the financial statements.
 - (3) Required Supplementary information other than MD&A.
- (d) The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) 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 basic financial statements to be misleading or incomplete ([See GASB 39](#)). The reporting entity's government-wide financial statements should display information about the reporting government as a whole distinguishing between the total primary government and its discretely presented component units as well as between the primary government's governmental and business-type activities. The reporting entity's fund financial statements should present the primary government's (including its blended component units, which are, in substance, part of the primary government) major funds individually and non-major funds in the aggregate. Funds and component units that are fiduciary in nature should be reported only in the statements of fiduciary net assets and changes in fiduciary net assets.
- (e) 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, joint venture, jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

Overall summaries of the state mandated principles and policies are:

Generally accepted accounting principles (GAAP) - School district accounting systems must be kept in accordance with generally accepted accounting principles and shall present fairly and with full disclosure the funds and activities and results of financial operations in such a manner to determine and demonstrate compliance with finance-related legal and contractual provisions. Whenever conflicts exist between legal requirements and generally accepted accounting principles, the financial statements shall be prepared in conformity with *generally accepted accounting principles*, and additional schedules and/or narrative explanations shall be attached as necessary to satisfy or report legal compliance responsibilities and accountabilities. See [Statutory Modified Accrual Method](#) for the exception regarding GASB 45, OPEB.

Fund accounting - The accounting system shall be organized and operated on a fund basis. All funds of school districts shall be accounted for and included on the end-of-year combined balance sheet. 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. All school districts shall establish and maintain only the minimum number of funds required for efficient operations, limited to those fund types presented in the Account Code section of this module of the *Resource Guide*.

Central accounting - Accounting for public funds of independent school districts shall be on an organization-wide basis covering all funds. Governmental, proprietary and fiduciary fund types shall be the accounting responsibility of a centralized unit or office within the organizational structure of a school district.

Capital assets - Capital assets shall be accounted for at historical cost. Donated capital assets shall be recorded at their estimated fair value at the time received. Capital assets shall include land, buildings, improvements other than buildings, vehicles, machinery, infrastructure, works of art and historical treasures, furniture and equipment that:

- Are not consumed as a result of use.
- Have a useful life of at least one year and a per unit cost of \$5,000 or more.
- Can be controllable, identified by a permanent or assigned number or label, and be reasonably accounted for through a fiscal inventory system. Groups of like items may be included in the inventory system.

Depreciation - Depreciation of capital assets should be over their estimated useful lives unless they are either inexhaustible or are infrastructure assets using the modified approach. Depreciation of capital assets should be reported in the government-wide statement of activities; the proprietary fund statement of revenues, expenses, and changes in fund net assets; and the statement of changes in fiduciary net assets.

Basis of accounting - Generally accepted accounting principles (GAAP) shall be followed for financial budgeting, accounting and reporting purposes in PEIMS except for foundation school program (FSP) revenues. FSP revenues must be accounted for under a budgetary basis of accounting as explained below. This budgetary basis must be reported in the annual financial report and reconciled to GAAP in the notes to the financial statements. Materiality is considered in GAAP requirements, and the determination of materiality is an exercise of the professional judgment of the independent auditor.

Modified accrual or accrual method - The basis of accounting shall be on the modified accrual or accrual method, as appropriate for the fund.

- Revenues and expenditures of *governmental fund types* shall be budgeted, recorded and recognized on the modified accrual basis. Revenues shall be recognized in the accounting period in which they become available and measurable. Additionally, FSP revenues earned for days of instruction for the new academic year occurring prior to the close of the current fiscal year as a ratio to the total days of instruction may be accrued as revenue if collectible within 60 days of fiscal year-end. Expenditures shall be recognized in the accounting period in which the fund liability is incurred (as services are rendered or title to property is transferred to the district), if measurable, except for unmatured interest on general long-term debt, which shall be recognized when due. The annual financial reports and federal quarterly and final completion reports must be prepared on this same basis of accounting. Cash basis or reconciliation type reports may supplement modified accrual and accrual basis reports.

- Revenues and expenses of *proprietary fund types* shall be recognized on the accrual basis. Revenues shall be recognized in the accounting period in which they are earned and become measurable. Expenses shall be recognized in the accounting period in which they are incurred and become measurable.
- *Agency funds* shall be accounted for on the accrual basis (however, agency funds maintain only assets and liabilities).
- *Interfund transfers* shall be recognized in the accounting period in which the receivable and payable arise.

Statutory modified accrual method - GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, will supersede GASB Statement No. 12. GASB 45 is scheduled to be effective in three phases beginning with financial statements for periods beginning after December 15, 2006 (large government entities – fiscal year 2007-2008). The impact of this statement on school district reporting has not been determined yet, since most districts don't offer post-employment benefits other than through TRS. [HB 2365](#) passed by the 80th Legislature made the implementation of GASB 45 optional for Texas governmental entities, with accounting guidance regarding a [statutory modified accrual basis](#) to be provided by the Comptroller. Please refer to the [Financial Audits Division](#) website in 2008 for additional guidance.

Budgetary basis of accounting - The budgetary basis of accounting shall be consistently applied in budgeting, recording and reporting foundation school program (FSP) revenues in [PEIMS](#) information. Under the budgetary basis, earned and material FSP revenues that are collectible beyond 60 days are to be treated consistently for budgeting, recording, and reporting through PEIMS and for tax rollback rate calculation purposes.

Budgetary control/encumbrance accounting - The official school district budget, as adopted, shall be recorded in the general ledger. Revenues and expenditures authorized in the budget shall be controlled in the accounting records and reported in the financial statements. Only the General Fund, Debt Service Fund and Food Service Fund must be included in the official school district budget. If the child nutrition program (Food Service) is accounted for in an Enterprise Fund, the fund must be budgeted and the budget must be reported through [PEIMS](#).

To control budgeted fund commitments as a result of unperformed executory contracts for goods or services, the accounting system shall employ a method of *encumbrance* accounting. Encumbrances shall be documented by contracts, purchase orders, or other evidence showing binding commitments for goods or services.

- Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year end are completed.
- Appropriations lapse at year end. A school district may intend to honor the encumbrance contracts in progress at year end (unless prohibited to do so by law or program regulations) or to cancel them. If there is intent and legal authorization to honor them, encumbrances outstanding at year end shall be a reservation of fund balance, and the subsequent year's appropriations shall provide the authority to complete these transactions.

Uniform classifications and terminology - Fund codes, mandatory account classifications and terminology prescribed in the Account Code section of this module of the *Resource Guide* shall be used by school districts. General ledger accounts prescribing a double entry system and distribution of related payroll expenses with payroll shall be uniformly used throughout the budgeting, accounting and financial reporting system.

- A school district accounting system shall use the accounting code structure presented in the Account Code section of the *Resource Guide*.
- Funds shall be classified and identified on required financial statements by the same code number and terminology provided in the Account Code section of the *Resource Guide*.
- Revenues shall be recorded on a gross basis and shall be classified by fund, source (object code), fiscal year and where fiscal integrity (separate accountability) is necessary, by program and/or project.
- Expenditures or expenses shall be classified by fund, function, object, organization, program intent and fiscal year.
- Special Revenue Fund programs requiring project accountability are to be identified by project through the use of the fiscal year code. Once the fiscal year code has been assigned a project, it shall remain with the project until its termination, regardless of the fiscal year in which termination occurs. Project accountability is a requirement for most federal projects; however, it rarely applies to state grants.
- Interfund transfers and proceeds from notes or other indebtedness shall be classified separately from and not recorded as fund revenues and expenditures or expenses.
 - * Interfund transactions (except loans or advances, interfund service provided and used transactions and reimbursements) shall be accounted for as interfund transfers. Interfund transfers shall consist of *transfers* which are nonrecurring or nonroutine transfers of equity between funds.
 - * Interfund service provided and used transactions and reimbursements shall not be accounted for as interfund transfers, but shall be appropriately accounted for as fund revenues, expenditures or expenses, or adjustments thereto. An example is a billing to the General Fund by the Internal Service Fund, thus constituting an expenditure for the General Fund and a revenue for the Internal Service Fund. Reimbursements shall be recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

Accounting alternatives - The accounting system shall allow certain flexibility in the recognition of relatively minor amounts of certain revenues and expenditures. Application of alternatives in accounting methods shall be consistently applied from accounting period to accounting period.

- Monies collected in advance and the property tax levy recorded in the school district's opening budget entries that will ultimately be recognized as revenues shall be recorded as deferred revenues, and at the appropriate time shall be recognized as revenues of the accounting period to which they apply.

- Inventory items of materials, supplies, etc., may be considered expenditures/expenses either when purchased (purchases method) or when used (consumption method), but significant amounts of inventory shall be reported on the balance sheet.
- Expenditures/expenses for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures/expenses of the period of acquisition.

Fund equity and other credits - Fund equity is comprised of investments in capital assets (other credit); contributed capital; net assets; reserved fund balance; unreserved, designated fund balance; and unreserved, undesignated fund balance.

Fund Accounting

The school district's accounting system should be organized and operated on a fund basis. Each fund is a separate fiscal entity in the school district much the same as various corporate subsidiaries are fiscally separate in private enterprise. The separate funds are established by the school district for the specific activities and objectives in accordance with statutes, laws, regulations, restrictions, or for specific purposes. A fund is defined in GASB Codification Section 1300 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.

The requirement for a *self-balancing* set of accounts means that the familiar debit and credit framework is applied to the recording of transactions and events in the accounting systems of each fund. But the requirement that a fund must be both a separate fiscal and accounting entity indicates that the self-balancing feature itself is not adequate alone; accounting control and accountability for the government's general capital assets and the unmatured principal of its long-term debt are also required.

Per GASB Statement No. 34, the general long-term debt account group and the general fixed asset account group are no longer included as part of the basic financial statements. However, school districts should continue to maintain these accounts as part of their internal control system. The general long-term debt fund and general capital asset fund are used to establish accounting control and accountability for the government's general capital assets and the unmatured principal of its long-term debt.

Legal reporting requirements and the varied nature of school district's operations preclude a *single set* of accounts for recording and summarizing all transactions. The records must be organized on a multiple-fund basis with each of the several funds complete and independent accounting entities. The absolute minimum number of funds appropriate for public school operations depends on the purposes and legal requirements of the various activities. The identified fund types are for group activities that are similar in nature or purpose. The required fund types and groups of self-balancing accounts as described in GASB Codification Section 1300.102 and 103 (excerpted) follow.

Description of Fund Types

The three fund types are:

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental fund category includes the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

Governmental funds are, in essence, accounting segregations of financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "Fund Balance."

Financial statements for governmental funds should be presented using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental fund measurement focus is on determination of *financial position and changes in financial position* (sources, uses, and balances of financial resources).

The financial statements required for governmental funds are a balance sheet and a statement of revenues, expenditures, and changes in fund balance.

Proprietary Fund reporting focuses on the determination of net income, changes in net assets (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Proprietary fund statements of net assets and revenues, expenses, and changes in fund net assets should be presented using the economic resources measurement focus and the accrual basis of accounting.

Required financial statements for proprietary funds are a statement of net assets or balance sheet; a statement of revenues, expenses, and changes in fund net assets or fund equity; and a statement of cash flows.

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and 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. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished from agency funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Financial statements of fiduciary funds should be reported 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 post employment benefit plans.

Accountability for and control of the government's general capital assets and long-term liabilities are accomplished through a separate category of accounting entries, called the "account groups" prior to GASB 34. Since many accounting systems may not be modified for a while, many districts may continue their use.

Account Groups – may continue to be used to establish accounting control and accountability for the government's capital assets and the unmatured principal of its long-term liabilities due to accounting system limitations.

Account groups have no place in the new reporting model; nowhere are they reported. School districts will continue to maintain their accounting systems on a fund basis. Some may find account groups a convenient means of keeping track of their long-lived assets and long-term liabilities-items that they will now have to incorporate in their government-wide statements.

The government's general capital assets – all capital assets except those accounted for in proprietary funds or fiduciary funds – are not financial resources available for expenditure. The unmatured principal of its general long-term liabilities – long-term liabilities not accounted for in proprietary funds or fiduciary funds – does not require an appropriation or expenditure . . . during the current accounting period. Hence, neither is accounted for in the governmental funds, but in self-balancing capital asset and long-term liability accounts. These accounts are not funds; they do not reflect available financial resources and related liabilities but are accounting records of the general capital assets and general long-term liability accounts, respectively, and certain associated information.

Forney Independent School District

Account Code Reporting

Overview of Account Codes

Section 44.007 of the Texas Education Code (Code or TEC) requires that a standard school district fiscal accounting system be adopted by each school district. The system must meet at least the minimum requirements prescribed by the State Board of Education and also be subject to review and comment by the state auditor. Additionally, the accounting system must conform to Generally Accepted Accounting Principles (GAAP). This section further requires that a report be provided at the time that the school district budget is filed, showing financial information sufficient to enable the state board of education to monitor the funding process and to determine educational system costs by school district, campus and program.

The Texas Education Code, Section 44.008, requires each school district to have an annual independent audit conducted that meets the minimum requirements of the state board of education, subject to review and comment by the state auditor. The annual audit must include the performance of certain audit procedures for the purpose of reviewing the accuracy of the fiscal information provided by the district through the Public Education Information Management System (PEIMS). The audit procedures are to be adequate to detect material errors in the school district's fiscal data to be reported through the PEIMS system for the fiscal period under audit.

A major purpose of the following accounting code structure is to establish the standard school district fiscal accounting system required by law. Although certain codes within the overview may be used at local option, the sequence of the codes within the structure, and the funds and chart of accounts, are to be uniformly used by all school districts in accordance with generally accepted accounting principles.

The Code Structure

Fund Code

A mandatory 3 digit code is to be used for all financial transactions to identify the fund group and specific fund. The first digit refers to the fund group, and the second and third digit specifies the fund.

Example:

A Special Revenue Fund could be coded 211. The 2 indicates the Special Revenue Fund, the 11 specifies ESEA, Title I, Part A - Improving Basic Programs.

Function Code

A mandatory 2 digit code applied to expenditures/expenses that identify the purpose of the transaction. The first digit identifies the major class and the second digit refers to the specific function within the area.

Example:

The function "Health Service" is coded 33. The first 3 specifies Support Services - Student (Pupil) and the second 3 is Health Services.

Object Code

A mandatory 4 digit code that identifies the nature and object 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 major area, and the third and fourth digits provide further sub-classifications.

Example:

Money received for current year taxes is classified in account 5711. The 5 denotes revenue, the 7 shows Local and Intermediate Sources, the 1 denotes local real and personal property taxes revenue and the final 1 specifies current year levy.

Optional Codes 1 and 2

A 2 digit code for optional use to provide special accountability at the local level.

Organization Code

A mandatory 3 digit code that identifies the organization, i.e., High School, Middle School, Elementary School, Superintendent's office, etc. An organization code does not necessarily correspond with a physical location. The activity, not the location, defines the organization. Campuses are examples of organization codes and are specified for each school district in the Texas School Directory.

Example:

Expenditures for a high school might be classified as 001. This is a campus organization code that is defined in the Texas School Directory for that high school.

Fiscal Year Code

A mandatory single digit code that identifies the fiscal year of the transaction or the project year of inception of a grant project.

Examples:

For the 2013-04 fiscal year of the school district, a 4 would denote the fiscal year.

An ESEA, Title I, Part A - Improving Basic Programs grant for the project year from July 1, 2012 through September 30, 2013 would be indicated by a 3. A grant for the project year from July 1, 2013 through September 30, 2014 would be indicated by a 4. Therefore, for 3 months of a year for some federal grants, we could be accounting for 2 project years.

Program Intent Code

A 2 digit code used to designate the intent of a program provided to students. These codes are used 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 student group toward which the instructional or other service is directed) determines the program intent code, not the demographic makeup of the students served.

Example:

An entire class of physics is taught at the basic level. Program intent code 11 would designate Basic Educational Services.

Optional Code 3

A single code that is used at the local option.

Optional Codes 4 and 5

An optional 2 digit code that may be used by the district to further describe the transaction.

Fund Codes

School district accounting systems are organized and operated on a fund basis. A fund is an accounting entity with a self-balancing set of accounts recording financial resources and liabilities. A school district designates the fund's financial resources for a distinct purpose. The fund's purpose can be established by the state or federal government as well as the school district. The \mathcal{R} by a fund indicates that the fund is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such funds are applicable to the school district.

School districts should establish and maintain those funds required by law and sound financial administration. 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.

100 - 600 GOVERNMENTAL FUND TYPES

Governmental fund types for Texas school districts consist of four governmental fund groups (General, Special Revenue, Capital Projects and Debt Service) that account for the acquisition, use and balances of expendable financial resources and related liabilities as required by law or rule.

100 GENERAL FUND

The general fund is a governmental fund with budgetary control which is used to show transactions resulting from operations of on-going organizations and activities from a variety of revenue sources for which fund balance is controlled by and retained for the use of the local education agency. The general fund utilizes the modified accrual basis of accounting. To maintain separate revenue and expenditure accounts to assure the integrity of specific revenue purposes when required by law or rule, the general fund is to employ the classifications defined below.

℞101 Food Service

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

The Food Service Fund is considered a part of the General Fund if it meets the following criteria:

- No user fees are charged; i.e., students are not charged for meals, and
- Participation in the National School Lunch Program (NSLP) is not a factor. Whether the school district participates or not, the General Fund subsidizes the Food Service Fund for all amounts required in excess of the NSLP reimbursements

The fund balance of the Food Service Fund may not exceed three months of food service operations, and such balances are to be used exclusively for allowable child nutrition program purposes. (10.553, breakfast; 10.555, lunch) (Note: See Fund Codes 240 and 701 which are alternative methods of accounting for Food Service Funds, depending on the guidelines established by the school district.)

The Summer Feeding Program funded by the Department of Human Services (DHS) is not to be classified in this fund, but rather in the Special Revenue Fund Code 242.

℞102 ESC State Support (Education Service Centers Only)

This classification is to be used by an education service center to account, on a project basis, for funds to provide for the general operation of the education service centers and to develop, maintain, and deliver core services for student and school district performance or other areas identified by the Commissioner of Education.

103-160 Reserved for Future State Definition

These classifications are reserved for future state designation and are not to be used by the school district.

161-198 Locally Defined Classifications (Convert to Fund 199 for PEIMS)

These classifications are used, at the option of the school district, to further classify specific revenues and related expenditures for local requirements. For PEIMS reporting these accounts are converted to Fund 199.

℞ 199 General Fund

This classification must be used to account for funds in which the local governing board designates. The local governing board has wide discretion in their use as provided by law. This fund usually includes transactions as a result of revenues from local maintenance taxes, payments in lieu of taxes, foundation entitlements, State and County available and other Foundation School Program sources which are not identified on warrants for foundation entitlements. This fund classification is also used to record transactions involving the instructional facilities allotment for lease-purchase related purposes (Fund Code 699, Debt Service Fund, is used to record transactions involving the FSP instructional facilities allotment for bonded indebtedness (voter approved debt) related purposes). Any locally defined codes that are used at the local option are to be converted to Fund 199 for PEIMS reporting.

200/300/400 SPECIAL REVENUE FUNDS

Special revenue funds are governmental funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This excludes expendable trusts and major capital projects. These funds utilize the modified accrual basis of accounting.

When accounts are designated as “Education Service Centers Only,” school districts are not to use these fund classifications.

200 SPECIAL REVENUE (FEDERAL PROGRAMS)

Federal Programs that are used by school districts and education service centers not acting as a fiscal agent for a shared services arrangement are designated by Fund Codes 201 through 289. Most, but not all, of these funds must be applied for through a Standard Application System (SAS).

201 - 202 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

℞203 Child Care Development Block Grant

This fund classification is to be used to account, on a project basis, for funds granted under Title XX of the Social Security Act. (93.575) (U.S. Department of Health and Human Services)

℞204 ESEA, Title IV, Part A - Safe and Drug-Free Schools and Communities Act

This fund classification is to be used to account, on a project basis, for funds granted as a result of the NCLB Act of 2001. These funds are to be used to develop age-appropriate comprehensive violence and drug/alcohol education prevention programs. This program is authorized under P.L. 107-110 (84.186A) (U.S. Department of Education)

℞205 Head Start

This fund classification is to be used to account, on a project basis, for funds granted for the Head Start Program by the United States Department of Health and Human Services. (93.600) (U.S. Department of Health and Human Services)

℞206 ESEA, Title III, Subtitle B - Education for the Homeless Children and Youth

This fund classification is to be used to account, on a project basis, for funds granted for a variety of staff development and supplemental services, including in-service training, counseling, psychological services and tutoring. This grant is funded by P.L. 107-110, McKinney-Vento Homeless Education Assistance Improvement of 2001 as amended by NCLB Act of 2001, Title X, Part C. (84.196) (U.S. Department of Education)

207 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞208 Human Immunodeficiency Virus (HIV) Education

This fund classification is to be used to account, on a project basis, for funds granted for educator training programs in human immunodeficiency virus (HIV) education for school-aged populations. Education Service Centers receive support to provide technical assistance, workshops and materials, and collection of data on HIV educational programs and practices. (93.938) (U.S. Department of Health and Human Services)

℞209 Energy Conservation for Institutional Buildings

This fund classification is to be used to account, on a project basis, for funds granted for energy conservation by the US Department of Energy. (81.052)

210 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞211 ESEA, Title I, Part A - Improving Basic Programs

This fund classification is to be used to account, on a project basis, for funds allocated to local educational agencies to enable schools to provide opportunities for children served to acquire the knowledge and skills contained in the challenging State content standards and to meet the challenging State performance standards developed for all children. This program is authorized under P.L. 107-110. (84.010A) (U.S. Department of Education)

Note: This fund code is also used for ESEA Title I, Part D, Subpart 2 - LEA programs with locally operated correctional facilities.

℞212 ESEA, Title I, Part C - Education of Migratory Children

This fund classification is to be used to account, on a project basis, for funds granted for programs benefiting children of migrant agriculture or agriculture-related workers and children of migrant fishermen. This grant is funded by P.L. 107-110. (84.011) (U.S. Department of Education)

℞213 ESEA, Title I, Part B - Even Start Family Literacy

This fund classification is to be used to account, on a project basis, for funds granted for programs to help parents become full partners in their children's education, help children reach their full potential as learners, and provide literacy training for their parents by integrating adult education and early childhood education into a unified family-centered program. This grant is funded by P.L. 107-110, Title I, Part B, Subpart 3, William F. Goodling Even Start Family Literacy Program. (84.213) (U.S. Department of Education)

214 -217 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

℞218 ESEA Title V, Part D, Subpart 6 - Jacob K. Javits Gifted and Talented Students Education Act

This fund classification is to be used to account, on a project basis, for funds granted to carry out programs designed to meet the educational needs of gifted and talented students, including the training of personnel in the education of gifted and talented students and in the use of gifted and talented services, materials, and methods for all students. (P.L. 107-110, Title V, Part D, Subpart 6) (U.S. Department of Education)

219 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞220 Adult Education (ABE) - Federal

This fund classification is to be used to account, on a project basis, for funds granted to provide or support programs for adult education and literacy services to adults who are beyond compulsory school age 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 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 equivalent. This includes sections 322, 326, and 353 under P.L. 91.230 as amended by PL 102.73, The National Literacy Act. If a school district has more than one section, separate accountability must be maintained. This may be accomplished by using one of the locally defined segments of the code structure. (84.002) (U.S. Department of Education)

221 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞222 National and Community Service Trust Act - Learn and Serve America

This fund classification is to be used to account, on a project basis, for funds allocated for enabling students to apply classroom learning to real life experiences. This grant is funded by P.L. 103-82. (94.004) (Corporation for National and Community Services)

℞223 Temporary Assistance for Needy Families (TANF)

This fund classification is to be used 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 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 a Second Language instruction and secondary level competencies for acquisition of a high school diploma or its equivalent. This grant is funded by P.L. 104-193. (93.558) (U.S. Department of Health and Human Services)

℞224 IDEA - Part B, Formula

This fund classification is to be used to account, on a project basis, for funds granted to operate educational programs for children with disabilities. This fund classification includes capacity building and improvement (sliver) subgrants. (84.027) (U.S. Department of Education)

℞225 IDEA - Part B, Preschool

This fund classification is to be used to account, on a project basis, for funds granted for preschool children with disabilities. This grant is funded by PL 105-17. (84.173) (U.S. Department of Education)

℞226 IDEA - Part B, Discretionary

This fund classification is to be used to account, on a project basis, for funds used to support an Education Service Center (ESC) special education component and also:

- Targeted support to LEAs
- Regional Day School Programs for the Deaf
- Private residential placements
- Priority projects
- Other emerging needs

(84.027) (U.S. Department of Education)

℞227 IDEA - Part B, Deaf

This fund classification is to be used to account, on a project basis, for funds granted to operate educational programs for children with disabilities. This fund classification includes capacity building and improvement (sliver) deaf subgrants. (84.027) (U.S. Department of Education)

℞228 IDEA - Part B, Preschool Deaf

This fund classification is to be used to account, on a project basis, for funds granted for preschool children with disabilities by P.L. 105-17. (84.173) (U.S. Department of Education)

℞229 IDEA - Part D, Deaf-Blind

This fund classification is to be used to account, on a project basis, for federal grant funds for the Texas Deaf-Blind Project for Children Who Are Deaf-Blind. (CFDA#84-326-C). (84.025) (U.S. Department of Education)

℞230 IDEA - Part D, Personnel Training

This fund classification is to be used to account, on a project basis, for funds granted for programs related to the training and preparation of school personnel who provide educational services to students with disabilities. (84.029) (U.S. Department of Education)

231 - 235 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

℞236 Substance Abuse Prevention and Treatment Block Grant - Intervention

This fund classification is to be used to account, on a project basis, for funds granted through the Texas Department of State Health Services for intervention services for youth up to age 18. Texas Commission on Alcohol and Drug Abuse became a part of this agency on September 1, 2004. (TCADA code YIN) (93.959) (U.S. Department of Health and Human Services)

R237 ESEA Title IV - Safe and Drug-Free Schools and Communities Act

This fund classification is to be used to account, on a project basis, for funds granted through the Office of the Governor, Criminal Justice Division, for prevention/intervention services for youth (up to age 18), including DARE. This grant is funded by P.L. 103-382. (CJD code ED) (84.186A) (U.S. Department of Education)

R238 Substance Abuse Prevention and Treatment Block Grant - Females

This fund classification is to be used to account, on a project basis, for funds granted through the Texas Department of State Health Services for intervention services for females under the age of 18. Texas Commission on Alcohol and Drug Abuse became a part of this agency on September 1, 2004. (TCADA code YPF) (93.959) (U. S. Department of Health and Human Services)

R239 Substance Abuse Prevention and Treatment Block Grant - Prevention

This fund classification is to be used to account, on a project basis, for funds granted through the Texas Department of State Health Services for prevention services for youth. Texas Commission on Alcohol and Drug Abuse became a part of this agency on September 1, 2004. (TCADA code YPP) (93.959) (U.S. Department of Health and Human Services)

R240 National School Breakfast and Lunch Program

This fund classification is to be used for programs using federal reimbursement revenues originating from the United States Department of Agriculture (USDA). The Food Service Fund is considered a Special Revenue Fund if it meets the following criteria:

- User fees are charged to supplement the National School Lunch Program (NSLP) reimbursement -- i.e., students are charged for meals.
- The General Fund subsidizes the Food Service Fund for all amounts required in excess of the NSLP reimbursements and user fees.
- The school district does not intend for the Food Service Fund to be self-sustaining.

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

R241 Education Service Center Child Nutrition

This fund classification is also to be used to account, on a project basis, for funds to operate a regional program of administrative support for the child nutrition program by the education service centers.

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

This fund classification is to be used to account, on a project basis, for funds received from the Texas Department of Agriculture that are awarded for meals provided to the community based on the average number of daily participants. This fund should be used regardless of whether a school district's National School Breakfast and Lunch Program is accounted for in the General Fund (101), a Special Revenue Fund (240) or an Enterprise Fund (701). (10.559)

R243 Career and Technical - Technical Preparation

This fund classification is to be used to account, on a project basis, for funds granted to provide a combined secondary and postsecondary program (grade 9 through high school and two years of postsecondary) of technical skills in the areas of:

- Engineering
- Science
- Mechanical, industrial or practical arts or trades
- Agriculture
- Health
- Business

(84.243A) (U.S. Department of Education)

R244 Career and Technical - Basic Grant

This fund classification is to be used to account, on a project basis, for funds granted to provide Career and Technical education to develop new and/or improve Career and Technical education programs for paid and unpaid employment. Full participation in the basic grant is from individuals who are members of special populations, at 1) a limited number of campuses (sites) or 2) a limited number of program areas. (84.048) (U.S. Department of Education)

R245 Career and Technical - Single Parent

This fund classification is to be used to account, on a project basis, for funds granted to provide marketable skills through programs, services and activities (including dependent care and transportation) for individuals who are single parents, displaced homemakers or single pregnant women. (84.048A) (U.S. Department of Education)

R246 Career and Technical - Sex Equity

This fund classification is to be used to account, on a project basis, for funds granted to use for programs, services (including preparatory services and support services, comprehensive career guidance and counseling) and activities to eliminate sex bias and stereotyping in Career and Technical education. (84.048A) (U.S. Department of Education)

R247 Career and Technical - Curriculum Development

This fund classification is to be used to account, on a project basis, for funds granted to develop, disseminate and field test curriculum. This especially includes curriculum that integrates vocational and academic methodologies and provides a coherent sequence of courses through which academic and occupational skills may be measured. (84.048A) (U.S. Department of Education)

R248 Career and Technical - Professional Development

This fund classification is to be used to account, on a project basis, for funds used for Career and Technical education teachers and academic teachers who are working with Career and Technical education students. The personnel included are corrections educators and counselors, and educators and counselors in community-based organizations. Services include in-service and pre-service training of teachers in state-of-the-art programs and techniques, such as integration of vocational and academic curriculum, with particular emphasis on training of minority teachers. (84.048A) (U.S. Department of Education)

R249 Career and Technical - Community Based Organization

This fund classification is to be used to account, on a project basis, for funds granted for joint projects of eligible recipients and community-based organizations that provide special Career and Technical education services and activities. (84.174A) (U.S. Department of Education)

R250 Career and Technical - Apprenticeship

This fund classification is to be used to account, on a project basis, for funds granted for work-site programs such as:

- Cooperative training
- Internships
- Joint programs
- Services and activities with community-based organizations, work study and apprenticeship programs

(84.048A) (U.S. Department of Education)

R251 Career and Technical - Quality Work Force

This fund classification is to be used to account, on a project basis, for funds granted for the operation of a Quality Work Force Planning Committee (partnership between educators and employers). (84.048A) (U.S. Department of Education)

R252 Career and Technical - Other Program Improvement

This fund classification is to be used to account, on a project basis, for funds granted for Career and Technical used for other program improvement activities such as assessment and promotion of partnerships among:

- Business
- Education
- Industry
- Labor

- Community-based organizations
- Governmental agencies
- Supplemental Federal Grant to States for Facilities, Equipment and Other Program Improvements (Title III, Part F)

(84.253A) (U.S. Department of Education)

℞253 IDEA, Part C, Early Intervention (Deaf)

This fund classification is to be used to account on a project basis, for funds granted to assist local Regional Day School for the Deaf programs and the Texas School for the Deaf in providing direct services to hearing impaired infants to toddlers, ages birth through two years of age. The program provides supplemental and appropriate services to eligible students that are provided by a certified and trained teacher. This grant is funded by P.L. 101-119.

(84.181A) (U.S. Department of Education)

254 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞255 ESEA, Title II, Part A - Teacher and Principal Training and Recruiting

This fund classification is to be used to provide financial assistance to LEAs to (1) Increase student academic achievement through 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 (2) hold local education agencies and schools accountable for improving student academic achievement. (P.L. 107-110) (84.367A)

(U.S. Department of Education)

℞256 ESEA, Title I, Part F - Comprehensive School Reform

This fund classification is to be used to account on a project basis, for funds granted to develop comprehensive school reforms, based on reliable research and effective practices and including an emphasis on basic academics and parental involvement. This program is authorized under P.L. 107-110 (84.010B) (U.S. Department of Education)

257 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞258 Public Charter Schools

This fund classification is to be used to account on a project basis, for funds granted to public charter schools for planning, program design, implementation, assisting other schools and/or to disseminate information about the charter school. This program is authorized under P.L. 107-110, Title V, Part B, Subpart 1. (84.282) (U.S. Department of Education)

℞259 Matching Funds for Library Purchases

This fund classification is to be used to account, on a project basis, for federal matching funds received by the district 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% match for each dollar expended, not to exceed one dollar expended per student enrolled, in each year of the biennium, to be used for the purchase of library books and other library materials. (84.999) State Consolidated Administrative Funds

Note: this program may be funded from one of three different funding sources and thus coded to one of three different funding codes. Refer to the Notice of Grant Award for the FAR fund code to be used.

260 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞261 Reading First

This fund classification is to be used to account, on a project basis, for funds granted to establish reading programs for students in kindergarten through grade 3 that are based on scientifically based reading research, to ensure that every student can read at grade level or above not later than the end of grade 3 (P. L. 107-110, Title I, Part B, Subpart 1) (84.357) (U.S. Department of Education).

℞262 Title II, Part D, Subpart 1 - Enhancing Education through Technology

This fund classification is to be used to account, on a project basis, for funds granted for the implementation and support of a comprehensive system that effectively uses technology in elementary and secondary schools to improve student academic achievement (P. L. 107-110, Title II, Part D, Subpart 1) (84.318) (U.S. Department of Education).

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

This fund classification is to be used to account, on a project basis, for funds granted to improve the education of limited English proficient children, by assisting the children to learn English and meet challenging State academic content and student academic achievement standards (P. L. 107-110, Title III, Part A, Subpart 1) (84.365A) (U.S. Department of Education).

℞264 Community Service Grant Program

This fund classification is to be used to account, on a project basis, for funds granted to carry out programs under which students expelled or suspended from school are required to perform community service (P. L. 107-110, Title IV, Part A, Subpart 2) (84.184c) (U.S. Department of Education).

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

This fund classification is to be used to account, on a project basis, for funds granted to provide opportunities for communities to establish or expand activities in community learning centers that provide opportunities for academic enrichment and additional services to students and literary and related educational development for families of students (P. L. 107-110, Title IV, Part B) (84.287) (U.S. Department of Education).

266 Reserved for future state use

This classification is reserved for future state designation and is not to be used by the school district.

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

This fund classification is to be used to account, on a project basis, for funds granted to increase educational achievement through the development and administration of state assessments and standards and through professional development aligned with student standards and assessments (P. L. 107-110, Title VI, Part A, Subpart 1, Section 6111) (84.369) (U.S. Department of Education).

℞268 Improving Academic Achievement (Grants for Enhanced Assessment Instruments)

This fund classification is to be used to account, on a project basis, for funds granted to increase educational achievement through the development and administration of state assessments and standards and through professional development aligned with student standards and assessments (P. L. 107-110, Title VI, Part A, Subpart 1, Section 6112) (84.368) (U.S. Department of Education).

℞269 Title V, Part A - Innovative Programs

This fund classification is to be used to account, on a project basis, for funds granted to implement or expand innovative assistance programs to improve student, teacher, and school performance through a variety of local reform and improvement activities. This program is authorized under P.L. 107-110 (84.298) (U.S. Department of Education).

Any funds from Title VI, Innovative Education Program Strategies (fund code 235) will roll forward into this code.

Some of the matching funds for library materials are funded from Title V, Part A and would use fund code 269. Refer to the Notice of Grant award for the FAR code to be used. A local option code must be assigned to account for the matching library funds separately from the Title V, Part A formula funds.

℞270 ESEA, Title VI, Part B – Rural and Low-Income School Program

This fund classification is to be used to account, on a project basis, for funds allocated to local educational agencies to enable them to address the unique needs of rural school districts. This program is authorized under P.L. 107-110 (84.358B) (U.S. Department of Education).

℞271 Workforce Investment Act Youth Activities (Effective September 1, 2005)

This fund classification is to be used to account, on a project basis, for funds allocated to local educational agencies to help low income youth between the ages of 14 and 21 acquire the educational and occupational skills, training and support needed to achieve academic and employment success and successfully transition to careers and productive adulthood. This program is authorized under P.L.105-220 (17.259) (Department of Labor)

R272 Medicaid Administrative Claiming Program – MAC (Effective September 1, 2005)

This fund classification is to be used to account, on a project basis, for funds allocated to local education agencies for reimbursement of eligible administrative costs for activities attributed to the implementation of the Medicaid state plan. Expenditures attributed to the required matching amount are recorded in the General Fund and are to be accounted for with use of a local option account code, as needed, for local monitoring of compliance with federal matching requirements. (93.778)

R273 Mathematics and Science Partnerships (Effective fiscal year 2008/09)

This fund classification is to be used to account, on a project basis, 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. This grant is authorized under Title II, Part B of the No Child Left Behind Act, P. L. 107-110. (84.336B) (U.S. Department of Education)
R 274 GEAR UP (Effective fiscal year 2008/09)

R274 GEAR UP (Effective fiscal year 2008/09)

This fund classification is to be used to account, on a project basis, for funds granted to provide services and support to low-income minority school districts to ensure that students are academically prepared for higher education, graduate from high school, and have access to higher education opportunities. (84.334S) (U.S. Department of Education)

R275 School Dropout Prevention (Effective fiscal year 2008/09)

This fund classification is to be used to account, on a project basis, for funds granted to provide for school dropout prevention and reentry programs and to raise academic achievement levels to ensure that all children attain their highest academic potential and have substantial and ongoing opportunities through school wide programs proven effective in school dropout prevention and reentry. This grant is authorized under Title I Part H of the No Child Left Behind Act, P. L. 107-110. (84.360A) (U.S. Department of Education)

R276 Title I SIP Academy Grant (Effective fiscal year 2008/09)

Section 1003(g) of Title I of the NCLB Act authorizes funds to help TEA and LEAs address the needs of campuses in improvement, corrective action, and restructuring in order to improve student achievement. In conjunction with the Title I School Improvement Program funds under section 1003(a), SIP Academy grants are to be used to leverage change and improve technical assistance under sections 1116 and 1117 of Title I, Part A through TEA's and LEAs' targeting activities towards measurable outcomes as required by 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. The School Improvement Fund, appropriated by Congress for the first time for 2007-08, is authorized under Title I Section 1003(g) of the No Child Left Behind Act, P. L. 107-110. (84.377A) (U.S. Department of Education) This grant has been named the "SIP Academy" grant in Texas by the state Title I Committee of Practitioners.

277-279 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

280-288 Federally Funded Special Revenue Funds - Locally Defined (Convert to Fund 289 for PEIMS)

These fund classifications are used, at the option of the school district, to classify federally funded special revenue funds not defined elsewhere. For PEIMS reporting, these accounts are converted to Fund 289.

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

This fund classification is to be used to account, on a project basis, for federally funded special revenue funds that have not been specified above. Any locally defined codes that are used at the local option are to be converted to Fund 289 for PEIMS reporting.

290 FEDERALLY FUNDED SHARED SERVICES ARRANGEMENTS

The special revenue funds listed below (Fund Codes 291 through 379) are used to account for federal funds held by a fiscal agent school district or education service center that either (1) provides and pays for all services to member districts; (2) provides and pays for some services to member districts and sends a portion of the grant to each member district to expend; or, (3) sends all of the grant to member districts to expend.

Amounts sent by the fiscal agent to shared services arrangement member school districts are reported by those school districts as revenues and expenditures of the Special Revenue Fund in the appropriate fund (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 is responsible for submitting financial data, by member district, through the Public Education Information Management System (PEIMS) in a special record for shared services arrangements.

291 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

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

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted under Title XX of the Social Security Act. (93.575) (U.S. Department of Health and Human Services)

***R*293 Shared Services Arrangements - ESEA, Title IV, Part A - Safe and Drug-Free Schools and Communities Act**

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted as a result of the Improving Americas School Act of 1994. These funds are to be used to develop age-appropriate comprehensive violence and drug/alcohol education prevention programs. This program is authorized under P.L. 107-110. (84.186A) (U.S. Department of Education)

R294 Shared Services Arrangements - Head Start

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for the Head Start Program by the US Department of Health and Human Services. (93.600)

R295 Shared Services Arrangements - ESEA Title III, Part C - Education for the Homeless Children and Youth

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for a variety of staff development and supplemental services, including in-service training, counseling, psychological services and tutoring. This grant is funded by P.L. 107-110, McKinney-Vento Homeless Education Assistance Improvement of 2001 as amended by NCLB Act of 2001, Title X, Part C. (84.196) (U.S. Department of Education)

296 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

R297 Shared Services Arrangements - Human Immunodeficiency Virus (HIV) Education

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for programs for educator training in human immunodeficiency virus (HIV) education for school-aged populations. Education Service Centers receive support to provide technical assistance, workshops and materials, and collection of data on HIV educational programs and practices. (93.938) (U.S. Department of Health and Human Services)

R298 Shared Services Arrangements - Energy Conservation for Institutional Buildings

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for energy conservation by the US Department of Energy. (81.052)

299 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

R300 Shared Services Arrangements - ESEA, Title I, Part A - Improving Basic Programs

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds allocated to local educational agencies to enable schools to provide opportunities for children served to acquire the knowledge and skills contained in the challenging State content standards and to meet the challenging State performance standards developed for all children. This program is authorized under P.L. 107-110. (84.010A) (U.S. Department of Education)

Note: This fund code is also used for ESEA Title I Part D, Subpart 2 - LEA programs with locally operated correctional facilities.

℞301 Shared Services Arrangements - ESEA Title I, Part C - Education of Migratory Children

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for programs benefiting children of migrant agriculture or agriculture-related workers and children of migrant fishermen. This grant is funded by P.L. 107-110. (84.011) (U.S. Department of Education)

℞302 Shared Services Arrangements - ESEA Title I, Part B, Subpart 3 - Even Start Family Literacy

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for programs to help parents become full partners in their children's education, help children reach their full potential as learners, and provide literacy training for their parents by integrating adult education and early childhood education into a unified family-centered program.. This grant is funded by P.L. 107-110, Title I, Part B, Subpart 3, Goodling Even Start Family Literacy Program. (84.213) (U.S. Department of Education)

303 - 306 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

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

This fund classification is to be used to account, on a project basis, for funds granted to carry out programs designed to meet the educational needs of gifted and talented students, including the training of personnel in the education of gifted and talented students and in the use of gifted and talented services, materials, and methods for all students. (P.L. 107-110, Title V, Part D, Subpart 6) (84.206) (U.S. Department of Education)

308 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞309 Shared Services Arrangements - Adult Basic Education (ABE) - Federal

This fund classification is to be 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 not enrolled in school. Under Section 231 and Section 225 funds may be used for adult education and literacy services, including workplace literacy, family literacy, and English literacy programs. Under Section 223, funds may be used for professional development of the Workforce Investment Act of 1998. If a fiscal agent receives funding under more than one section, separate accountability must be maintained. This may be accomplished by using one of the locally defined segments of the code structure. (84.002) (U.S. Department of Education)

310 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞311 Shared Services Arrangements - National and Community Service Trust Act - Learn and Serve America

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis for funds allocated for enabling students to apply classroom learning to real life experiences. This grant is funded by P.L. 103-82. (94.004) (Corporation for National and Community Services)

℞312 Shared Services Arrangements -Temporary Assistance for Needy Families (TANF)

This fund classification is to be 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 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 a Second Language instruction and secondary level competencies for acquisition of a high school diploma or its equivalent. This grant is funded by P.L. 104-193. (93.558) (U.S. Department of Health and Human Services)

℞313 Shared Services Arrangements - IDEA - Part B, Formula

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted to operate educational programs for children with disabilities. This fund classification includes capacity building and improvement (sliver) subgrants. (84.027) (U.S. Department of Education)

℞314 Shared Services Arrangements - IDEA - Part B, Preschool

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for preschool children with disabilities. Funded by PL 105-17. (84.173) (U.S. Department of Education)

℞315 Shared Services Arrangements - IDEA - Part B, Discretionary

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds used to support an 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

(84.027) (U.S. Department of Education)

℞316 Shared Services Arrangements - IDEA - Part B, Deaf

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted to operate educational programs for children with disabilities. This fund classification includes capacity building and improvement (sliver) deaf subgrants. (84.027) (U.S. Department of Education)

℞317 Shared Services Arrangements IDEA - Part B, Preschool Deaf

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for preschool children with disabilities by P.L. 105-17. (84.173) (U.S. Department of Education)

318 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞319 Shared Services Arrangements - IDEA - Part D, Personnel Training

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for programs related to the training and preparation of school personnel who provide educational services to students with disabilities. (84.029) (U.S. Department of Education)

320 - 324 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

℞325 Shared Services Arrangements - Substance Abuse Prevention and Treatment Block Grant - Intervention

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted through the Texas Commission on Alcohol and Drug Abuse for intervention services for youth up to age 18. (TCADA code YIN) (93.959) (U.S. Department of Health and Human Services)

℞326 Shared Services Arrangements - ESEA Title IV, Part A - Safe and Drug-Free Schools and Communities Act

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted through the Office of the Governor, Criminal Justice Division, for prevention/intervention services for youth (up to age 18), including DARE. This grant is funded by P.L. 103-382. (CJD code ED) (84.186A) (U.S. Department of Education)

℞327 Shared Services Arrangements - Substance Abuse Prevention and Treatment Block Grant - Females

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted through the Texas Commission on Alcohol and Drug Abuse for intervention services for females under the age of 18. (TCADA code YPF) (93.959) (U.S. Department of Health and Human Services)

℞328 Shared Services Arrangements - Substance Abuse Prevention and Treatment Block Grant - Prevention

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted through the Texas Commission on Alcohol and Drug Abuse for prevention services for youth. (TCADA code YPP) (93.959) (U.S. Department of Health and Human Services)

℞329 Shared Services Arrangements - Summer Feeding Program, Texas Health and Human Services Commission (HHSC)

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds received from the Texas Department of Human Services that are awarded based on the average number of daily participants. (10.559)

℞330 Shared Services Arrangements - Career and Technical - Technical Preparation

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted to provide a combined secondary and postsecondary program (grade 9 through high school and two years of postsecondary) of technical skills in the areas of:

- Engineering
- Science
- Mechanical, industrial or practical arts or trades
- Agriculture
- Health
- Business

(84.243A) (U.S. Department of Education)

℞331 Shared Services Arrangements - Career and Technical - Basic Grant

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted to provide Career and Technical education to develop new and/or improve Career and Technical education programs for paid and unpaid employment. Full participation in the basic grant is from individuals who are members of special populations, at 1) a limited number of campuses (sites) or 2) a limited number of program areas. (84.048) (U.S. Department of Education)

℞332 Shared Services Arrangements - Career and Technical - Single Parent

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted to provide marketable skills through programs, services and activities (includes dependent care and transportation) for individuals who are single parents, displaced homemakers or single pregnant women. (84.048A) (U.S. Department of Education)

***R*333 Shared Services Arrangements - Career and Technical - Sex Equity**

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for programs, services (including preparatory services and support services, comprehensive career guidance and counseling) and activities to eliminate sex bias and stereotyping in Career and Technical education. (84.048A) (U. S. Department of Education)

***R*334 Shared Services Arrangements - Career and Technical - Curriculum Development**

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted to develop, disseminate and field test curriculum. This especially includes curriculum that integrates vocational and academic methodologies and provides a coherent sequence of courses through which academic and occupational skills may be measured. (84.048A) (U.S. Department of Education)

***R*335 Shared Services Arrangements - Career and Technical - Professional Development**

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds used for Career and Technical education teachers and academic teachers working with Career and Technical education students. The personnel included are corrections educators and counselors, and educators and counselors in community-based organizations. Services include in-service and pre-service 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. (84.048A) (U.S. Department of Education)

***R*336 Shared Services Arrangements - Career and Technical - Community Based Organization**

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for joint projects of eligible recipients and community-based organizations that provide special Career and Technical education services and activities. (84.174A) (U.S. Department of Education)

***R*337 Shared Services Arrangements - Career and Technical - Apprenticeship**

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for work-site programs such as:

- Cooperative training
- Internships
- Joint programs
- Services and activities with community-based organizations, work study and apprenticeship programs (84.048A) (U.S. Department of Education)

℞338 Shared Services Arrangements - Career and Technical - Quality Work Force

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for the operation of a Quality Work Force Planning Committee (partnership between educators and employers). (84.048A) (U.S. Department of Education)

℞339 Shared Services Arrangements - Career and Technical - Other Program Improvement

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted for Career and Technical used for other program improvement activities such as assessment and promotion of partnerships among:

- Business
- Education
- Industry
- Labor
- Community-based organizations
- Governmental agencies
- Supplemental Federal Grant to States for Facilities, Equipment and Other Program Improvements (Title III, Part F) (84.253A) (U.S. Department of Education)

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

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted to assist local Regional Day School for the Deaf programs and the Texas School for the Deaf in providing direct services to hearing impaired infants to toddlers, ages birth through two years of age. The program provides supplemental and appropriate services to eligible students that are provided by a certified and trained teacher. This grant is funded by P.L. 101-119. (84.181A) (U.S. Department of Education)

341 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

℞342 Shared Services Arrangements - Title II, Part A - Teacher and Principal Training and Recruiting

This fund classification is to be used by the fiscal agent of a shared services arrangement to provide financial assistance to LEAs to (1) Increase student academic achievement through 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 (2) hold local education agencies and schools accountable for improving student academic achievement. (P.L. 107-110) (84.367A) (U.S. Department of Education)

℞343 Shared Services Arrangements - ESEA Title I, Part F - Comprehensive School Reform

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted to develop comprehensive school reforms, based on reliable research and effective practices and including an emphasis on basic academics and parental involvement. This program is authorized under P.L. 107-110 (84.010B) (U.S. Department of Education)

344 - 346 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

℞347 Shared Services Arrangements - ESEA, Title VI, Part B, Subpart 2 – Rural and Low-Income School Program

This fund classification is to be used to account, on a project basis, for funds allocated to local educational agencies to enable them to address the unique needs of rural school districts. This program is authorized under P.L. 107-110 (84.358B) (U.S. Department of Education).

℞348 Shared Services Arrangements - Reading First

This fund classification is to be used to account, on a project basis, for funds granted to establish reading programs for students in kindergarten through grade 3 that are based on scientifically based reading research, to ensure that every student can read at grade level or above not later than the end of grade 3 (P. L. 107-110, Title I, Part B, Subpart 1) (84.357) (U.S. Department of Education).

℞349 Shared Services Arrangements – Title II, Part D, Subpart 1 -Enhancing Education Through Technology

This fund classification is to be used to account, on a project basis, for funds granted for the implementation and support of a comprehensive system that effectively uses technology in elementary and secondary schools to improve student academic achievement (P. L. 107-110, Title II, Part D, Subpart 1) (84.318A)(U.S. Department of Education).

℞350 Shared Services Arrangements - Title III, Part A - English Language Acquisition and Language Enhancement

This fund classification is to be used to account, on a project basis, for funds granted to improve the education of limited English proficient children, by assisting the children to learn English and meet challenging State academic content and student academic achievement standards (P. L. 107-110, Title III, Part A, Subpart 1) (84.365A) (U.S. Department of Education).

℞351 Shared Services Arrangements - Community Service Grant Program

This fund classification is to be used to account, on a project basis, for funds granted to carry out programs under which students expelled or suspended from school are required to perform community service (P. L. 107-110, Title IV, Part A, Subpart 2) (84.184c) (U. S. Department of Education).

***℞*352 Shared Services Arrangements - 21st Century Community Learning Centers**

This fund classification is to be used to account, on a project basis, for funds granted to provide opportunities for communities to establish or expand activities in community learning centers that provide opportunities for academic enrichment and additional services to students and literary and related educational development for families of students (P. L. 107-110, Title IV, Part B) (84.287) (U.S. Department of Education).

353 Reserved for Future State Definition

This fund classification is reserved for future state designation and is not to be used by the school district.

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

This fund classification is to be used to account, on a project basis, for funds granted to increase educational achievement through the development and administration of state assessments and standards and through professional development aligned with student standards and assessments (P. L. 107-110, Title VI, Part A, Subpart 1, Section 6111) (84.369) (U.S. Department of Education).

***℞*355 Shared Services Arrangements - Improving Academic Achievement (Grants for Enhanced Assessment Instruments)**

This fund classification is to be used to account, on a project basis, for funds granted to increase educational achievement through the development and administration of state assessments and standards and through professional development aligned with student standards and assessments (P. L. 107-110, Title VI, Part A, Subpart 1, Section 6112) (84.368) (U.S. Department of Education).

***℞*356 Shared Services Arrangements - Title V, Part A - Innovative Programs**

This fund classification is to be used to account, on a project basis, for funds granted to implement or expand innovative assistance programs to improve student, teacher, and school performance through a variety of local reform and improvement activities. This grant is funded by P.L. 107-110 (84.298) (U.S. Department of Education).

Any funds from Title VI, Innovative Education Program Strategies (fund code 324) will roll forward into this code.

***℞*357 Shared Services Arrangements - Mathematics and Science Partnerships (Effective fiscal year 2008/09)**

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, 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. This grant is authorized under Title II, Part B of the No Child Left Behind Act, P. L. 107-110. (84.336B) (U.S. Department of Education)

358 Shared Services Arrangements - Title I SIP Academy Grant (Effective fiscal year 2008/09)

Section 1003(g) of Title I of the NCLB Act authorizes funds to help TEA and LEAs address the needs of campuses in improvement, corrective action, and restructuring in order to improve student achievement. In conjunction with the Title I School Improvement Program funds under section 1003(a), SIP Academy grants are to be used to leverage change and improve technical assistance under sections 1116 and 1117 of Title I, Part A through TEA's and LEAs' targeting activities towards measurable outcomes as required by 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. The School Improvement Fund, appropriated by Congress for the first time for 2007-08, is authorized under Title I Section 1003(g) of the No Child Left Behind Act, P. L. 107-110. (84.377A) (U.S. Department of Education) This grant has been named the "SIP Academy" grant in Texas by the state Title I Committee of Practitioners.

359-366 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

367-378 Federally Funded Shared Services Arrangements - Locally Defined (Convert to Fund 379 for PEIMS)

These fund classifications are used, at the option of the fiscal agent of a shared services arrangement to account, on a project basis, for federally funded shared services arrangements not specifically defined elsewhere. For PEIMS reporting, these accounts are converted to Fund 379.

379 Federally Funded Shared Services Arrangements

This fund classification is to be used to account for federally funded shared services arrangements not listed elsewhere. Any locally defined codes that are used at the local option are to be converted to Fund 379 for PEIMS reporting.

380 SPECIAL REVENUE FUNDS (STATE PROGRAMS)

State programs that are used by school districts and education service centers not acting as a fiscal agent for a shared services arrangement are designated by Fund Codes 381 through 429. This includes any funds sent by the fiscal agent to the member school district for use by that school district.

381 Adult Basic Education (ABE) - State

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

℞382 Temporary Assistance for Needy Families (TANF) - State §29.252

This fund classification is to be used 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 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. Funded under TEC §29.252.

℞383 Professional Staff Development

This fund classification is to be used to account, on a project basis, for funds used to provide preservice and staff development training in technology and innovative teaching practices for teachers and administrators. Public schools and ESCs may serve as fiscal agents for the establishment of a center for professional development (funded under TEC 21.047) under the direction of an institution of higher education or may receive funds directly to provide training and staff development in technology and innovative teaching practices.

℞384 Texas After School Initiative

This fund classification is to be used to account, on a project basis, for funds granted to implement quality after-school programs serving students of middle school age.

℞385 State Supplemental Visually Impaired (SSVI)

This fund classification is to be used to account for State Supplemental Visually Impaired funds. This fund is to be used by single school districts, on a project basis, to account for any of these funds received from the ESC or district fiscal agent of a shared services arrangement.

℞386 Regional Day School for the Deaf

This fund classification is to be used to account, on a project basis, for funds allocated for staff and activities of the Regional Day School Program for the Deaf (RDSPD). These funds are not to be used to pay salaries of teachers with a teaching assignment other than deaf students in the RDSPD. State deaf funds should not be used to pay the salary of teachers of American Sign Language as a foreign language at the junior high or high school level, as this is a course for regular education credit.

℞387 Quality Work Force Planning - State

This fund classification is to be used to account, on a project basis, for funds for the benefit of a quality work force planning committee.

℞388 Innovative Education Grants

This fund classification is to be used to account, on a project basis, for grants awarded to campuses for innovative programs. These grants are funded by the Public Education Development Fund.

℞389 Master Mathematics Teacher

This fund classification is to be used to account, on a project basis, for stipends to school districts with Master Mathematics teachers who are certified according to the provisions in TEC 21.0482.

℞390 Early Childhood Limited English Proficient (LEP) Summer Program

This fund classification is to be used to account, on a project basis, for funds for summer school programs for LEP students only if a bilingual program is part of the standard curriculum. Monies may be used to fund both required summer school and voluntary summer school for LEP students. (TEC 29.058)

℞391 Year Round Schools Incentive

This fund classification is to be used to account, on a project basis, for noncompetitive awards for year round schools.

℞392 Noneducational Community-Based Support

This fund classification is to be used to account, on a project basis, for the provision of noneducational community-based support services to students with disabilities who would remain or have to be placed in residential facilities for educational reasons without the provision of these services. The support services may include transportation, respite for the parents, case management, social work, in-home family support and other items. (TEC 29.013)

℞393 Texas Successful Schools Program

This fund classification is to be used to account, on a project basis, for grant monies applied for by school districts after being notified by TEA of their eligibility based on Academic Excellence Indicator System (AEIS) criteria. (TEC 39.091)

℞394 Life Skills Program

This fund classification is to be used to account, on a project basis, for funds granted to provide pregnant and parenting students the services needed to keep them in school until completion. (TEC 29.085)

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

This fund classification is to be used to account, on a project basis, for funds granted for the planning, implementation and evaluation of 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
- 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.

(TEC 33.005)

℞396 Communities in Schools

This fund classification is to be used to account, on a project basis, for funds granted for an in-school multi-disciplinary approach to decreasing the dropout rate in the school district by increasing each participant's chance of being successful in school.

℞397 Advanced Placement Incentives

This fund classification is to be used to account, on a project basis, for funds awarded to school districts under the Texas Advanced Placement Award Incentive Program, Chapter 28, Subchapter C, TEC.

℞398 Children's Trust Fund of Texas

This fund classification is to be used to account, on a project basis, 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/Campus Deregulation and Restructuring to Improve Student Achievement

This fund classification is to be used to account, on a project basis, for funds to help individual public school campuses implement practices and procedures consistent with school deregulation and school restructuring to improve student achievement and increase parental involvement in the schools through staff development and training under the Investment Capital Funds. (TEC 7.024)

℞400 School Health (Education Service Centers Only)

This fund classification is to be used to account, on a project basis, for funds to operate a program of comprehensive school health services to schools.

℞401 State-Funded Optional Extended-Year Program

This fund classification is to be used to account, on a project basis, for funds received for extended-year programs funded under §29.082 TEC.

℞402 Texas Ready to Read Program

This fund classification is to be used to account, on a project basis, for funds granted to provide preschool programs to provide scientific, research-based, pre-reading instruction, with the goal of improving pre-reading skills of three- and four-year old students.

℞403 Certification (Education Service Centers Only)

This fund classification is to be used to account, on a project basis, for funds to operate a program of regional certification of officers.

℞404 Student Success Initiative

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

℞405 Gifted and Talented (Education Service Centers Only)

This fund classification is to be used to account, on a project basis, for funds to operate a program of support for school district efforts in the area of gifted and talented education.

℞406 Teacher Recruitment (Education Service Centers Only)

This fund classification is to be used to account, on a project basis, for funds to operate a program of teacher recruitment.

℞407 Bilingual Education (Education Service Centers Only)

This fund classification is to be used to account, on a project basis, for funds to operate a program of support for school district efforts in the area of bilingual education/ESL.

℞408 Technology (Education Service Centers Only)

This fund classification is to be used to account, on a project basis, for funds to operate a program of support for school district efforts in the area of technology.

℞409 High School Completion and Success/Texas High School Project

This fund classification is to be used to account, on a project basis, for funds granted for to schools to implement programs to support the improvement of high school graduation rates and post-secondary readiness.

℞410 State Textbook Fund

This fund classification is to be used to account, on a project basis, for funds awarded to school districts under the textbook allotment (see 411 Technology Allotment). (TEC Chapter 31, Subchapter B)

℞411 Technology Allotment

This fund classification is to be used to account, on a project basis, for funds awarded to school districts to purchase technological software or equipment that contributes to student learning, or to pay for training for educational personnel involved in the use of these materials. (TEC Chapter 32, Subchapter A)

℞412 Public School Child Care Services

This fund classification is to be used to account, on a project basis, for funds awarded to school districts for child care service for school-age children. (TEC 33.902)

℞413 Telecommunication Infrastructure Fund

This fund classification is to be used to account, on a project basis, for funds awarded by the Telecommunication Infrastructure Board.

℞414 Texas Reading Initiative/Texas Reading, Math and Science Initiative

This fund classification is to be used to account, on a project basis, 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.

℞415 Kindergarten and Prekindergarten Grants

This fund classification is to be used to account, on a project basis, for funds granted to implement or expand kindergarten or Pre-K programs not required under TEC 29.153.

℞416 State Head Start

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

℞417 Educational Technology (Ed Tech) Pilot

This fund classification is to be used to account, on a project basis, for funds granted to design, implement and administer pilot programs that explore the impact of delivering curriculum content via various technologies. TEC 32.035

℞418 Active Employee Health Insurance Coverage or Supplemental Compensation (Deleted Effective August 31, 2007)

This fund classification must be used to account for revenues that are legally restricted to the TRS supplemental compensation under Article 3.50-8, Insurance Code, and the expenditure of the TRS supplemental compensation. The payment of the TRS supplemental compensation amount to an eligible employee is not reported by the district to the TRS in the covered aggregate annual compensation amount for the employee that is being reported for retirement benefit contribution purposes. If at the end of the fiscal year, funds received are less than the TRS supplemental compensation amount expended, then an entry will be recorded to “due from state.” If at the end of the fiscal year, funds received are more than the TRS supplemental compensation amount expended, then an entry will be recorded to “due to state.” The fund balance of this fund is zero at the end of the district’s fiscal year.

The district is responsible for employer-paid payroll taxes that are attributed to the TRS supplemental compensation amount, including Medicare, Unemployment Compensation, and Workers Compensation, and in some instances, Social Security (in accordance with the district’s agreement with the federal government to participate as an entity in the Social Security program for all or certain classes of eligible employees). All employer-paid payroll taxes expended from this fund must be reimbursed from other funds, including the General Fund, other Special Revenue Funds (within the designated purpose projects’ budgetary authority and if payroll-related costs are included in allowable cost provisions) and other funds, as applicable. See Appendix 7 for accounting entries for reimbursing fund code 418 under interfund transactions. As a second option for situations wherein accounting systems do not efficiently facilitate a direct charge to other funds for the employer-paid payroll taxes attributed to the TRS supplemental compensation, the district is to record an Operating Transfer Out (object code 8911) in the General Fund (or other appropriate fund) and record an Operating Transfer In (object code 7915) under fund code 418 for the full amount of employer-paid payroll taxes recorded as an expenditure in fund code 418.

℞419 Head Start-Ready to Read/Early Childhood School Readiness

This fund classification is to be used to account, on a project basis, for funds granted to preschool programs to provide scientific, research-based, pre-reading instruction for three- and four-year old children.

420 Reserved for Future State Definition

This classification is reserved for future state designation and is not to be used by the school district.

℞421 Master Reading Teacher

This fund classification is to be used to account, on a project basis, for stipends to school districts with Master Reading teachers who are certified according to the provisions in TEC 21.0481.

℞422 Matching Funds for Library Purchases

This fund classification is to be used to account, on a project basis, for matching funds received by the district 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% match for each dollar expended, not to exceed one dollar expended per student enrolled, in each year of the biennium, to be used for the purchase of library books and other library materials.

℞423 Limited English Proficient (LEP) Student Success Initiative (Effective fiscal year 2008/09)

This fund classification is to be used to account, on a project basis, 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. [TEC 39.024(d) and (e)]

℞424 School Leadership Pilot Program (Effective fiscal year 2008/09)

This fund classification is to be used to account, on a project basis, for funds granted to develop and implement a school leadership pilot program for principals. [TEC 11.203]

℞425 Teacher Induction and Mentoring Program (Effective fiscal year 2008/09)

This fund classification is to be used to account, on a project basis, for funds granted to schools that assign mentor teachers to classroom teachers who have less than two years of teaching experience. [TEC 21.458]

℞426 Texas Educator Excellence Award Grant Program (Effective fiscal year 2008/09)

This fund classification is to be used to account, on a project basis, for funds granted to schools which have an approved campus incentive plan to award teachers and other school staff for improving student achievement. [TEC Chapter 21, Subchapter N, Awards for Student Achievement]

427 State Funded Special Revenue Funds - Locally Defined (Convert to Fund 429 for PEIMS)

This fund classification is to be used to account, on a project basis, for funds that are received from the state that are not listed elsewhere. For PEIMS reporting, this fund converts to Fund 429.

R428 High School Allotment (Effective fiscal year 2007/08 for actual; 2006/07 for budget)

This fund classification is to be used to account for the \$275 per high school student 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 6 through 12.

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.

See the High School Allotment section of the HB1 implementation page for general information and a link to TAC 61 for rules on high school allotment.

R429 State Funded Special Revenue Funds

State funded special revenue funds not listed above are to be accounted for in this fund. Any locally defined codes that are used at the local option are to be converted to fund 429 for PEIMS reporting.

430 SHARED SERVICES ARRANGEMENTS - STATE/LOCAL FUNDED

The special revenue funds listed below (Fund Codes 431 through 459) are used to account for state/local funds held by a fiscal agent school district or regional education service center that either (1) provides and pays for all services to member districts; (2) provides and pays for some services to member districts and sends a portion of the grant to each member district to expend; (3) receives funds from member districts to expend on shared personnel, etc.; or, (4) sends all of the grant to member districts to expend.

Amounts sent by the fiscal agent to shared services arrangement member school districts are reported by those school districts as revenues and expenditures of the Special Revenue Fund in the appropriate fund (Fund Codes 381 through 429). 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 is responsible for submitting financial data, by member district, through the Public Education Information Management System (PEIMS) in a special record for shared services arrangements.

R431 Shared Services Arrangements - Adult Education - State / Educational Technology (Ed Tech) Pilot

This fund classification is to be 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 same purposes as federal adult education funds.

℞432 Shared Services Arrangements - Temporary Assistance for Needy Families (TANF) - State, TEC §29.252

This fund classification is to be 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 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 a Second Language instruction and secondary level competencies for acquisition of a high school diploma or its equivalent. Funded under TEC §29.252.

℞433 Shared Services Arrangements - Professional Staff Development

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds used to provide preservice and staff development training in technology and innovative teaching practices for teachers and administrators. Public schools and ESCs may serve as fiscal agents for the establishment of a center for professional development (funded under TEC 21.047) under the direction of an institution of higher education or may receive funds directly to provide training and staff development in technology and innovative teaching practices.

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

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for State Supplemental Visually Impaired (SSVI) funds.

℞435 Shared Services Arrangements - Regional Day School for the Deaf

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis for funds allocated for staff and activities of the Regional Day School Program for the Deaf (RDSPD). These funds are not to be used to pay salaries of teachers with a teaching assignment other than deaf students in the RDSPD. State deaf funds should not be used to pay the salary of teachers of 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 Work Force Planning - State

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds for the benefit of a quality work force planning committee.

℞437 Shared Services Arrangements - Special Education

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, 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 fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis for funds awarded to school districts for child care service for school-age children. (TEC 33.902)

℞439 Shared Services Arrangements - Texas Reading Initiative/Texas Reading, Math and Science Initiative

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds awarded to school districts for the implementation of scientific research-based programs, including the purchase of instructional or diagnostic reading materials, instructional staff, and professional staff development of educators.

℞440 Shared Services Arrangements - Telecommunication Infrastructure Fund

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds awarded by the Telecommunication Infrastructure Board.

℞441 Shared Services Arrangements – Head Start-Ready to Read/Early Childhood School Readiness

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted to preschool programs to provide scientific, research-based, pre-reading instruction for three-and four-year old children.

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

This fund classification is to be used by the fiscal agent of a shared services arrangement to account, on a project basis, 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. [TEC 39.024(d) and (e)]

443-445 Reserved For Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

446-458 State/Local Funded Shared Services Arrangements - Locally Defined (Convert to Fund 459 for PEIMS)

These fund classifications are used, at the option of the school district, for state/local funded shared services arrangements not specifically defined elsewhere. For PEIMS reporting, these funds are to be converted to Fund 459.

℞459 Shared Services Arrangements - State/Local Funded Educational Programs (includes local/state supplement to federal)

State/local funded shared services arrangements not listed above are to be shown in this fund. Any locally defined codes that are used at the local option are to be converted to fund 459 for PEIMS reporting.

460 SPECIAL REVENUE FUNDS (LOCAL PROGRAMS)

Fund Codes 461 through 499 are to 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.

***R*461 Campus Activity Funds (see Fund 865 for Student Activity Funds)**

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

462-469 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

470-471 Reserved for Future State Definition – Permanent Funds

These fund classifications are reserved for future state designation and are not to be used by the school district.

472-478 Permanent Funds - Locally Defined (Convert to Fund 499 for PEIMS)

These fund classifications are used, at the option of the school district to classify permanent funds not defined elsewhere. For PEIMS reporting, these funds convert to Fund 479.

***R*479 Permanent Fund**

This fund classification is to be used to account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting organization's programs (Permanent funds do not include private-purpose trust funds). This fund code (accounted for on a modified-accrual basis) is effective September 1, 2001, for certain transactions that were accounted for as nonexpendable trust funds on a full-accrual basis prior to implementation of GASB Statement 34 reporting standards, such as a legal trust benefiting the acquisition of library books from interest proceeds of an investment fund.

480-498 Locally Funded Special Revenue Funds - Locally Defined (Convert to Fund 499 for PEIMS)

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

***R*499 Locally Funded Special Revenue Funds**

Locally funded special revenue funds not listed above are to be accounted for in this fund (effective September 1, 2001, this fund classification is also to be used for transactions that were accounted for as expendable trust funds prior to implementation of GASB Statement 34 reporting standards). Any locally defined codes that are used at the local option are to be converted to Fund 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, are to be made from the fund for which the debt was incurred. This fund utilizes the modified accrual basis of accounting.

501-510 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

511-598 Debt Service Funds - Locally Defined (Convert to Fund 599 for PEIMS)

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

***R*599 Debt Service Funds**

This fund classification is used to combine all debt service funds for reporting. School districts are encouraged to use locally defined debt service funds (Fund Codes 511-598) to provide separate accountability for each type or issue of debt and convert these accounts to Fund 599 for PEIMS reporting. This fund classification is also used to record transactions involving the FSP instructional facilities allotment for bonded indebtedness (voter approved debt) related purposes (Fund Code 199, General Fund, is used to record transactions involving the instructional facilities allotment for lease-purchase related purposes).

600 CAPITAL PROJECTS FUNDS

A capital projects fund is a governmental fund that must be used to account, on a project basis, 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 utilizes the modified accrual basis of accounting.

601-615 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

616-698 Capital Projects Funds - Locally Defined (Convert to Fund 699 for PEIMS)

These fund classifications 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 Fund 699.

***R*699 Capital Projects Funds**

This fund classification is used to combine all capital projects funds for reporting. It is recommended that each capital project be recorded in a locally defined fund (Fund Codes 616 through 698) and converted to Fund 699 for PEIMS reporting.

700 - 799 PROPRIETARY FUND TYPES

These types of funds are used to account for a school district's on-going organizations and activities where net income and capital maintenance are measured. All related assets, liabilities, equities, revenues, expenses, non-operating 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 are applicable to proprietary type funds, as net income and financial position are to be determined. These funds utilize the accrual basis of accounting.

There are two proprietary fund types, enterprise funds and internal service funds. A budget is not required to be approved by the school district's Board of Trustees for proprietary fund types except for a child nutrition program accounted for under Fund 701. Fund 701 is the only proprietary fund type to be reported to the state through PEIMS.

700-749 ENTERPRISE FUNDS

An enterprise fund is a proprietary fund type 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 is to be submitted to the state through PEIMS. Generally accepted accounting principles of the private sector are applicable, as financial position, results of operations and cash flows are to 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 school 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.

Fund Codes 701-749 are used to account for enterprise funds.

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

This fund classification is to be used to account for budgeted food service operations. This fund is used when a school district intends for the food service operations to be financed from the NSLP program and user charges, rather than from general fund subsidies. Summer feeding programs funded by the Department of Human Services (DHS) are Special Revenue funds and should be accounted for in Fund 242. (10.553, breakfast; 10.555, lunch)

702-710 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

711-748 Enterprise Funds - Locally Defined (Not Reported to PEIMS—Convert to 749 for PEIMS Payroll Reporting Only)

These fund classifications are used, at the option of the school district, to account for enterprise funds not defined elsewhere.

749 Enterprise Funds (Only Reported to Payroll Record in PEIMS)

This fund classification is used to classify enterprise funds not defined elsewhere.

750-799 INTERNAL SERVICE FUNDS

Internal service funds are a proprietary fund accounted for on the accrual basis. No budget is required for internal service funds. These funds are not required to be reported in data submitted through PEIMS to TEA except the payroll data. Internal service funds apply the same generally accepted accounting principles as the Enterprise Fund.

This fund type may be used to account for the financing of goods or services provided by one organizational unit of the school district to other organizational units of the school district, or to other local education agencies or governmental units, on a cost reimbursement basis. An example of an internal service fund is a school district-operated print shop. School districts may, at their option, utilize local detail codes to further account for internal services.

According to Governmental Accounting Standards Board Statement No. 10, public entity risk pools are required to 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. Fund Codes 751 through 799 are used to account for internal service funds.

℞751 Transportation (Not Reported to PEIMS)

This fund classification is used to account for transactions related to transportation services provided to other organizational units of the school district or to other school districts or governmental units on a cost-reimbursement basis. (This fund is used at the option of the school district to facilitate allocation of these costs to other accounts.)

℞752 Print Shop (Not Reported to PEIMS)

This fund classification is used to account for transactions related to print shop services provided to other organizational units of the school district or to other school districts or governmental units on a cost-reimbursement basis. (This fund is used at the option of the school district to facilitate allocation of these costs to other accounts.)

℞753 Insurance (Not Reported to PEIMS)

This fund classification is used to account for transactions related to self-insurance activities of the school district. (This fund is used at the option of the school district to facilitate allocation of these costs to other accounts.) School districts are to use distinct locally-defined numbers where necessary to maintain separate accountability for each self-insurance program.

℞754 Computer Operations (Not Reported to PEIMS)

This fund classification is used to account for transactions related to computer services provided to other organizational units of the school district or to other school districts or governmental units on a cost-reimbursement basis. (This fund is used at the option of the school district to facilitate allocation of these costs to other accounts.)

R755 Public Entity Risk Pool (Not Reported to PEIMS)

This fund classification is used to account for transactions related to a public entity risk pool. Public entity risk pools are required to 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. If a school district is fiscal agent for more than one type of risk pool, locally defined funds may be used to provide appropriate accounting.

756-769 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

770-798 Internal Service Funds - Locally Defined (Not Reported to PEIMS)

These fund classifications are used, at the option of the school district, to classify internal service funds not defined elsewhere.

799 Internal Service Funds (Not Reported to PEIMS)

This fund is used to account for internal funds not specified elsewhere.

800 - 899 FIDUCIARY FUND TYPES And Similar Component Units

This group of funds is used to account for assets held by a school district in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. This fund type consists of pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. It should be noted that substantially all Texas school districts provide benefits through the Teacher Retirement System of Texas and do not provide benefits through a local pension trust fund.

800 TRUST FUNDS

These fiduciary funds are accounted for on 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 healthcare plans (refer to GASB 25 and 26 for guidance on recognition of these liabilities). Trust funds are not to be reported through PEIMS. Fund Codes 801 through 829 are used to account for private-purpose trust funds.

810 Private-purpose Trust Funds - Locally Defined (Not Reported to PEIMS)

These fiduciary funds are accounted for on the economic resources measurement focus and the accrual basis of accounting. Reporting activities focus on net assets and changes in net assets. Resources accounted for in this fund type include scholarship funds that are received by a school that are to be awarded to current and former students for post-secondary education purposes. Private-purpose trust funds are not reported through PEIMS. Fund Codes 801 through 829 are used to account for private purpose trust funds.

811-815 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

816-828 Private-purpose Trust Funds - Locally Defined (Not Reported to PEIMS)

These fund classifications are used to account for locally defined private-purpose trust funds.

829 Private-purpose Trust Funds (Not Reported to PEIMS)

This fund classification is used to account for private-purpose trust funds not defined elsewhere.

830 Investment TRUST FUNDS

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

831-835 Reserved for Future State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

836-848 Investment Trust Funds - Locally Defined (Not Reported to PEIMS)

These fund classifications are used to account for locally defined investment trust funds.

849 Investment Trust Funds (Not Reported to PEIMS)

This fund classification is used to account for investment trust funds not defined elsewhere.

850 PENSION and Other Employee Benefit TRUST FUNDS

These funds 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 assets and changes in net assets. Funds 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 (Not Reported to PEIMS)

These fund classifications are to be used for locally defined pension And Other Employee Benefit trust funds.

859 Pension and Other Employee Benefit Trust Funds (Not Reported to PEIMS)

This fund classification is used to account for pension and other employee benefit funds not specified elsewhere.

860 AGENCY FUNDS

These funds are accounted for on 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 are to be budgeted and accounted for in the Special Revenue Fund, or in some instances, in the General Fund. Furthermore, deferred compensation funds are to be accounted for in the agency fund if the district serves as trustee of the plan. The agency funds are not to be reported through PEIMS. Fund Codes 861 through 899 are used to account for agency funds.

***R*861 Agency Fund for Tax Collections (Not Reported to PEIMS)**

This fund classification is used by a school district to account, on the economic resources measurement focus and the accrual basis, for taxes that are collected on behalf of another taxing unit, including Consolidated Taxing Districts. These funds are held in a custodial capacity by the collecting school district and may not be commingled with funds of the collecting school district.

***R*862 Agency Fund for Textbook Waiver Refunds (Not Reported to PEIMS)**

This fund classification is used as a clearing account for refunds received from the Texas Education Agency (TEA) due to waivers granted for textbooks.

863 Reserved for State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district. This fund code may continue to be used for payroll clearing account activities; however, these activities must be eliminated for reporting purposes.

864 Reserved for State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district. This fund code may continue to be used for accounts payable clearing account activities; however, these activities must be eliminated for reporting purposes.

***R*865 Student Activity Account (Not Reported to PEIMS) (See Fund 461 for Campus Activity Funds)**

This fund classification is used as an agency account for student "club" funds or "class" funds.

866-875 Reserved for State Definition

These fund classifications are reserved for future state designation and are not to be used by the school district.

876-898 Locally Defined Agency Funds (Not Reported to PEIMS)

These fund classifications are to be used for locally defined agency funds not listed above.

899 Agency Funds (Not Reported to PEIMS)

This fund classification is used to account for agency funds not specified elsewhere.

900 GENERAL CAPITAL ASSETS AND LONG-TERM DEBT

The purpose of these account codes is to record general capital assets and long-term debt involving governmental activities. See special instructions in Section 1.7 of the FAR concerning accounting and reporting requirements involving general capital assets and long-term debt relating to governmental activities, in accordance with GASB Statement No. 34.

℞901 General Capital Assets (Not Reported to PEIMS)

This code is used to account under an accrual basis of accounting for general capital assets not recorded in the Proprietary Fund Types or fiduciary funds. This account code is for specific pieces of property such as equipment, land and building as well as all associated costs. See special instructions in Section 1.7 of the FAR concerning accounting and reporting requirements involving general capital assets and long-term debt relating to governmental activities, in accordance with GASB Statement No. 34.

℞902 Long-Term Debt (Not Reported to PEIMS)

This code is used to account for debts of a non-current nature under an accrual basis of accounting. Long-term debts of Proprietary Fund types and fiduciary funds are accounted for through those fund types and are not included in this account code. See special instructions in Section 1.7 of the FAR concerning accounting and reporting requirements involving capital assets and long-term debt relating to governmental activities, in accordance with GASB Statement No. 34.

Function Codes

A function represents a general operational area in a school district and groups together related activities. Most school districts use all of the functions in the process of educating students or organizing the resources to educate students. For example, in order to provide the appropriate atmosphere for learning, school districts transport students to school, teach students, feed students and provide health services. Each of these activities is a function. The ℞ by a function indicates that the function is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such funds are applicable to the school district.

Functions are grouped according to related activities in the following major areas/classes:

- 10 Instruction and Instructional-Related Services
- 20 Instructional and School Leadership
- 30 Support Services - Student (Pupil)
- 40 Administrative Support Services
- 50 Support Services - Non-Student Based
- 60 Ancillary Services
- 70 Debt Service
- 80 Capital Outlay
- 90 Intergovernmental Charges

Each of these major areas is further defined by detail function codes. The \mathcal{R} by a code indicates that the code is required for PEIMS reporting purposes if such costs are applicable to the school district.

Certain expenditures must be accounted for by organization code and program intent code. See Organization Code section and Program Intent section for guidance concerning mandatory and optional uses.

School districts are encouraged to use appropriate program intent and organization codes for all other costs that are directly attributable to a specific program intent and/or organization. However, benefits to the management of the school district in relation to the effort to allocate these costs should be examined before allocating costs that are not mandatory.

If specific program intent codes are not used, the school district is to use Program Intent Code 99 (Undistributed). If specific organization codes are not used, the school district is to use Organization Code 999 (Undistributed) or Organization Code 998 (Unallocated, Local Option).

10 Instruction and Instructional-Related Services

This function code series is used for expenditures/expenses that:

- Provide direct interaction between staff and students to achieve learning
- Provide staff members with the appropriate resources to achieve the appropriate student learning outcomes through either materials or development

\mathcal{R} 11 Instruction

This function is used for activities that deal directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations. It may also be provided through some other approved medium such as television, radio, telephone, telecommunications, multimedia and correspondence. This function includes expenditures / expenses for direct classroom instruction and other activities that deliver, enhance or direct the delivery of learning situations to students.

\mathcal{R} 12 Instructional Resources and Media Services

This function is used for expenditures/expenses that are directly and exclusively used for resource centers, establishing and maintaining libraries and other major facilities dealing with educational resources and media.

\mathcal{R} 13 Curriculum Development and Instructional Staff Development

This function is used for expenditures/expenses that are directly and exclusively used to aid instructional staff in planning, developing and evaluating the process of providing learning experiences for students. Expenditures and expenses include inservice training and other staff development for instructional or instructional-related personnel (Functions 11, 12, and 13) of the school district. This function also includes expenditures and expenses related to research and development activities that investigate, experiment, and/or follow-through with the development of new or modified instructional methods, techniques, procedures, services, etc.

20 Instructional and School Leadership

This function code series is used for expenditures that relate to the managing, directing, supervising and leadership of staff who are providing either instructional or instructional-related services. This function code series also includes the general management and leadership of a school campus.

R21 Instructional Leadership

This function is used for expenditures/expenses that are directly used for managing, directing, supervising, and providing leadership for staff who provide general and specific instructional services.

R23 School Leadership

This function is used for expenditures/expenses that are used to direct and manage a school campus. They include the activities performed by the principal, assistant principals and other assistants while they:

- Supervise all operations of the campus
- Evaluate staff members of the campus
- Assign duties to staff members maintaining the records of the students on campus

30 Instructional and School Leadership

This function code series is used for expenditures/expenses that directly support students.

R31 Guidance, Counseling and Evaluation Services

This function is used for expenditures/expenses that are directly and exclusively used for assessing and testing students' abilities, aptitudes and interests; counseling students with respect to career and educational opportunities and helping them establish realistic goals. This function includes costs of psychological services, identification of individual characteristics, testing, educational counseling, student evaluation and occupational counseling.

R32 Social Work Services

This function is used for expenditures/expenses that are directly and exclusively used for activities such as:

- Investigating and diagnosing student social needs arising out of the home, school or community
- Casework and group work services for the child, parent or both
- Interpreting the social needs of students
- Promoting modification of the circumstances surrounding the individual student which are related to his or her social needs

R33 Health Services

This function is used for expenditures/expenses that are directly and exclusively used for providing physical health services to students. This includes activities that provide students with appropriate medical, dental and nursing services.

R34 Student (Pupil) Transportation

This function is used for expenditures/expenses that are incurred for transporting students to and from school.

R35 Food Services

This function is used for food service operation expenditures/expenses, including the cost of food, labor, and other expenditures/expenses necessary for the preparation, transportation and storage of food to provide to students and staff. Expenditures/expenses are used directly and exclusively for supervision and maintenance of a food service operation.

R36 Extracurricular Activities

This function is used for expenditures/expenses for school-sponsored activities outside of the school day. These activities are generally designed to provide students with experiences such as motivation and the enjoyment and improvement of skills in either a competitive or noncompetitive setting.

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). Other kinds of related activities are included (such as drill team, pep squad and cheerleading, University Interscholastic League competition such as one-act plays, speech, debate, band, Future Farmers of America (FFA), National Honor Society, etc.).

If the school district has activity funds, the goods purchased for resale are to be classified in this function, with the gross sale of goods recorded in Revenue Object Code 5755, Results from Enterprising Activities, Activity Funds and/or Clearing Accounts.

40 Administrative Support Services

This function code series is used for overall general administrative support services of the school district.

R41 General Administration

This function is for expenditures/expenses that are for purposes of managing or governing the school district as an overall entity. This function covers multiple activities that are not directly and exclusively used for costs applicable to specific functions. General administration is an indirect cost applicable to other expenditure functions of a school district.

Program Intent Code 99 is to be used for all expenditures for Function 41. The organization codes specified in the 700 organization code group are the only organization codes to be used with Function 41 costs and may not be used in any other function, other than specific costs in Function 53 (Data Processing) that relate to the functions of the business office.

50 Support Services

This function code series is used for expenditures/expenses that are used for school district support services.

℞51 Facilities Maintenance and Operations

This function is used for expenditures/expenses for activities to keep the facilities and grounds open, clean, comfortable and in effective working condition and state of repair, and insured. This function is used to record expenditures/expenses for the maintenance and operation of the physical facilities and grounds. This function also includes expenditures/expenses associated with warehousing and receiving services.

℞52 Security and Monitoring Services

This function is used for expenditures/expenses that are for activities to keep student and staff surroundings safe, whether in transit to or from school, on a campus or participating in school-sponsored events at another location.

℞53 Data Processing Services

This function is for expenditures/expenses for data processing services, whether in-house or contracted.

60 Ancillary Services

This function code series is used for expenditures/expenses that are for school district support services supplemental to the operation of the school district.

℞61 Community Services

This function is used for expenditures that are for activities or purposes other than regular public education and adult basic education services. These types of expenditures are used for services or activities relating to the whole community or some segment of the community. This includes providing resources to non-public schools, institutions of higher education, and any proprietary types of services incurred for outside entities in the community.

℞62 School District Administrative Support Services (Used by Education Service Centers Only)

This function code is to be used exclusively by education service centers for expenditures related to performing certain administrative functions for school districts. These services can include indirect instructional services for students such as guidance and counseling, social work, health and food services as well as general administrative services such as fiscal budget, accounting, joint purchasing, tax administration, SAS preparation services, etc.

70 Debt Service

This function code series is used for expenditures that are used for the payment of debt principal and interest.

R71 Debt Service

This function is used for expenditures that are for the retirement of recurring bond, capital lease principal, and other debt, related debt service fees, and for all debt interest. Note principal for short-term loans (one year or less in duration) is to be recorded in the liability account 2122, Notes Payable - Current Year.

80 Facilities Acquisition and Construction

This function code series is used for expenditures that are acquisitions, construction, or major renovation of school district facilities.

R81 Facilities Acquisition and Construction

This function is used by school districts for expenditures that are for acquiring, equipping, and/or making additions to real property and sites, including lease and capital lease transactions.

90 Intergovernmental Charges

“Intergovernmental” is a classification that is appropriate where one governmental unit transfers resources to another. In particular, Chapter 41 purchase of WADA and the transfer of students where one school district pays another school district for educating students are examples of intergovernmental charges.

R91 Contracted Instructional Services Between Public Schools

This function code is used for expenditures that are used for:

- Providing financial resources for services in another public school through a contract for education of nonresident students under Subchapter E, Chapter 41, TEC
- Purchasing attendance credits from the state under Subchapter D, Chapter 41, TEC

Costs for contractual arrangements under Subchapter E, Chapter 41, are recorded under this function code only if the agreement is to pay for services managed and administered by another school district receiving payments under Subchapter E, Chapter 41, TEC. This function is to be used exclusively for the purchase of Weighted Average Daily Attendance (WADA) from either the state or other school districts.

R92 Incremental Costs Associated with Chapter 41, Texas Education Code, Purchase or Sale of WADA

This function code is used for expenditures that are for the purpose of positioning a school district with excess wealth per WADA to purchase attendance credits either from the state or from other school district(s).

R93 Payments to Fiscal Agent/Member Districts of Shared Services Arrangements

This function code is used for expenditures that are for (1) payments from a member district to a fiscal agent of a shared services arrangement; or, (2) payments from a fiscal agent to a member district of a shared services arrangement.

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

This function code is used for expenditures that are for the purpose of providing financial resources for Juvenile Justice Alternative Education Programs under Chapter 37, TEC. This function code is used to account for payments to other governmental entities in connection with students that are placed in discretionary or mandatory JJAEP settings.

***R*97 Payments to Tax Increment Fund**

This function code is used for expenditures that are for the purpose of providing financial resources paid into a tax increment fund under Chapter 311, Tax Code. The revenues are recorded under fund 199, Object 5746. The expenditures are recorded under fund 199, Object 6499.

***R*99 Other Intergovernmental Charges**

This code is used to record other intergovernmental charges not defined above.

Asset Object Codes

Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events. Asset codes are four digit object codes, and are the sixth through ninth digits in the code structure described in the Account Code Overview. These codes are distinguished from other types of object codes as they always begin with the digit “1.” School districts may optionally account for transactions at a more detailed level than the level indicated. The *R*by a code indicates that the code is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such codes are applicable to the school district.

1000 ASSETS AND OTHER DEBITS

Assets are recorded as debits in three categories:

- (1) current assets
- (2) capital assets, and
- (3) restricted assets

Other debits are recorded as debits in two categories:

- (1) amounts to be provided for payment of debt principal
- (2) amounts available for payment of debt principal.

Liability Object Codes

Liabilities are probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liability codes are four digit object codes, and are the sixth through ninth digits in the code structure described in the Account Code Overview. These codes are distinguished from other types of object codes as they always begin with the digit “2.” School districts may optionally account for transactions at a more detailed level than the level indicated. The *R* by a code indicates that the code is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such codes are applicable to the school district.

2000 LIABILITIES

Liabilities are recorded as credits in two broad categories:

- (1) current liabilities, and
- (2) long-term debts

Fund Balances/Net Assets Object Codes

Fund balances/net assets represent the difference between the assets and liabilities of a fund. These codes are four digit object codes, and are the sixth through ninth digits in the code structure described in the Account Code Overview. These codes are distinguished from other types of object codes as they always begin with the digit “3.” School districts may optionally account for transactions at a more detailed level than the level indicated. The *R* by a code indicates that the code is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such codes are applicable to the school district.

3000 FUND BALANCES/NET ASSETS

Fund balances and net assets are recorded as credits to *six* categories:

- (1) Invested in Capital Assets, Net of Related Debt
- (2) Restricted Net Assets
- (3) Unrestricted Net Assets
- (4) Reserved Fund Balance
- (5) Designated Fund Balance
- (6) Unreserved, Undesignated Fund Balance

The first 3 categories apply to the government-wide financial statements, while the second 3 categories apply to governmental fund financial statements.

Clearing Account Object Codes

Clearing account codes are four digit object codes, and are the sixth through ninth digits in the code structure described in Account Code Overview. These codes are distinguished from other types of object codes as they always begin with the digit “4.” School districts may optionally account for transactions at a more detailed level than the level indicated. The \mathcal{R} by a code indicates that the code is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such codes are applicable to the school district.

These codes differ from other object codes as they are not reflected in the accounts shown on the school district’s financial statements. Clearing accounts are used to balance the accounting records during interim periods and are closed to other accounts at the end of the fiscal year. Additional clearing accounts may be utilized as needed by a local school district.

Revenue Object Codes

Revenues are defined as an increase in a school district’s current financial resources. These codes are distinguished from other types of object codes as they always begin with the digit “5.”

The school district’s accounting records are to reflect revenues at the most detail level, as depicted in the chart of accounts (4 digits) for accounting and Public Education Information Management System (PEIMS) reporting (both budget and actual) purposes. If a school district needs to use codes in addition to the mandatory codes for managerial purposes, the optional codes provided for local use in the code structure should be used.

The \mathcal{R} by a code indicates that the code is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such codes are applicable to the school district.

Governmental Accounting Standards Board (GASB) Codification 1600.106 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.

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.

Revenue object codes are four digit object codes, and are the sixth through ninth digits in the code structure.

Expenditure/Expense Object Codes

Expenditures/expenses should be classified by the major object classes according to the types of items purchased or services obtained.

An expenditure/expense account identifies the nature and object of an account, or a transaction. The school district's accounting records are to reflect expenditures/expenses at the most detail level, as depicted in the chart of accounts (4 digits) for accounting and Public Education Information Management System (PEIMS) reporting (actual data) purposes. For PEIMS budget reporting purposes, expenditures/expenses are reported to the second digit of detail (6100, 6200, etc.) If a school district needs to use codes in addition to the mandatory codes for managerial purposes, the optional codes provided for local use in the code structure should be used.

These codes are distinguished from other types of object codes as they always begin with the digit "6."

The *R* by a code indicates that the code is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such codes are applicable to the school district.

SUMMARY EXPENSE OBJECT CODES

6100	PAYROLL COSTS
6110	TEACHERS AND OTHER PROFESSIONAL PERSONNEL
6120	SUPPORT PERSONNEL
6130	EMPLOYEE ALLOWANCES
6140	EMPLOYEE BENEFITS
6200	PROFESSIONAL AND CONTRACTED SERVICES
6210	PROFESSIONAL SERVICES
6220	TUITION AND TRANSFER PAYMENTS
6230	EDUCATION SERVICE CENTER SERVICES
6240	CONTRACTED MAINTENANCE AND REPAIR SERVICES
6250	UTILITIES
6260	RENTALS - OPERATING LEASES
6290	MISCELLANEOUS CONTRACTED SERVICES
6300	SUPPLIES AND MATERIALS
6310	SUPPLIES AND MATERIALS FOR MAINTENANCE AND/OR OPERATIONS
6320	TEXTBOOKS AND OTHER READING MATERIALS
6330	TESTING MATERIALS
6340	FOOD SERVICE AND OTHER RESALE ITEMS
6390	SUPPLIES AND MATERIALS - GENERAL
6400	OTHER OPERATING EXPENSES
6410	TRAVEL, SUBSISTENCE AND STIPENDS
6420	INSURANCE AND BONDING COSTS
6430	ELECTION COSTS
6440	DEPRECIATION EXP OF PROPRIETARY AND NONEXPENDABLE TRUST FUNDS
6490	MISCELLANEOUS OPERATING COSTS
6500	DEBT SERVICE
6510	DEBT PRINCIPAL
6520	INTEREST EXPENDITURES/ EXPENSE
6590	OTHER DEBT SERVICE EXPENDITURES/EXPENSES
6600	CAPITAL OUTLAY - LAND, BUILDINGS AND EQUIPMENT
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.

Expenditure/expense codes are four digit object codes, and are the sixth through ninth digits in the code structure.

Other Resources/Non-Operating Revenue Object Codes

The school district's accounting records are to reflect other resources/non-operating revenue at the most detail level, as depicted in the chart of accounts (4 digits) for accounting and Public Education Information Management System (PEIMS) reporting (budgeted and actual data) purposes. If a school district needs to use codes in addition to the mandatory codes for managerial purposes, the optional codes provided for local use in the code structure should be used.

These codes are distinguished from other types of object codes as they always begin with the digit "7."

The *R*by a code indicates that the code is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such codes are applicable to the school district.

These detail accounts reflect estimated (budgeted) and incurred (actual) other resources or non-operating revenues. School 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.

Other Uses/Non-Operating Expenses Object Codes

The school district's accounting records are to reflect other uses/non-operating expenses at the most detail level, as depicted in the chart of accounts (4 digits) for accounting and Public Education Information Management System (PEIMS) reporting (actual data) purposes. For PEIMS budget reporting purposes, other uses/non-operating expenses are reported to the fourth digit of detail (89XX). If a school district needs to use codes in addition to the mandatory codes for managerial purposes, the optional codes provided for local use in the code structure should be used.

These codes are distinguished from other types of object codes as they always begin with the digit "8."

The *R*by a code indicates that the code is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such codes are applicable to the school district.

Optional Codes 1 and 2

A school district may use the optional codes 1 and 2 if there is a need to account for information not otherwise provided in the mandatory chart of accounts. If a school district uses these optional codes, a locally devised chart of accounts is to be uniformly used in the accounting system. The local chart of accounts should be made part of the district's copy of Resource Guide, and should be made available for auditing and other purposes.

The following is an illustration of how optional codes 1 and 2 maybe used to account for start-up cost attributed to a virtual school pilot (VSP) program. This model may be used for modification or improvements to the VSP system between school years or other intermittent periods. The account codes that may be used to track these cost are as follows:

CODE DESCRIPTION

- 01 Planning component one – Determine project goals and implementation timeline
- 02 Planning component two – Define the implementation team staffing, roles, and responsibilities
- 03 Planning component three – Design the technical architecture
- 04 Planning component four - Plan initial training
- 05 Planning component five – Other
- 06 Requirements gathering component one – Develop narrative documents
- 07 Requirements gathering component two – Develop process flow diagrams
- 08 Requirements gathering component three - Other
- 09 System configuration component one – Purchase and installation of hardware
- 10 System configuration component two – Purchase, development and installation of software
- 11 System configuration component three – Establish the network infrastructure to allow connectivity
- 12 System configuration component four – Other
- 13 Fit analysis component one – Customize the VSP system and subcomponents
- 14 Fit analysis component two – Modify the technical requirements, specifications, functionality of the VSP system and subcomponents
- 15 Fit analysis component three – Create workarounds
- 16 Fit analysis component four – Other
- 17 Setup component one – Write documentation for VSP instructional delivery system
- 18 Setup component two – Write documentation for VSP technology requirements, maintenance and operations
- 19 Setup component three – Other
- 20 Testing component one – Test installation of VSP instructional delivery system and subcomponents
- 21 Testing component two – Other
- 22 Transition component one – Prepare teacher and student-level procedure and training manuals
- 23 Transition component two – Set up help desk infrastructure and documentation
- 24 Transition component three – Evaluate VSP system readiness
- 25 Transition component four – Other
- 26 Operational component one – Instructional related cost of VSP system during school year
- 27 Operational component two – Other VSP operational cost (Administrative, maintenance, etc.)

The illustration above was adapted from the Christopher Allen's and Vivian Chow's reference book, *Oracle Certified Professional Financial Applications Consultant Exam Guide*.

Organization Codes

An organization is a group of employees who are obligated to complete a specific responsibility. Usually, an organization has an identifiable leader or an individual who is accountable for the overall completion of the responsibility. The *R* by a code indicates that the code is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such codes are applicable to the school district.

There are two distinct types of organization units: (1) a *campus* organization unit, which usually is a group of employees who are obligated to complete the responsibilities of the teaching of, supporting the teaching of and providing the necessary services (such as social services and health services) to a set of students; and (2) an *administrative or other* organization unit which is a group of people who perform a specific responsibility such as those in the superintendent's office, the school board or those who perform the business functions for the school district. An organization does not necessarily correspond with a physical location. The activity, 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.

Organization Codes:

- Campus organization codes as defined in the Texas School Directory are to be used for all other costs clearly attributable to a specific organization. Other costs may be coded to a specific organization or school districts may utilize the TEA-provided cost allocation formula for cost charged to organization code 999 (Undistributed).
- Administrative organization unit codes (701-750) are mandated for all Function 41, General Administration, costs and with Function 53, Data Processing for those expenditures that are attributable to the business office of the school district.

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, at the local option) or 999 (Undistributed). Refer to Appendix 6 for a chart depicting required organization accounting by expenditure object code and function. Guidance is provided on other methods of allocating costs other than direct recording in the Cost Accounting section of this module.

TEA provides software in EDIT+ containing a formula to allocate costs recorded in Organization Code 999, Undistributed, according to instructional FTEs (as reported in PEIMS) assigned to organization codes. The formula will allocate costs in Organization Code 999, Undistributed, to campus organizations for functions specified in State Board of Education rules relating to indirect costs. The allocation process is a report type of 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 11, Instruction, as a basis to allocate costs. Accordingly, full use of specific organization codes in function 11 is essential for the optimum functionality of the allocation process. The formula-based allocation will be used for state and federal compliance monitoring purposes, such as monitoring indirect costs, maintenance of effort and comparability requirements. Costs which are classified in Organization Code 998, Unallocated, will not be allocated by the formula; therefore, such costs will not be considered for compliance purposes unless charged to a specific Enhanced Program Intent Code.

***R*001-040 High School Campuses**

Use the campus numbers assigned to high school campuses for the school district in the Texas School Directory.

***R*041-100 Junior High/Middle School Campuses**

Use the campus numbers assigned to junior high/middle school campuses for the school district in the Texas School Directory.

***R*101-698 Elementary School Campuses**

Use the campus numbers assigned to elementary school campuses for the school district in the Texas School Directory.

***R*699 Summer School Organization**

Use this organization code for any summer school and intersession that is provided by the school district.

700 Organization Units - Administrative

Use this organization code series for all expenditures related to general administration (Function 41). Organization units 701 through 749 are to be used in Function 41 only. Organization unit 750 is to be used only in Functions 41 and 53 (for those data processing costs that are related to the business functions of the school district).

Administrative personnel (principals, assistant principals, etc.) classified in Function 23 are to be charged to the appropriate campus number, 001-699.

***R*701 Organization Unit - Superintendent's Office**

Use this organization code for all expenditures related to the superintendent's office (Function 41 only).

***R*702 Organization Unit - School Board**

Use this organization code for all expenditures related to the school board (Function 41 only).

***R*703 Organization Unit - Tax Costs**

Use this organization code for all expenditures related to the cost of levying and collecting taxes (Functions 41 and 99 only).

704-708 Reserved for Future State Definition

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

709-719 Organization Unit - Direct Costs - Locally Defined (Convert to Organization Code 720 for PEIMS)

These codes are used, at the option of the school district, to define administrative organizational units that are considered direct costs when calculating indirect cost rates. For PEIMS, these accounts convert to 720.

***R*720 Organization Unit - Direct Costs in Function 41 (General Administration)**

Use this organization code for all expenditures related to direct costs not attributed to the superintendent, school board or tax office organization units. Direct costs, for the purposes of this organization unit, are defined in the Calculation of Indirect Cost Rate section.

721-725 Reserved for Future State Definition

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

726-749 Organization Unit - Indirect Costs - Locally Defined (Convert to Organization Code 750 for PEIMS)

These codes are used, at the option of the school district, to define administrative organizational units that are considered indirect costs when calculating indirect cost rates. For PEIMS, these accounts convert to 750.

***R*750 Organization Units - Indirect Costs in Function 41 (General Administration), including Business Office/ Personnel/Payroll/Human Resources/Purchasing**

Use this organization code for all expenditures related to costs attributed to business office, personnel, payroll, human resources and purchasing functions in General Administration (Function 41) of the school district.

These costs are considered indirect costs when calculating the indirect cost rates. School districts may, at the local option, use codes 726-749 to account for these areas separately. Those data processing charges that relate to administrative applications and are classified in Function 53 (Data Processing) should use this organization unit as well. See the Calculation of Indirect Cost Rate section for further guidance.

***R*751 Fiscal Agent Shared Services Arrangements**

This organization unit code may be used to account for fiscal agent expenditures in a Shared Services arrangement at the school district's option.

752-799 Organization Units - Reserved for Future State Definition

These organization units are reserved for future state definition and are not to be used by the school district.

800-997 Organization Units - Locally Defined (Convert to Organization Code 999 for PEIMS)

These organization units may be used, at the option of the school district, to provide further accountability for organization units. For PEIMS, these accounts are converted to Organization Code 999.

R998 Unallocated Organization Unit

This organization unit may be used, at the option of the school district, for any costs which the district does not wish to be allocated according to the formula developed by TEA, i.e., costs that should not be allocated to various campus organizations and program intents based upon instructional FTEs. Such costs may be charged to a specific program intent; however, if they are charged to the Undistributed Program Intent Code (99), they will not be allocated. *Since these costs will not be distributed to campus organizations or program intents, they will not be considered in monitoring compliance for indirect costs, maintenance of effort, and comparability requirements, unless charged to a specific Enhanced Program Intent Code.*

R999 Undistributed Organization Unit

Use this organization code for any undistributed costs, i.e., costs that are not a campus or summer school or an administrative unit (Function 41).

Fiscal Year Code

The fiscal year code is a mandatory code to be used by all school districts. For the school district's fiscal year, the last digit of the school year is to be used (e.g., 2008-09 fiscal year is represented by a "9.") For projects such as local grants, state grants accounted for as special revenue funds, debt service funds, or construction funds, the current fiscal year code should be used.

Fiscal year code determination is unique for federally funded projects accounted for as special revenue funds. For example, if funding for a federal project begins on July 1, 2007 and ends June 30, 2008, then the fiscal year code used would be "8". This is done so that the fiscal year code used corresponds with the federal fiscal year in which the funding originated.

Once the fiscal year is assigned to a project, revenues and expenditures/expenses should reflect that number for the duration of the project, even though it may span multiple school district fiscal years.

The following are examples of fiscal year codes:

<u>Code</u>	<u>Description</u>
9	2008-2009
0	2009-2010
1	2010-2011

Program Intent Codes

These codes are used 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 student group toward which the instructional or other service is directed) determines the program intent code, not the demographic makeup of the students served. In the case of state programs, state law may determine the intent and the permissible use of allotments. For state programs, the limitations on the amount of allotments that may be used for indirect costs will need to be considered. Districts are encouraged to monitor expenditures to assure that the limitation on indirect costs is observed, and steps should be taken if necessary to meet these requirements. For additional guidance in the areas of direct and indirect costs, please consult the State Board of Education rules. Consistent with legislative intent, it is the policy of TEA to provide maximum flexibility to school districts by averaging costs up to three years. As state special program expenditures are reviewed, school districts will be afforded the opportunity to address any issues which may arise. School districts should consider the implications of some federal requirements (e.g., maintenance of effort and comparability) when determining local policies on the minimum level of coding expenditures.

School districts are encouraged to use program intent codes with any transaction that is directly attributable to the program intent code. School districts are to use program intent codes in all functions when a cost is *clearly attributable* to a specific program intent. Refer to Appendix 6 for additional guidance on program intent accounting. Guidance is provided on other methods of allocating costs other than direct recording in the Cost Accounting section in this module.

A Basic or Enhanced Program Intent Code is to be charged with costs directly attributable to it. In some cases, this may require the allocation of costs among several program intent codes. However, the allocation of costs should be performed only when, in the judgment of school district management, there would be a material effect on the financial records of either an individual transaction or the total amount of a certain type of transaction. Consideration should also be given to the effort involved in gathering the information necessary to perform the allocation compared to the benefit derived from the allocation of costs.

If a school district elects not to allocate costs to Basic or Enhanced Program Intent Codes or the Athletics and Related Activities Program Intent Code, the Undistributed Program Intent Code 99 is to be used.

All athletic and related activities should be charged to Program Intent Code 91.

The Athletics and Related Activities Program Intent Code is mandated for payroll costs (except Expenditure Object Codes 6112 and 6144 use program intent code 99) for Function 36 (Cocurricular/Extracurricular Activities) and other functions if applicable.

TEA provides software in PEIMS EDIT+ containing a formula to allocate costs recorded in Program Intent Code 99, Undistributed, according to instructional FTEs (as reported in PEIMS) assigned to Basic and Enhanced Program Intent Codes. The formula-based allocation will be used for state and federal compliance monitoring purposes, such as monitoring indirect costs, maintenance of effort and comparability requirements. Compliance with indirect cost requirements in state law will be monitored by TEA using allocated cost information in PEIMS. This information will include costs assigned to specific program intent codes and those costs which are allocated by the formula to specific program intent codes for functions specified in State Board of Education rules relating to indirect costs. The allocation process is a report type of 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 11, Instruction, as a basis to allocate costs. Accordingly, full use of specific program intent codes in function 11 is essential for the optimum functionality of the allocation process. The \mathcal{R} by a code indicates that the code is required for reporting purposes (PEIMS and/or Annual Financial and Compliance Report) if such codes are applicable to the school district. Shared Services Arrangements cost information which is submitted on a special PEIMS record will also be included in the compliance monitoring calculations. The total costs which will be considered for compliance monitoring purposes are represented by the following formula.

1X BASIC SERVICES

\mathcal{R} 11 Basic Educational Services

The costs incurred to provide the basic services for education/instruction to students in grades PK-12 prescribed by state law as well as adult basic and secondary education services. Basic is defined as the curriculum provided for those students that are not in special education. Basic educational services include the costs to evaluate, place, and provide educational services to students in honors, college preparatory and advanced placement courses.

2X ENHANCED SERVICES

\mathcal{R} 21 Gifted and Talented

The costs incurred to assess students for program placement and provide instructional services (which are guided by the state plan) beyond the basic educational program and that are designed to meet the needs of students in gifted and talented programs.

\mathcal{R} 22 Career and Technical

The costs incurred to evaluate, place and provide educational and/or other services to prepare students for gainful employment, advanced technical training or for homemaking. This may include apprenticeship and job training activities.

℞23 Services to Students with Disabilities (Special Education)

The costs incurred to evaluate, place and provide educational and/or other services to students who have Individual Educational Plans (IEP) approved by Admission, Review and Dismissal (ARD) committees. These plans are based on students' disabilities and/or learning needs.

℞24 Accelerated Education

The costs incurred to use instructional strategies in accordance with campus/district improvement plans to provide services in addition to those allocated for basic services for instruction, thereby increasing the amount and quality of instructional time for students at risk of dropping out of school.

FSP compensatory education expenditures are attributable to program intent code 24, Accelerated Education, only if the expenditures are supplemental. Activities reflected in expenditures attributable to FSP compensatory education are those activities that supplement the regular education program for students at risk of dropping out of school.

As a goal, accelerated education seeks to provide a challenging and meaningful instructional program to close the achievement gap between children at risk of dropping out of school and their peers.

As a goal, accelerated education seeks to provide a challenging and meaningful instructional program to close the achievement gap between children at risk of dropping out of school and their peers.

℞25 Bilingual Education and Special Language Programs

The costs incurred to evaluate, place and provide educational and/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.

℞26 Nondisciplinary Alternative Education Programs - AEP Services (Effective September 1, 2004)

All costs incurred services to students who are separated from the regular classroom to a nondisciplinary alternative education program and are at risk of dropping out of school. Services must be described in the campus improvement plan.

℞28 Disciplinary Alternative Education Program – DAEP Basic Services

All costs incurred to provide the base line program (nonsupplemental) services to students who are separated from the regular classroom to a disciplinary alternative education program. For the purpose of analyzing compliance with the 85% minimum expenditure rule for the FSP compensatory education allotment for each fiscal year (beginning with fiscal year 2003 or beginning with the twelve month period ended on June 30, 2003 or August 31, 2003), the Texas Education Agency will include in its analysis base level costs recorded under this program intent code in an amount up to 18% of the FSP compensatory education allotment. (See Section 9.3.7, Module Nine for methodology) Services must be described in the campus improvement plan.

R29 Disciplinary Alternative Education Program – DAEP State Compensatory Education Supplemental Costs

The supplemental costs incurred to provide services to students who are separated from the regular classroom to a disciplinary alternative education program. These costs **are supplemental** costs in relation to standards for base level education resource allocations and must be described in the campus improvement plan.

R30 Title I, Part A Schoolwide Activities Related to State Compensatory Education (SCE) and Other Costs on Campuses with 40% or More Educationally Disadvantaged Students

The SCE costs incurred to supplement federal awards for use on Title I, Part A schoolwide campuses with at least 40% educationally disadvantaged students (including fund code 211,) in the amount of the SCE allotment used to supplement federal awards. This program intent code is also used in the Special Revenue Fund for fiscal budgets approved in notice of grant awards (NOGA) for schoolwide federal projects benefiting Title I, Part A schoolwide campuses with at least 40% educationally disadvantaged students.

31-6X Reserved for Future State Definition

These program intent codes are reserved for future state definition and are not to be used by school districts.

71-8X Reserved for use by Education Service Centers

This group of program intent codes is reserved for use by education service centers to provide special accountability in areas such as bus driver training and driver education. These codes are not to be used by school districts.

9X OTHER

R91 Athletics and Related Activities

The costs incurred to provide for participation in competitive athletic activities such as football, basketball, golf, swimming, wrestling, gymnastics, baseball, tennis, track, 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. However, this does not include band.

R99 Undistributed

All charges which are not readily distributed to program intent codes are classified here. Program intent code 99 may be used 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.

Optional Code 3

This account group/category code is used, at the option of the school district, to provide more detailed accountability at the local level, if needed for management purposes. This code is not reported through PEIMS and may be used for any purpose that the school district chooses. The following page suggests a use for the code; however the suggested use should not be construed as mandatory. The school district may use the code in any manner.

Optional Codes 4 and 5

These codes are used, at the option of the school district to provide local option coding as needed or desired. A chart of locally assigned accounts should be kept for managerial, auditing and other purposes.



SIGNIFICANT BUDGET & FINANCIAL INFORMATION

Forney Independent School District

Budget Calendar – Administration

January 17, 2013	Meeting between Superintendent and CFO regarding goals and assumptions for budget development process – based on revenue forecast by Comptroller and legislative buzz
February 8, 2013	CFO reviews projected enrollment figures for each grade level, special needs population, and dual language program with Superintendent
February 12, 2013	Meeting between Superintendent and CFO regarding update on legislative buzz and finalize <i>draft</i> budget for February 18, 2013 budget workshop
February 12, 2013	Superintendent e-mails all administrators forecasted enrollments so staffing needs can be assessed
February 18, 2013	Budget Workshop – first meeting with the Board to discuss budget projections, salary schedules, personnel forecasts, and status of financial solvency plan
February 25, 2013	2013/14 TRS Active Care rates are announced
March 1, 2013	Due date for staffing needs from district administrators
March 4-7, 2013	Superintendent, Deputy Superintendent, and CFO review staffing requests and approve necessary positions to be posted immediately
March 8, 2013	Superintendent calls each administrator and notifies them of which position(s), if any, requested will be posted immediately
March 18-29, 2013	CFO prepares budget packets for distribution – includes tentative allocation
April 1-5, 2013	Meeting between Superintendent and CFO on budget packets
April 8, 2013	CFO e-mails all administrators their budget packet

April 22, 2013	Budget Workshop – second meeting with the Board to discuss budget projections based on latest personnel forecasts and legislative buzz
April 25, 2013	Receive preliminary appraisal rolls from Kaufman CAD
May 3, 2013	Due date for budget packets from district administrators
May 6-10, 2013	Superintendent, Deputy Superintendent, and CFO review budget packets submitted by administrators
May – June, 2013	Employee compensation plan is prepared by HR
May, 2013	Post and publish notice of public hearing on budget
June 14, 2013	Due date for budget packets from district administrators
June 24, 2013	Budget Workshop – third meeting with the Board to discuss budget projections based on Legislative action, trends impacting FISC forecasts, and other relative information used to compile budget
June 24, 2013	Regular Board Meeting – public hearing on budget followed by recommendation by Superintendent for board consideration
July 25, 2013	Receive certified appraisal roll
August 5, 2013	Regular Board Meeting – Board considers approval of employee compensation plan.
August, 2013	Post and publish notice of public hearing on tax rates
August, 2013	Chief Financial Officer adjusts tax and FSP revenue projections based on latest state aid worksheet
September 9, 2013	Regular Board Meeting – public hearing on proposed tax rate followed by recommendation by Superintendent for board consideration
October 25, 2013	Chief Financial Officer adjusts campus and department budget allocations based on actual enrollment

Forney Independent School District

Budget Calendar – Board

February 18, 2013	Budget Workshop – first meeting with the Board to discuss Legislative Session details, budget projections, and goals
April 22, 2013	Budget Workshop – second meeting with the Board to discuss budget projections based on latest Legislative forecasts as well as the estimated values received by Kaufman CAD
June 24, 2013	Budget Workshop – third meeting with the Board to discuss budget projections based on Legislative action, trends impacting FISD forecasts, and other relative information used to compile budget
June 24, 2013	Regular Board Meeting – public hearing on budget followed by recommendation by Superintendent for board consideration
September 9, 2013	Regular Board Meeting – public hearing on tax rate followed by recommendation by Superintendent for board consideration

Note:

Budget Projections may include enrollment, personnel, revenue, and other data factors.

Forney Independent School District

Budget Policies and Development Procedures

ANNUAL OPERATING BUDGET

Board Policy CE (Legal)

Authorized Expenditures

The District shall not lend its credit or gratuitously grant public money or things of value in aid of any individual, association, or corporation. *Tex. Const. Art. III, Sec. 52; Brazoria County v. Perry, 537 S.W.2d 89 (Tex. Civ. App.—Houston [1st Dist.] 1976, no writ)*

The District shall not grant any extra compensation, fee, or allowance to a public officer, agent, servant, or contractor after service has been rendered or a contract entered into and performed in whole or in part. Nor shall the District pay or authorize the payment of any claim against the District under any agreement or contract made without authority of law. *Tex. Const. Art. III, Sec. 53; Harlingen Indep. Sch. Dist. v. C.H. Page and Bro. 48 S.W.2d 983 (Comm. App. 1932)*

The state and county available funds disbursed to the District shall be used exclusively for salaries of professional certified staff and for interest on money borrowed on short time to pay such salaries, when salaries become due before school funds for the current year become available. Loans for paying professional certified staff salaries may not be paid out of funds other than those for the current year. *Education Code 45.105(b)*

Local funds from District taxes, tuition fees, other local sources, and state funds not designated for a specific purpose may be used for salaries of any personnel and for purchasing appliances and supplies; for the payment of insurance premiums; for buying school sites; for buying, building, repairing, and renting school buildings, including acquisition of school buildings and sites by leasing through annual payments with an ultimate option to purchase [see CHG]; and for other purposes necessary in the conduct of the public schools to be determined by the Board. *Education Code 45.105(c)*

No public funds of the District may be spent in any manner other than as provided for in the budget adopted by the Board. *Education Code 44.006(a)*

Board Policy CE (Legal) - Continued

Use of District Resources Improvements to Real Property	<p>Except as provided below or by Education Code 45.109(a-1) or (a-2) [see CX], the Board shall not enter into an agreement authorizing the use of District employees, property, or resources for the provision of materials or labor for the design, construction, or renovation of improvements to real property not owned or leased by the District.</p> <p>This section does not prohibit the Board from entering into an agreement for the design, construction, or renovation of improvement to real property not owned or leased by the District if the improvements benefit real property owned or leased by the District. Benefits to real property owned or leased by the District include the design, construction, or renovation of highways, roads, streets, sidewalks, crosswalks, utilities, and drainage improvements that serve or benefit the real property owned or leased by the District.</p> <p><i>Education Code 11.168</i></p>
Hotels	<p>The Board may not impose taxes, issue bonds, use or authorize the use of District employees, use or authorize the use of District property, money, or other resources, or acquire property for the design, construction, renovation, or operation of a hotel. The Board may not enter into a lease, contract, or other agreement that obligates the Board to engage in an activity prohibited by this section or obligates the use of District employees or resources in a manner prohibited by this section.</p> <p>“Hotel” means a building in which members of the public obtain sleeping accommodations for consideration. The term includes a motel.</p> <p><i>Education Code 11.178</i></p>
Electioneering	<p>The Board may not use state or local funds or other resources of the District to electioneer for or against any candidate, measure, or political party. <i>Education Code 11.169</i></p>
Commitment of Current Revenue	<p>A contract for the acquisition, including lease, of real or personal property is a commitment of the District’s current revenue only, provided the contract contains either or both of the following provisions:</p> <ol style="list-style-type: none">1. Retains to the Board the continuing right to terminate the contract at the expiration of each budget period during the term of the contract.

Board Policy CE (Legal) - Continued

2. Is conditioned on a best efforts attempt by the Board to obtain and appropriate funds for payment of the contract.

Local Gov't Code 271.903

Fiscal Year

The Board may determine if the District's fiscal year begins on July 1 or September 1 of each year. *Education Code 44.0011*

Budget Preparation

The Superintendent shall prepare, or cause to be prepared, a proposed budget covering all estimated revenue and proposed expenditures of the District for the following fiscal year. *Education Code 44.002*

Deadlines

The proposed budget shall be prepared on or before a date set by the State Board of Education, currently August 20 (June 19 if the District uses a July 1 fiscal year start date). *Education Code 44.002(a); 19 TAC 109.1(a), 109.41*

The adopted budget must be filed with the Texas Education Agency on or before the date established in the *Financial Accountability System Resource Guide*. *Education Code 44.005; 19 TAC 109.1(a)*

Public Meeting on Budget and Proposed Tax Rate

After the proposed budget has been prepared, the Board President shall call a Board meeting for the purpose of adopting a budget for the succeeding fiscal year. Any taxpayer of the District may be present and participate in the meeting. *Education Code 44.004* [See CCG for provisions governing tax rate adoption]

The meeting must comply with the notice requirements of the Open Meetings Act. *Gov't Code 551.041, 551.043*

Published Notice

The Board President shall also provide for publication of notice of the budget and proposed tax rate meeting in a daily, weekly, or biweekly newspaper published in the District. If no daily, weekly, or biweekly newspaper is published in the District, the President shall provide for publication of notice in at least one newspaper of general circulation in the county in which the District's central administrative office is located. The notice shall be published not earlier than the 30th day or later than the tenth day before the date of the hearing.

Form of Notice

The published notice of the public meeting to discuss and adopt the budget and the proposed tax rate must meet the size, format, and content requirements dictated by law.

The notice is not valid if it does not substantially conform to the language and format prescribed by the comptroller.

Board Policy CE (Legal) - Continued

Taxpayer Injunction	<p>If the District has not complied with the published notice requirements in the FORM OF NOTICE described above, and the requirements for DISTRICTS WITH JULY 1 FISCAL YEAR below, if applicable, and the failure to comply was not in good faith, a person who owns taxable property in the District is entitled to an injunction restraining the collection of taxes by the District. An action to enjoin the collection of taxes must be filed before the date the District delivers substantially all of its tax bills. <i>Education Code 44.004(b)-(e)</i></p>
Publication of Proposed Budget Summary	<p>Concurrently with the publication of notice of the budget under <i>Education Code 44.004</i>, the District shall post a summary of the proposed budget on the District's Internet Web site or, if the District has no Internet Web site, in the District's central administrative office.</p> <p>The budget summary must include a comparison to the previous year's actual spending and information relating to per student and aggregate spending on:</p> <ol style="list-style-type: none">1. Instruction;2. Instructional support;3. Central administration;4. District operations;5. Debt service; and6. Any other category designated by the Commissioner. <p><i>Education Code 44.0041</i></p>
Decrease in Debt	<p>If the debt service rate calculated under <i>Education Code 44.004(c)(5)(A)(ii)(b)</i> decreases after the publication of the notice required in this section, the Board President is not required to publish another notice or call another meeting to discuss and adopt the budget and the proposed lower tax rate. <i>Education Code 44.004(g-1)</i></p>
Budget Adoption	<p>The Board shall adopt a budget to cover all expenditures for the succeeding fiscal year at the meeting called for that purpose and before the adoption of the tax rate for the tax year in which the fiscal year covered by the budget begins. <i>Education Code 44.004(f)-(g)</i></p>
Certified Estimate	<p>By April 30, the chief appraiser shall prepare and certify an estimate of the taxable value of District property. <i>Tax Code 26.01 (e)</i></p>

Board Policy CE (Legal) - Continued

Districts With July 1 Fiscal Year	<p>A district with a fiscal year beginning July 1 may use the certified estimate of the taxable value of District property in preparing the published notice if the District does not receive the certified appraisal roll on or before June 7. A district that uses a certified estimate may adopt a budget at the public meeting designated in the published notice prepared using the estimate, but the District may not adopt a tax rate before the District receives the certified appraisal roll for the District.</p> <p><i>Education Code 44.004 (h)-(i)</i></p>
Budget Adoption After Tax Rate Adoption	<p>Notwithstanding Education Code 44.004(g), (h), and (i), above, the District may adopt a budget after the District adopts a tax rate for the tax year in which the fiscal year covered by the budget begins if the District elects to adopt a tax rate before receiving the certified appraisal roll for the District as provided by Tax Code 26.05(g). Following adoption of the tax rate [see CCG], the District must publish notice and hold a public meeting before the District may adopt a budget. The comptroller shall prescribe the language and format to be used in the notice. The District may use the certified estimate of taxable value in preparing the notice. <i>Education Code 44.004(j)</i></p>
Publication of Adopted Budget	<p>On final approval of the budget by the Board, the District shall post on the District's Internet Web site a copy of the budget adopted by the Board. The District's Web site must prominently display the electronic link to the adopted budget. The District shall maintain the adopted budget on the District's Web site until the third anniversary of the date the budget was adopted.</p> <p><i>Education Code 39.084</i></p>
Amendment of Approved Budget	<p>The Board shall have the authority to amend the approved budget or to adopt a supplementary emergency budget to cover necessary unforeseen expenses.</p> <p>Copies of any amendment or supplementary budget must be prepared and filed in accordance with State Board rules.</p> <p><i>Education Code 44.006</i></p>
Failure to Comply With Budget Requirements	<p>A Board members who votes to approve any expenditure in excess of the item or items appropriated in the adopted budget or a supplementary or amended budget commits a misdemeanor offense. <i>Education Code 44.052(c)</i></p>
Certain Donations	<p>The District may donate funds or other property or service to the adjutant general's department or to the Texas National Guard. <i>Gov't Code 431.035(b), .045(b)</i></p>

Board Policy CE (Local)

Fiscal Year	The District shall operate on a fiscal year beginning July 1 and ending June 30.
Budget Planning	Budget planning shall be an integral part of overall program planning so that the budget effectively reflects the District's programs and activities and provides the resources to implement them. In the budget planning process, general educational goals, specific program goals, and alternatives for achieving program goals shall be considered, as well as input from the District- and campus-level planning and decision-making committees. Budget planning and evaluation are continuous processes and shall be a part of each month's activities.
Budget Meeting	<p>The annual public meeting to discuss the proposed budget and tax rate shall be conducted as follows:</p> <ol style="list-style-type: none">1. The Board President shall request at the beginning of the meeting that all persons who desire to speak on the proposed budget and/or tax rate sign up on the sheet provided.2. Prior to the beginning of the meeting, the Board may establish time limits for speakers.3. Speakers shall confine their remarks to the appropriation of funds as contained in the proposed budget and/or the tax rate.4. No officer or employee of the District shall be required to respond to questions from speakers at the meeting.
Authorized Expenditures	The adopted budget provides authority to expend funds for the purposes indicated and in accordance with state law, Board policy, and the District's approved purchasing procedures. The expenditure of funds shall be under the direction of the Superintendent or designee who shall ensure that funds are expended in accordance with the adopted budget.
Budget Amendments	<p>The Board shall amend the budget for the general fund, food service fund, and debt service fund when a change is made increasing any one of the functional spending categories or increasing revenue object accounts and other resources.</p> <p>However, budget changes for grant programs and capital projects shall not require Board approval unless required otherwise.</p>

Board Policy CE (Local) - Continued

Fund Balance	In order to preserve financial stability, the District must be prepared to respond to cash flow shortages, large or unexpected one-time expenditures, changes in the economy, and changes in state funding. The District shall, therefore, target a yearly minimum addition to fund balance of one percent (1%) of total revenues.
General Fund	
Debt Service Fund	In order to respond to unexpected decreases in the tax collections or state assistance programs, the District shall target a yearly minimum unreserved debt service fund balance of five percent (5%) of total budgeted expenditures.

Significant Changes to Budget Process or Policy

Forney ISD has not made any significant changes to the budget process or policies related thereto.

Fund Balance, Encumbrances, Capital Budget, and Debt Management Policies

The District does have a fund balance and debt management policy that strives to maintain healthy levels that are acceptable by State standards (see Local Board Policy CE above).

FISD encumbers expenses as required by the Generally Accepted Accounting Practices (GAAP) at the closure of each fiscal year.

Forney ISD maintains a capital project fund (old interest earnings from previous bond issues and unused bond proceeds for specified projects) to allow for capital expenditures to be purchased on a budgeted (or necessary) basis. The annual process involves reviewing District assets, their remaining life expectancy, and the anticipated replacement cost.

Forney Independent School District

District Fund Codes

The funds of Forney ISD have been established under the rules prescribed in the *Financial Accounting and Reporting Module* of the Texas Education Agency (TEA) Financial Accountability System Resource Guide (also known as FASRG). This budget document contains detailed information for all funds (only the general, food service, and debt service funds require approval annually).

The following is a list of the funds that shall account for transactions in 2013/2014:

<u>Fund No.</u>	<u>Fund Code Name</u>	<u>Fund Type</u>	<u>Fund Description</u>
181	Facility Rentals – Churches	General	Governmental
182	Facility Rentals – Other	General	Governmental
183	Facility Rentals – Athletics	General	Governmental
193	FHS Science Flood Repairs	General	Governmental
196	Ellen West Library	General	Governmental
199	General Fund	General	Governmental
205	Head Start	Special Revenue	Governmental
211	ESEA Title I, Part A	Special Revenue	Governmental
224	IDEA-B, Formula	Special Revenue	Governmental
225	IDEA-B, Preschool	Special Revenue	Governmental
240	Food Service Fund	Special Revenue	Governmental
244	Carl D. Perkins	Special Revenue	Governmental
255	Title II, Part A	Special Revenue	Governmental
263	Title III, Part A LEP	Special Revenue	Governmental
289	Summer School LEP	Special Revenue	Governmental
385	Visually Impaired	Special Revenue	Governmental
397	Advanced Placement	Special Revenue	Governmental
404	SSI Grant	Special Revenue	Governmental
410	Textbooks IMA	Special Revenue	Governmental
426	Tobacco Compliance	Special Revenue	Governmental
429	Read to Succeed	Special Revenue	Governmental
461	Campus Activity Funds	Special Revenue	Governmental
599	Debt Service Fund	Debt Service	Governmental
699	Capital Projects Fund	Capital Projects	Governmental
863	Payroll Clearing Fund	Agency	Fiduciary
865	Activity Fund	Agency	Fiduciary
901	General Capital Assets	Government-wide	Governmentwide
902	General Long-Term Debt	Government-wide	Governmentwide

Forney Independent School District

Budget Implementation Plan and Allocation of Human & Financial Resources

Budget Implementation Plan

The Business Office will serve as the primary department that oversees the implementation of the approved annual budgets. All goals, objectives, and strategies identified in this document will supplement all laws, policies, and procedural manuals so that the Business Office can effectively implement the budget plan approved by the Board of Trustees.

The Board policy manual can be found on the District's website at <http://www.tasb.org/policy/pol/private/129902/> and administrative staff should be contacted if any questions arise about such policy.

Allocation of Human and Financial Resources

The budget for Forney ISD is people intensive. Approximately 83% of the budget is comprised of salaries and benefits so it is imperative to the continued financial health of the District to monitor staff levels during the staff allocation process. Student to teacher ratios are reviewed systematically during the year and all support services are analyzed regularly to ensure ratios are acceptable to State averages.

Financial resources are distributed to each campus based upon average daily attendance (ADA) and special population and program needs. Student needs, such as instructional supplies, come from these budget allocations. Other costs, such as professional development and utilities, are based upon historical trends, special requests and relative information.

FINANCIAL SECTION



BUDGET INFORMATION

Forney Independent School District

Budget Overview

The following documents represent a financial plan for the Forney Independent School District for the 2013/2014 fiscal year. These documents are the direct result of obtaining input from students, parents, citizens, campus and administrative staff, Superintendent, and Board of Trustees. In addition, historical trends and statistics assist administrative staff in determining projected outcomes that may impact relevant factors and/or drivers that determine the funding levels and related expenses of a specific fund.

This budget provides the financial resources necessary to enhance the instructional environment for all students (i.e. gifted and talented, special education, etc.), continue to offer a competitive salary & benefits package to employees and operate our 14 campuses.

Funding Information

Please understand that the projected state/federal revenues are *estimates* based upon the latest finance template which includes changes from the 83rd Legislative Session. The finance template appears to be current with all known drivers, factors and other relevant information so that FISD can make accurate budget decisions.

The State Foundation School Program (FSP) has gone through major changes since House Bill 1 (HB1) was enacted as part of the 3rd Special Session of the 79th Legislature. During the 81st Regular Legislative Session a strong push was made to return to a formula driven system (from target revenue per student) but the consensus was made to make a small adjustment to each district's target revenue amount and close the inequity gap among the 1,000 plus Texas school districts (c/o HB3646).

The 2011 Legislative Session was the first time since 1949 (Gilmer-Aiken Act) that Public Education saw a decrease in available funding (\$5.4 billion). The following details summarize the financial impact for Public Education due to Senate Bill 1:

- A 6% across the board cut to all districts in year one
- A target revenue phase out formula in year two

The 2013 Legislative Session was the first time in years that a funding increase was approved. While Senate Bill 1 of the 83rd Session did not replace the amount of funds cut in 2011, it did provide the following:

- Added \$3.4 billion to formula funding
- Increased basic allotment to \$4,950 and \$5,040 in 2014 and 2015, respectively
- Included \$330 million to fund TRS transition aid for 2014/15 related to SB 1458

Capital Expenditure Information

Capital improvements and replacements will not affect the general fund budget as all capital expenses are, at this time, funded by the Capital Projects Fund.

Enrollment Information

The Forney Independent School District is serving about 8,500 students in the 2012/13 school year. The District encompasses 80 square miles with geographic areas that include the communities of Winners Circle, Diamond Creek, Fox Follow, Devonshire, and other neighborhoods.

Total Student Enrollment Trend	
2012-2013	8,488
2011-2012	8,288
2010-2011	8,087
2009-2010	7,795
2008-2009	7,413

Forney ISD student population has changed some in recent years. The following demographic trends have been identified and included in the budget documents:

- Increasing economic disadvantaged student population
- Increasing minority student population
- Increasing reliance on technology by student population

Other Budgetary Information

The general fund budget has been prepared based on trends and drivers such as static enrollment and attendance, maintaining most education programs offered to students, a 1.0% increase in economic disadvantaged student population and minimal staff increases.

Other relative factors and trends that financially impact the general fund are:

- Minimal tax value growth
- Foundation adjustment of \$2,730,272 related to the five year equal repayment of the 2010/11 overpayment – this impacts forecasted cash flow
- Potential overpayment as the LPE is currently forecasted about 200 students higher than district projections – this may mean that we receive, but not earn, additional cash flows in 2013/14 that we do not plan to spend
- No accrued obligation for retiree health insurance has been committed by District

Forney Independent School District

Major Revenue Sources and Assumptions

Major Revenue Sources

Most school districts have a healthy balance between their State and local resources. For the Forney Independent School District, 47% of the \$77,800,000 in total revenues is funded by State Aid programs (property taxes are second largest revenue source).

Overall, the aggregate revenue budgets for 2013/2014 are as follow:

- \$ 39,001,000 in local revenues
- \$ 36,699,000 in state revenues
- \$ 2,100,000 in federal revenues

The State Foundation School Program (FSP) which has gone through major changes since House Bill 1 (HB1) was enacted as part of the 3rd Special Session of the 79th Legislature. During the 81st Regular Legislative Session a strong push was made to return to a formula driven system (from target revenue per student) but the consensus was made to make a small adjustment to each district's target revenue amount and close the inequity gap among the 1,000 plus Texas school districts (care of HB3646).

During the 82nd Special Legislative Session, the “new money” from the 2009 Legislative Session (stimulus funds) was redacted. Overall, Public Education saw a reduction of state aid of \$4 billion along with another \$1.2 billion of grant funds (i.e. technology allotment).

The 2013 Legislative Session was the first time in years that a funding increase was approved. While Senate Bill 1 of the 83rd Session did not replace the amount of funds cut in 2011, it did provide the following:

- Added \$3.4 billion to formula funding
- Increased basic allotment to \$4,950 and \$5,040 in 2014 and 2015, respectively
- Included \$330 million to fund TRS transition aid for 2014/15 related to SB 1458

Assumptions

The Texas Legislature meets biennially, during odd numbered years, and the next regular session is scheduled for Spring, 2013. Forney ISD has forecasted revenue projections based upon the assumption that State funding mechanisms will remain static up to and through that period of time as no new money shall be received outside of what the formulas currently provide for (*please see next few pages for State Aid template*).

	A	B	F	G	H	I	J	K	L	M
1	District Name:	FORNEY ISD								
2	County-District No.:	129-902	< (ENTER # with dash, i.e., 001-902)							
3	Run Date:	6/18/2013								
4	Date Prepared:	6/18/2013	< (ENTER date prepared if desired)							
5										
6										
7	Template for Estimating Total State Aid									
8	by Omar Garcia, BOSCO, Inc.									
9										
10	This template is designed to calculate revenue under SB 1 as passed by the 83rd Session of the Texas Legislature									
11	and is based on my current understanding of SB 1 and the provisions of previous laws HB1, HB 3646, and SB 1.									
12	MY UNDERSTANDING IS ABSOLUTELY SUBJECT TO CHANGE AT ANY TIME.									
13										
14			The Light Yellow-Shaded Cells Require Data Entry, if applicable.							
15	Funding Elements		2012-13	2013-14	2014-15	2015-16				
16	Students		Data Entry	Data Entry	Data Entry	Data Entry				
17	Refined ADA (PreK - 12)		8,100.000	8,350.000	8,625.000	8,925.000				
18	High School Refined ADA (Grades 9 thru 12 only)		2,350.000	2,450.000	2,575.000	2,700.000				
19	Special Education Instructional Arrangement FTEs:									
20	Homebound (Code 01)		0.176	0.176	0.176	0.176				
21	Hospital Class (Code 02)		0.000	0.000	0.000	0.000				
22	Speech Therapy (Code 00)		14.508	14.508	14.508	14.508				
23	Resource Room (Code 41,42)		159.729	159.729	159.729	159.729				
24	S/C Mild/Mod/Severe (Code 43, 44, & 45)		49.210	49.210	49.210	49.210				
25	Off Home Campus (Codes 91-98)		0.000	0.000	0.000	0.000				
26	VAC (Code 08)		0.058	0.058	0.058	0.058				
27	State Schools (Code 30)		0.000	0.000	0.000	0.000				
28	Nonpublic Contracts		0.000	0.000	0.000	0.000				
29	Res Care & Treatment (Code 81-89)		1.625	1.625	1.625	1.625				
31	Mainstream ADA		39.494	39.494	39.494	39.494				
32	Career & Technology FTEs		533.848	560.000	585.000	600.000				
33	Advanced Career & Technology FTEs		0.000	0.000	0.000	0.000				
36	Compensatory Ed Enrollment		2,524.500	2,700.000	2,875.000	3,050.000				
37	FTEs of Pregnant Students		1.227	1.227	1.227	1.227				
39	Bilingual ADA		405.300	405.300	405.300	405.300				
40	G & T Enrollment		417.000	430.000	443.000	456.000				
41	Public Ed Grant Student ADA		0.000	0.000	0.000	0.000				
43	Staff		2012-13	2013-14	2014-15	2015-16				
44	# of Full-time Employees (excluding admin & teachers, etc)		397	400	403	406				
45	# of Part-time Employees (excluding administrators)		53	55	57	59				
46			2011 TAX	2012 TAX	2013 TAX	2014 TAX				
47	Property Values		YEAR	YEAR	YEAR	YEAR				
48	State Certified Property Value ("T2" value)		2,292,376,725	2,268,763,245	2,290,000,000	2,330,000,000				
49	State Certified Property Value ("T8" value)		2,292,376,725	2,268,763,245	2,290,000,000	2,330,000,000				
50										
51	Tax Rates and Collections		2012-13	2013-14	2014-15	2015-16				
52	M&O Adopted Tax Rate		1.0400	1.0400	1.0400	1.0400				
53	M&O Tax Collections @ Adopted M&O Rate		23,900,000	24,175,000	24,475,000	24,775,000				
54	M&O Taxes Attributed to Change in Optional Homestead Exemption		0	0	0	0				
55	I&S Adopted Tax Rate		0.5000	0.5000	0.5000	0.5000				
56	I&S Tax Collections		11,450,000	11,575,000	11,700,000	11,825,000				
57	Other Data									
58	Transportation Allocation		446,652	446,652	446,652	446,652				
59	Texas School for the Deaf Students		0.000	0.0000	0.0000	0.0000				
60	Texas School for the Blind Students		0.000	0.0000	0.0000	0.0000				
61	Total Tax Levy		0	0	0	0				
62	Charge for Adv Placement Testing (enter as positive or negative #)		0	0	0	0				
63	Charge for Spec. Ed. Projects (enter as positive or negative #)		0	0	0	0				
64	Tuition Paid If Less Than 12 Grades		0	0	0	0				
65	Bond Payment		13,910,396	14,000,000	14,300,000	14,600,000				
66	State Aid Reduction for WADA Sold (enter as negative #)		0	0	0	0				
67	Supplemental TIF Payment From TEA		0	0	0	0				
68	Additional Aid for Frozen Levy Lost		0	0	0	0				
69	Tax Credit for Tax Code, Chapter 313 Value Limitations		0	0	0	0				
70	Other Adjustments for M&O Tax Collections		0	0	0	0				
71	Tuition Allotment (42.106)		0	0	0	0				
73	2012-13 RPAF Adjustment (can be positive or negative amount)		0							
74	LPE Current Foundation School Fund Allocation (see Column U)		0	0	0	0				
75	Foundation School Fund Adjustments to Date (see Column U)		0	0	0	0				
76	Chapter 41 Data		2012-13	2013-14	2014-15	2015-16				
77	Q. Chapter 41 District? - if yes, change to Y		N	N	N	N				
78	Q. First-Time Chapter 41 district? (beginning with 2006-07 or later)		N	N	N	N				
79	Enrollment		0	0	0	0				
80	# of Non-Resident Students Who Are Charged Tuition		0	0	0	0				
81	County Appraisal District (CAD) Cost		0	0	0	0				
82	CAD Cost Paid by Partner's, if applicable		0	0	0	0				
83	# of Resident Students Being Educated by Another District		0	0	0	0				
84	for which the District is Paying Tuition		0	0	0	0				
85	Amount of Tuition Paid per Student		0	0	0	0				
86	ASATR Credit Against Recapture (enter as negative #)		0	0	0	0				
87	Q. Was the least expensive Option chosen? (\$476,500 level)		Y	Y	Y	Y				
88	Q. Was the least expensive Option chosen? (\$319,500 level)		Y	Y	Y	Y				
89	Effective M&O Tax Rate / Notice Data			2013-14						
90	# of TRS Members			0.00						

2013-14 Summary of Finances
FORNEY ISD
129-902

Funding Elements		From
Students		Date Entry
1.	Refined Average Daily Attendance (ADA)	8,350.000
2.	Regular Program ADA (Line 1 - Line 3 - Line 4) (Link to Detail Report)	7,564.694
3.	Special Education FTEs (Link to Detail Report)	225.306
4.	Career & Technology FTEs	560.000
5.	Advanced Career & Technology FTEs	0.000
6.	High School ADA	2,450.000
7.	Weighted ADA (WADA) (Link to Detail Report)	9,979.970
8.	Prior Year Refined ADA	8,100.000
9.	Texas School for the Blind and Visually Impaired ADA	0.000
10.	Texas School for the Deaf ADA	0.000
Staff		
11.	Full-time Staff (not MSS)	400
12.	Part-time Staff (not MSS)	55
Property Values		
13.	2013 (current tax year) Locally Certified Property Value	Not Needed
14.	2012 (prior tax year) State Certified Property Value ("T2" value)	2,268,763,245
Tax Rates and Collections		
15.	2005 Adopted M&O Tax Rate	1.4600
16.	2013 (current tax year) Compressed M&O Tax Rate	0.9733
17.	Average Tax Collection Rate	Not Needed
18.	2013-14 (current tax year) M&O Tax Rate	1.0400
19.	2013-14 (current school year) M&O Tax Collections (Link to Detail Report)	\$24,175,000
20.	2013-14 (current school year) I&S Tax Collections	\$11,575,000
21.	2013-14 Total Tax Collections	\$35,750,000
22.	2013-14 (current school year) Total Tax Levy	\$0
Funding Components		
23.	Adjusted Allotment (Link to Detail Report)	\$5,091
24.	Revenue at Compressed Rate (RACR) per WADA	\$5,117
25.	Cost of Education Index (CEI)	1.080
26.	Adjusted CEI	1.080
27.	Per Capita Rate	\$280.000

Tier I Allotments		
	Program Intent Codes - Allotments	
28.	11-Regular Program Allotment	\$38,511,857
29.	23-Special Education Adjusted Allotment (Spend 52% of Amount)	\$3,819,848
30.	22-Career & Technology Allotment (Spend 58% of Amount)	\$3,848,796
31.	21-Gifted & Talented Adjusted Allotment (Spend 55% of Amount)	\$255,059
32.	24-Comp Ed Allotment (Spend 52% of Amount) (no Detail Report included)	\$2,764,194
33.	25-Bilingual Education Allotment (Spend 52% of Amount)	\$206,338
34.	11-Public Education Grant	\$0
35.	99-New Instructional Facilities Allotment (NIFA)	\$0
36.	99-Transportation Allotment (no Detail Report included)	\$446,652
37.	31-High School Allotment	\$673,750
38.	Total Cost of Tier I (Link to Tier I Detail Report)	\$50,526,494
39.	Less: Local Fund Assignment	\$22,081,873
40.	State Share of Tier I	\$28,444,621
41.	Per Capita Distribution from the Available School Fund (ASF)	\$2,268,000
Foundation School Program (FSP) State Funding		
42.	Greater of State Share of Tier I or (ASF+NIFA+HS)	\$28,444,621
43.	Tier II (Link to Tier II Detail Report)	\$2,347,676
44.	Other Programs (Link to Detail Report)	\$213,750
45.	Less: Total Available School Fund (\$280 * Prior Year ADA)	(\$2,268,000)
46.	Total FSP Operating Fund	\$28,738,047
State Aid by Funding Source		
	Fund Code/Object Code - Funding Source	
47.	199/5812 - Foundation School Fund	\$28,738,047
48.	199/5811 - Available School Fund	\$2,268,000
49.	599/5829 - EDA (Link to Detail Report)	\$1,895,837
50.	599/5829 - Instructional Facilities Allotment (Bond) (Link to Detail Report)	\$1,113,119
51.	599/5829 - Instructional Facilities Allotment (Lease Purchase) (See Link Above)	\$0
52.	TOTAL 2013-14 FSP/ASF STATE AID	\$34,015,003
	FSP Allocations and Adjustments Report (Link to Detail Report)	

ADDITIONAL INFO: (Not on TEA's Summary of Finances)

SUMMARY OF TOTAL STATE/LOCAL M&O REVENUE:	
M&O Rev From State (no Fund 599) (includes TIF & tuition reimbursement, if applicable)	\$31,006,047
M&O Rev From Local Taxes (net of recapture and up to compressed rate)	\$22,624,546
M&O Rev From Local Taxes (for first \$.06 above compressed rate; no recapture)	\$1,394,712
M&O Rev From Local Taxes (net of recapture for pennies beyond compressed rate + \$.06)	\$155,743
Additional M&O Rev Resulting From ASATR Credit Against Recapture	\$0
2013-14 TOTAL STATE/LOCAL M&O REVENUE	\$55,181,047
Less: Credit Balance Due State (See Foundation School Fund balance above)	\$0
2013-14 NET TOTAL STATE/LOCAL M&O REVENUE	\$55,181,047

SUMMARY OF TOTAL CHAPTER 41 RECAPTURE:	
Recapture at the \$495000 Level	\$0
Recapture at the \$319500 Level	\$0
Total 2013-14 Recapture	\$0
Less: ASATR Credit Against Recapture	\$0
Total 2013-14 Recapture Payments To TEA	\$0

Forney Independent School District

2013/2014 Budget Summary – General Fund

Revenues:

5700	Local Revenues	\$ 25,076,000
5800	State Revenues	33,824,000
5900	Federal Revenues	<u>800,000</u>
	Total Revenues	\$ 59,700,000

Expenditures:

11	Instruction	\$ 31,900,000
12	Library and Media	800,000
13	Staff Development	1,300,000
21	Instructional Leadership	435,000
23	School Leadership	3,975,000
31	Guidance Counseling & Assessment	1,925,000
33	Nursing	875,000
34	Student Transportation	1,925,000
36	Extracurricular Activities	1,990,000
41	General Administration	1,950,000
51	Maintenance and Operations	7,025,000
52	Security	500,000
53	Data Processing	1,175,000
61	Community Services	5,000
71	Debt Service	450,000
99	Other Intergovernmental Charges	<u>470,000</u>
	Total Expenditures	\$ 56,700,000

Net Surplus (Deficit)	\$ 3,000,000
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Forney Independent School District

2013/2014 Budget Summary – Food Service Fund

Revenues:

5700	Local Revenues	\$ 2,325,000
5800	State Revenues	75,000
5900	Federal Revenues	<u>1,300,000</u>
	Total Revenues	\$ 3,700,000

Expenditures:

35	Food Service Operations	\$ 3,700,000
51	Maintenance and Operations	<u>- 0 -</u>
	Total Expenditures	\$ 3,700,000

Net Surplus (Deficit)	\$ -0 -
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Forney Independent School District

2013/2014 Budget Summary – Debt Service Fund

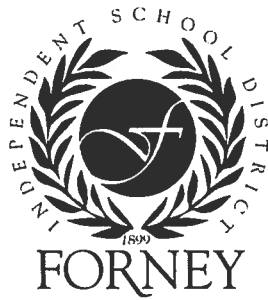
Revenues:

5700	Local Revenues	\$ 11,600,000
5800	State Revenues	2,800,000
5900	Federal Revenues	<u>0</u>
	Total Revenues	\$ 14,400,000

Expenditures:

71	Debt Service	<u>\$ 14,400,000</u>
	Total Expenditures	\$ 14,400,000

Net Surplus (Deficit)	\$	-0 -
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GENERAL FUND INFORMATION

Forney Independent School District

General Fund Overview

The General Fund is commonly referred to as the “Operating Fund”, “M&O Fund” or “Fund 199”. Local tax revenue and state aid entitlements comprise the majority of the revenues earned in this fund type.

This fund is used to pay operating expenses throughout the District (included but not limited to most staff salaries, classroom services and supplies, utilities, insurance coverage, etc.).

Budgetary Considerations

The District will operate under Senate Bill 1 (83rd Legislature) which, fortunately, includes new state aid for the first time in years. However, it does not replenish the cuts made during the 82nd Legislature in 2011.

State aid forecasts will be based upon an ADA of 8,350 (which is a fair amount lower than we will be funded from a cash flow perspective) with minor changes to students in special populations.

Since there are new revenues, some cost considerations included in the *draft* budget are as follow:

- Staffing additions to accommodate student growth (final FTE count to be determined in June-July)
- Increase in budget allocations for campuses (for student growth)
- 2% pay raises
- Continuation of cost-effective practices (i.e. trash collection)

Budget Preparation Process

Enrollment trends, staffing formulas, taxable values, and academic programs/classes offered drive the core of the “earned” revenues and “necessary” expenditures included in the general fund budget.

Other sources of information for inclusion in the general fund budget include students, parents, community, teachers and other staff, administrators, and the Board.

State Funding Information

The Texas Education Agency passes foundation school program (FSP) revenues are transferred to school districts based on their payment class under Section 42.259 of the Texas Education Code. For 2013/2014, Forney ISD has been selected for payment class two. Payment class two allows for FSP funds to be transferred as follow during the fiscal year:

September, 2013	22.0% of Annual Entitlement
October, 2013	18.0% of Annual Entitlement
November, 2013	9.5% of Annual Entitlement
April, 2014	7.5% of Annual Entitlement
May, 2014	5.0% of Annual Entitlement
June, 2014	10.0% of Annual Entitlement
July, 2014	13.0% of Annual Entitlement
August, 2014	15.0% of Annual Entitlement

The TEA passes available school fund (ASF) payments monthly on an ADA basis.

Aggregate Budget

The *draft* budget has been prepared based on the following key factors:

- 8,350 ADA
- 2% tax base growth
- Funding from Senate Bill 1 from 83rd Legislative Session
- 96.25% attendance rate

These key factors have resulted in a surplus budget. We feel that adequate resources have been allocated to meet student and staff needs, and the surplus can be used to bring reserve levels (fund balance) toward an acceptable range [2-2.5 months of operating costs]. We are quite pleased with this financial position considering where we were in September 2011.

The campus regular education and support services (front office, nurse office, etc.) budgets are based upon the following amounts per student:

- Elementary Campuses \$60
- Middle School Campuses \$80
- High School Campuses \$90

Goals and Objectives

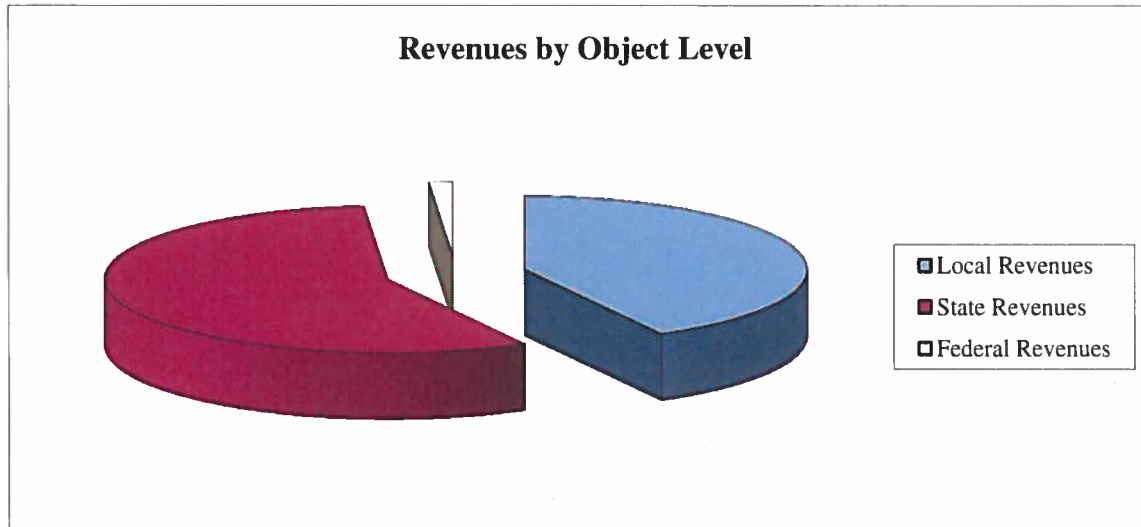
The Superintendent's core leadership team works continually to minimize administrative costs, maximize taxpayer funds by procurement of goods/services, increase instructional supply allocations, hold harmless non-instructional accounts, and efficiently operate all support services (all of which are performed in-house).

The District does currently have a fund balance reserve policy that strives to have a net increase in fund balance of at least 1% of annual operating expenditures.

The expenditures included in the budget are needed to implement the strategies and goals identified in each campus improvement plan as well as the District improvement plan.

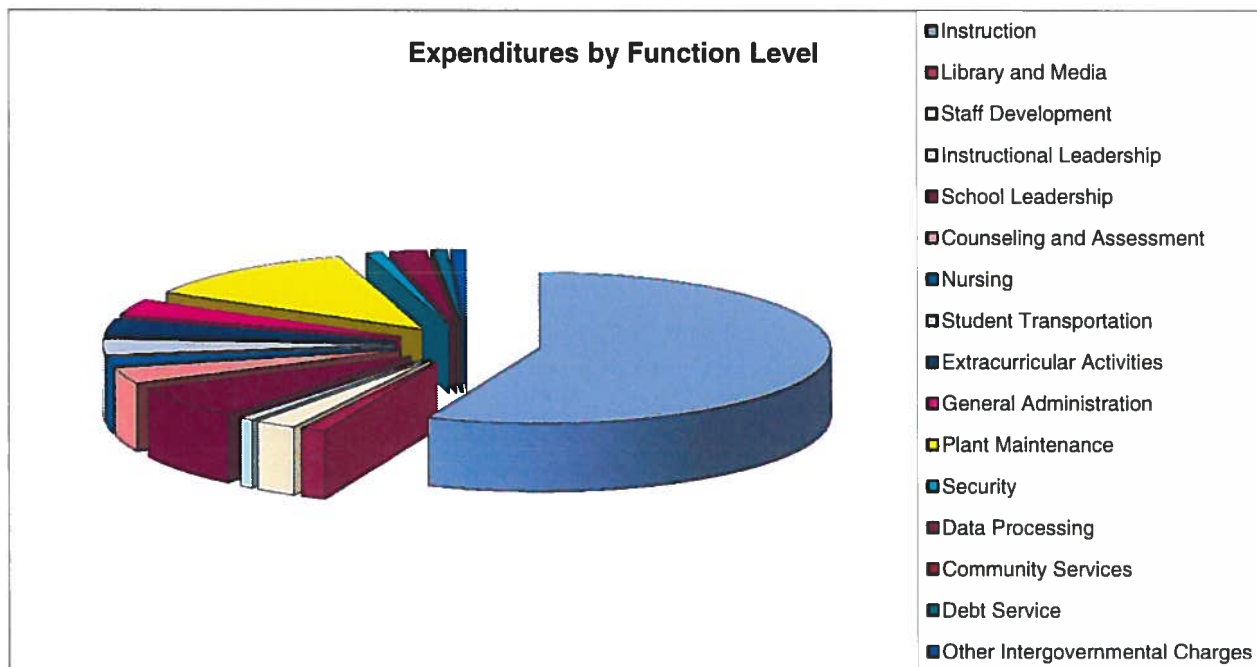
Forney Independent School District
Revenues by Object Level
General Fund

<u>Object Level</u>	<u>Object Level Description</u>	<u>2013/2014 Budget</u>	<u>Percentage of Budget</u>
5700	Local Revenues	\$ 25,076,000	42.00%
5800	State Revenues	33,824,000	56.66%
5900	Federal Revenues	800,000	1.34%



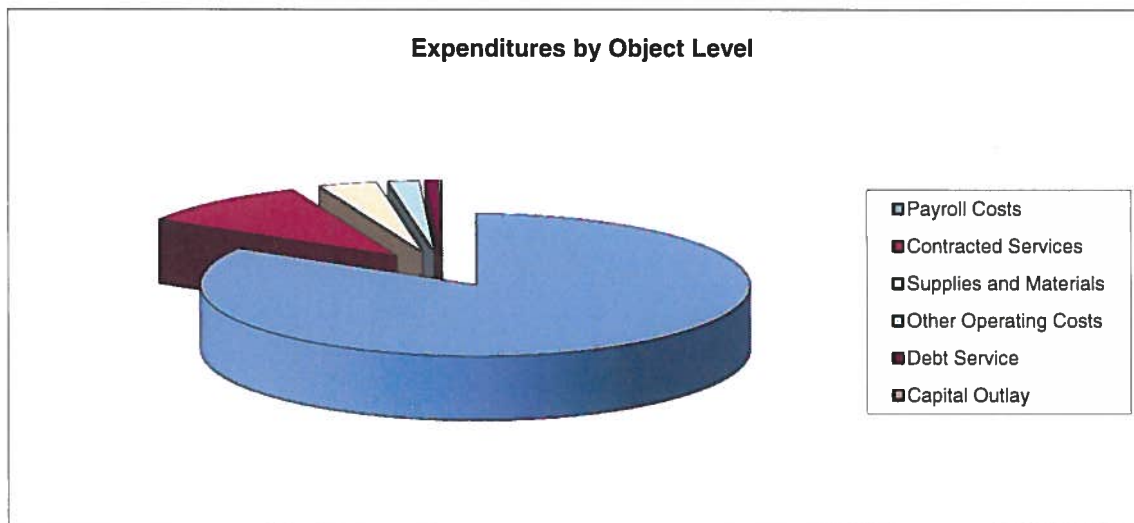
Forney Independent School District
Expenditures by Function Level
General Fund

Function Level	Function Level Description	2013/2014 Budget	Percentage of Budget
11	Instruction	\$ 31,900,000	56.26%
12	Library and Media	800,000	1.41%
13	Staff Development	1,300,000	2.29%
21	Instructional Leadership	435,000	0.77%
23	School Leadership	3,975,000	7.01%
31	Counseling and Assessment	1,925,000	3.40%
33	Nursing	875,000	1.54%
34	Student Transportation	1,925,000	3.40%
36	Extracurricular Activities	1,990,000	3.51%
41	General Administration	1,950,000	3.44%
51	Plant Maintenance	7,025,000	12.39%
52	Security	500,000	0.88%
53	Data Processing	1,175,000	2.07%
61	Community Services	5,000	0.01%
71	Debt Service	450,000	0.79%
99	Other Intergovernmental Charges	470,000	0.83%



Forney Independent School District
Expenditures by Object Level
General Fund

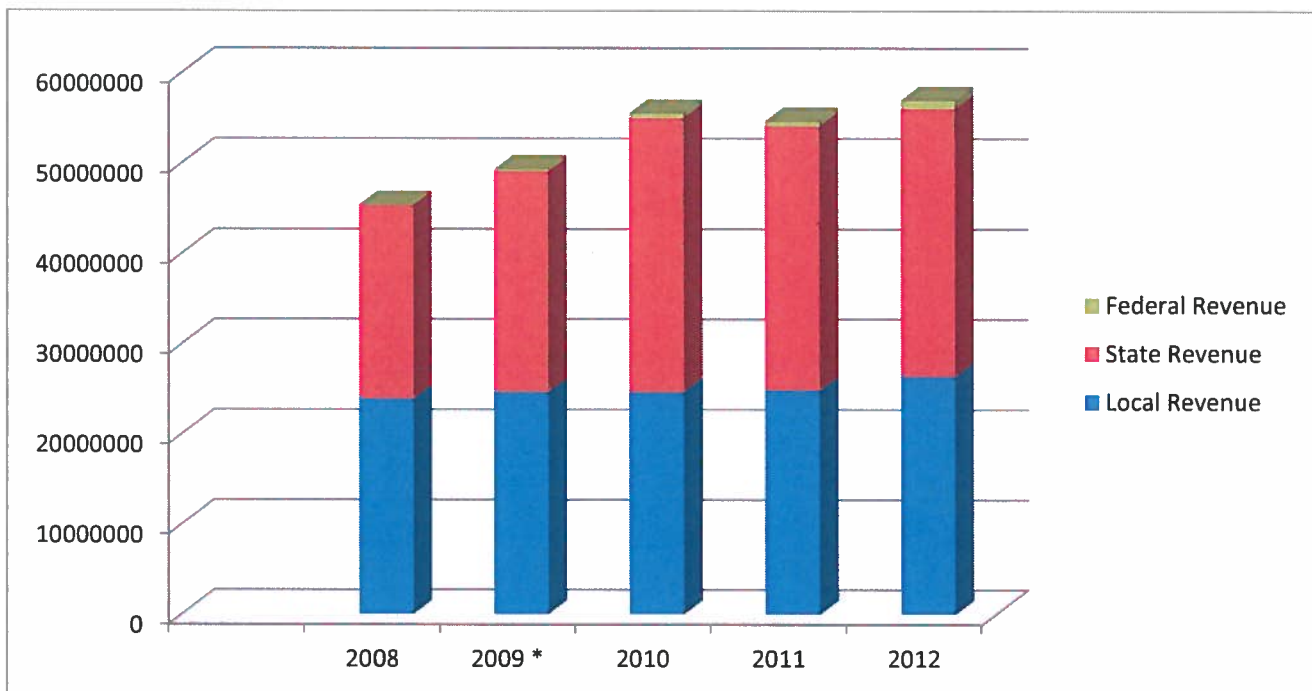
Object Level	Object Level Description	2013/2014 Budget	Percentage of Budget
6100	Payroll Costs	\$ 47,315,000	83.45%
6200	Contracted Services	5,900,000	10.41%
6300	Supplies and Materials	1,950,000	3.44%
6400	Other Operating Costs	1,050,000	1.85%
6500	Debt Service	450,000	0.79%
6600	Capital Outlay	35,000	0.06%



**Forney Independent School District
Five Year Historical Trend of Revenues**

Fiscal Year	Local Revenue		State Revenue		Federal Revenue		Total Revenue
2008	\$	23,923,457	\$	21,465,733	\$	-	\$ 45,389,190
2009 *	\$	24,641,034	\$	24,467,363	\$	201,856	\$ 49,310,253
2010	\$	24,677,588	\$	30,348,871	\$	496,749	\$ 55,523,208
2011	\$	24,875,747	\$	29,323,282	\$	451,241	\$ 54,650,270
2012	\$	26,414,775	\$	29,699,624	\$	882,923	\$ 56,997,322

* Fiscal year was changed so only 10 months of revenue was earned in local and federal categories



Key: Local Revenue - Tax collections, interest earnings, gate receipts, and other miscellaneous sources.
State Revenue - State aid and TRS on-behalf.
Federal Revenue - Medicaid, e-rate, and ROTC reimbursements.

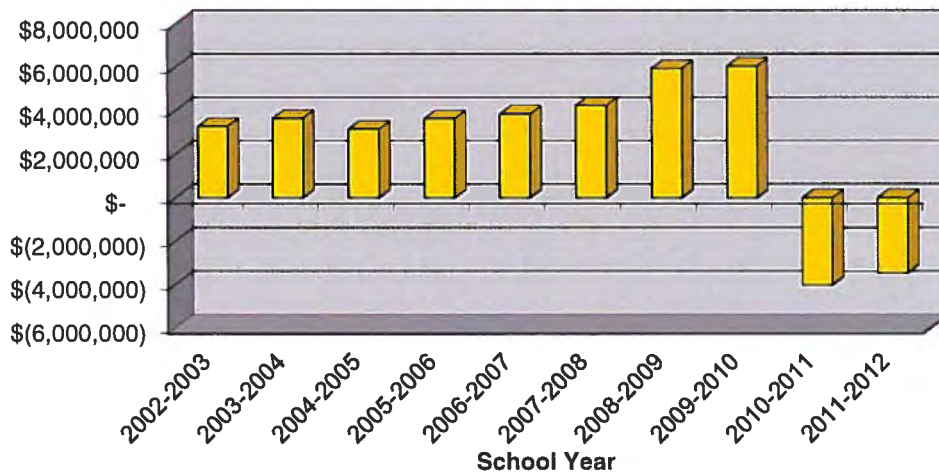
Forney Independent School District
Five Year Analysis of Revenues and Expenditures
General Fund

	Audit 2009/2010	Audit 2010/2011	Audit 2011/2012	Forsecasted Budget 2012/2013	Draft Budget 2013/2014
Revenues					
5710 Tax collections	\$ 23,976,861	\$ 24,103,607	\$ 24,067,057	\$ 24,046,909	\$ 24,325,000
5739 Tuition & fees	51,420	52,137	43,479	78,785	75,000
5742 Investment earnings	44,780	43,000	40,110	23,146	25,000
5743 Rent	80,808	92,189	117,451	195,098	150,000
5744 Donations	27,606	1,500	18,795	39,412	-
5745 Insurance recovery	28,075	39,436	1,413,032	2,329,899	-
5749 Local miscellaneous	249,148	277,790	318,803	189,455	186,000
5752 Athletic gate receipts	162,969	223,807	357,286	269,111	265,000
5769 Other miscellaneous	55,920	42,281	38,762	53,185	50,000
Total Local Revenues	24,677,588	24,875,747	26,414,775	27,225,000	25,076,000
5810 Foundation school program	27,832,890	26,508,233	27,139,673	26,850,000	31,000,000
5829 Miscellaneous state revenue	7,409	7,913	-	-	-
5831 Teacher retirement on-behalf	2,498,358	2,807,136	2,559,951	2,550,000	2,824,000
5839 Funds from state agencies	10,214	-	-	-	-
Total State Revenues	30,348,871	29,323,282	29,699,624	29,400,000	33,824,000
5929 Other federal funding	3,079	-	334,939	300,000	325,000
5931 School health & related services	428,645	381,844	490,696	400,000	425,000
5949 ROTC funding	65,025	69,398	57,287	50,000	50,000
Total Federal Revenues	496,749	451,241	882,923	750,000	800,000
Total Revenues	55,523,208	54,650,270	56,997,322	57,375,000	59,700,000
Expenditures					
11 Classroom instruction	30,496,134	31,952,166	30,523,964	30,500,000	31,900,000
12 Library and media	603,572	686,792	641,453	725,000	800,000
13 Staff development	1,584,522	1,861,874	1,519,014	1,200,000	1,300,000
21 Curriculum & special ed. admin.	561,430	572,512	568,055	425,000	435,000
23 Campus & PEIMS administration	4,034,447	4,184,630	4,078,259	3,725,000	3,975,000
31 Counseling, testing, & assessment	1,711,081	1,570,545	1,794,389	1,850,000	1,925,000
33 Health and nursing services	884,984	916,587	890,552	850,000	875,000
34 Student transportation	2,026,982	2,319,644	1,801,264	1,900,000	1,925,000
35 Food services	89,877	89,514	-	-	-
36 UIL academic & athletic activities	2,242,319	2,583,017	1,913,196	1,925,000	1,990,000
41 General administration	2,928,076	2,292,223	2,170,684	1,900,000	1,950,000
51 Plant maintenance & operations	6,704,036	7,952,684	8,004,876	8,100,000	7,025,000
52 Security services	475,865	523,560	372,971	475,000	500,000
53 IT department & PEIMS coordinator	933,214	1,689,395	1,079,381	1,135,000	1,175,000
61 Community services	16,031	16,523	4,990	4,500	5,000
71 Debt service	299,917	420,090	585,380	580,500	450,000
81 Capital outlay	-	-	-	-	-
99 Other intergovernmental charges	-	504,716	433,606	455,000	470,000
Total Expenditures	55,592,487	60,136,472	56,382,034	55,750,000	56,700,000
Excess Revenues Over Expenditures	(69,279)	(5,486,202)	615,288	1,625,000	3,000,000
Other Resources (Uses)	168,967	441,133	(50,980)	1,000,000	-
Fund Balance-Beginning (as re-stated)	5,961,876	1,029,967	(4,015,102)	(3,450,794)	(825,794)
Fund Balance-Ending-Projected	\$ 6,061,564	\$ (4,015,102)	\$ (3,450,794)	\$ (825,794)	\$ 2,174,206

**Forney Independent School District
Historical Fund Balance Analysis
General Fund**

Audit Year	Enrollment	Ending Fund Balance	General Fund Exp's	Months of Fund Balance	Net Change
2002-2003	3,344	\$ 3,292,028	\$ 20,203,089	1.96	N/A
2003-2004	3,796	\$ 3,666,530	\$ 26,140,283	1.68	\$ 374,502
2004-2005	4,414	\$ 3,166,050	\$ 28,443,577	1.34	\$ (500,480)
2005-2006	5,239	\$ 3,640,811	\$ 31,718,175	1.38	\$ 474,761
2006-2007	6,138	\$ 3,851,623	\$ 37,453,588	1.23	\$ 210,812
2007-2008	6,995	\$ 4,245,439	\$ 45,064,862	1.13	\$ 393,816
2008-2009	7,413	\$ 5,961,876	\$ 48,123,617	1.49	\$ 1,716,437
2009-2010	7,795	\$ 6,061,564	\$ 55,592,487	1.31	\$ 99,688
2010-2011	8,087	(4,015,102)	\$ 60,136,472	(0.80)	\$ (10,076,666)
2011-2012	8,288	(3,450,794)	\$ 56,382,034	(0.73)	\$ 564,308

Ending Fund Balance by School Year



Forney Independent School District

Impact of Capital Improvements on Operating Budget

During a fiscal year, capital assets will need improvement or replacement. Some of which is planned (and budgeted) and some that is not. The recommended classes for accounting and statement presentation purposes are:

- *Land* recorded asset cost should include, in addition to the purchase price, such ancillary costs as legal and title fees, surveying fees, appraisal and negotiation fees, damage payments, site preparation costs (clearing, filling, and leveling) and demolition of unwanted structures.
- *Land improvements* consist of betterments, other than buildings, that prepare land for its intended use. Examples include site improvements such as excavation, fill grading and utility installation; removal, relocation or reconstruction of property of others, such as railroads and telephone and power lines, retaining walls, parking lots, fencing and landscaping.
- *Costs of building and improvements* include purchase price, contract price, professional fees of architects, attorneys, appraisers, financial advisors, etc.; damage claims; cost of fixtures attached to a building or other structure; construction insurance premiums, interest, and related costs incurred during the period of construction; and any other expenditures necessary to put a building or structure into its intended state of operation.
- *Construction work in progress represents* a temporary capitalization of labor, materials, equipment, and overhead costs of a construction project. Upon completion such costs should be cleared or moved by transfer of the capitalized costs to one or more of the other classes of assets.
- *Furniture and equipment* should include the total purchase price, before any trade-in allowance, and minus any discounts. Other costs which should be capitalized as equipment include transportation charges, installation costs, taxes or any other expenditure required to place the asset in its intended state of operation. If library books are considered to have a useful life of greater than one year, they are capital assets and are depreciable. Because most library collections consist of a large number of books with modest values, group or composite depreciation methods may be appropriate.
- *Infrastructure assets* are defined as long lived capital assets that are normally stationary in nature and which can normally be maintained for a significantly greater number of years than most capital assets. Infrastructure assets include roads, water and sewer systems, bridges, dams, tunnels, and lighting systems.

For 2013/2014, the general fund budget includes routine furniture and equipment allocations. If any material capital asset purchases or improvements are necessary, fund reserves in capital projects fund will be utilized.



FOOD SERVICE INFORMATION

Forney Independent School District

Food Service Fund Overview

Budget Preparation Process

Student participation rates, enrollment projections, estimated number of free and reduced students, and lunch schedules are some of the most significant factors used in preparing cost allocations.

The food service fund budget does not include an unrestricted indirect cost charge, however, any surplus funds may be recouped by the general fund if deemed appropriate.

Goals and Objectives

The food service department's primary goal is continuous encouragement of healthy lifestyle choices by our students and to provide an inviting atmosphere for our 'customers'.

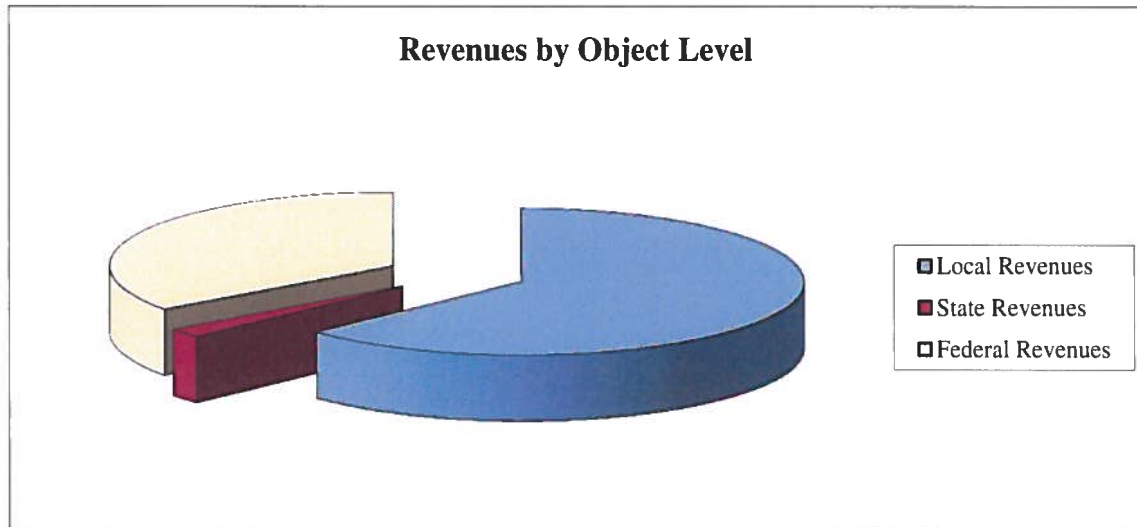
Some of the objectives of the food service department include:

- Staffing the cafeterias with an effective, efficient, and friendly staff – the director closely monitor meals per labor hour and recommend staffing changes when needed to efficiently operate all district cafeterias.
- Compliance with the Texas Education Agency's Financial Accounting and Resource Guide rules regarding the fund balance reserve policy – reserves not exceeding three months of operating expenditures.
- Close monitoring of commodities received, freezer capacity, and properly planned orders of food and non-food items.
- Continue encouraging student meal participation in the program in order to "set the learning environment stage" for students to be academically successful.

The expenditures included in the budget are needed to implement the strategy and goals identified above as well as those listed in the district improvement plan.

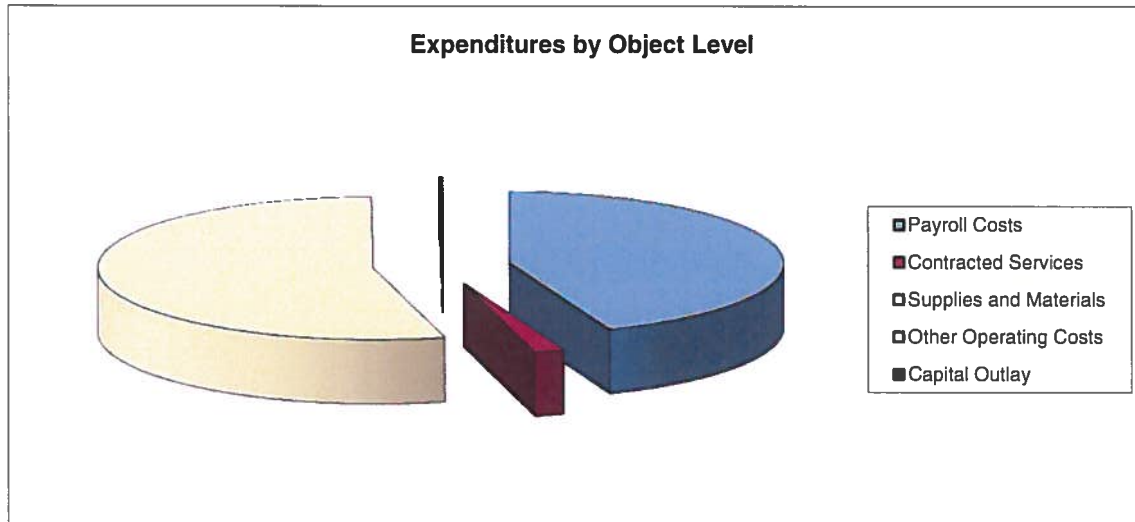
Forney Independent School District
Revenues by Object Level
Food Service Fund

<u>Object Level</u>	<u>Object Level Description</u>	<u>2013/2014 Budget</u>	<u>Percentage of Budget</u>
5700	Local Revenues	\$ 2,325,000	62.84%
5800	State Revenues	75,000	2.03%
5900	Federal Revenues	1,300,000	35.14%



Forney Independent School District
Expenditures by Object Level
Food Service Fund

<u>Object Level</u>	<u>Object Level Description</u>	<u>2013/2014 Budget</u>	<u>Percentage of Budget</u>
6100	Payroll Costs	\$ 1,630,000	44.05%
6200	Contracted Services	66,000	1.78%
6300	Supplies and Materials	2,000,000	54.05%
6400	Other Operating Costs	4,000	0.11%
6600	Capital Outlay	-	0.00%



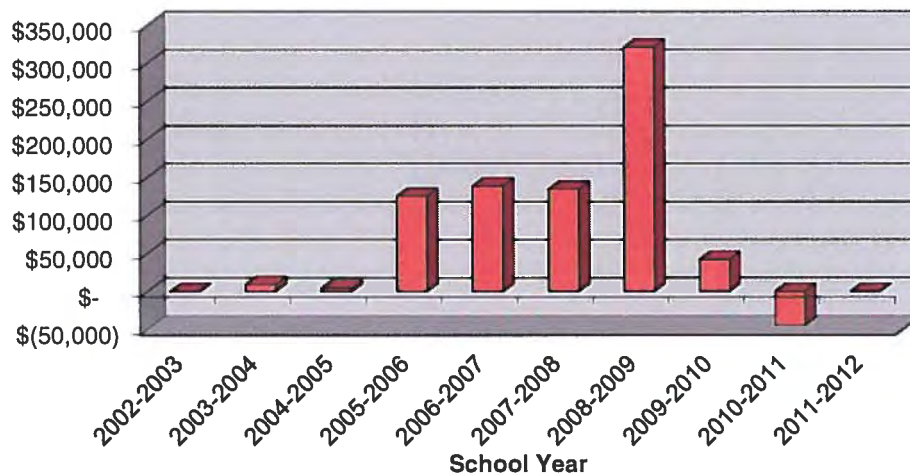
Forney Independent School District
Five Year Analysis of Revenues and Expenditures
Food Service Fund

	Audit 2009/2010	Audit 2010/2011	Audit 2011/2012	Forecasted Budget 2012/2013	Draft Budget 2013/2014
Revenues					
5742 Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
5749 Catering revenue	-	-	7,279	11,200	11,200
5751 Local food service receipts	2,118,911	2,197,987	2,315,550	2,308,800	2,313,800
5769 Other miscellaneous revenue	-	-	-	-	-
Total Local Revenues	<u>2,118,911</u>	<u>2,197,987</u>	<u>2,322,829</u>	<u>2,320,000</u>	<u>2,325,000</u>
5829 Miscellaneous state revenue	18,347	17,499	17,479	16,000	15,000
5831 Teacher retirement on-behalf	-	-	102,602	60,000	60,000
Total State Revenues	<u>18,347</u>	<u>17,499</u>	<u>120,081</u>	<u>76,000</u>	<u>75,000</u>
5921 School breakfast revenue	215,771	217,486	199,146	200,000	250,000
5922 School lunch revenue	811,675	851,088	683,089	685,000	850,000
5923 USDA donated commodities	127,868	175,399	156,866	169,000	200,000
Total Federal Revenues	<u>1,155,314</u>	<u>1,243,973</u>	<u>1,039,101</u>	<u>1,054,000</u>	<u>1,300,000</u>
Total Revenues	<u>3,292,572</u>	<u>3,459,459</u>	<u>3,482,011</u>	<u>3,450,000</u>	<u>3,700,000</u>
Expenditures					
35 Food services	3,571,559	3,546,242	3,437,477	3,450,000	3,700,000
Total Expenditures	<u>3,571,559</u>	<u>3,546,242</u>	<u>3,437,477</u>	<u>3,450,000</u>	<u>3,700,000</u>
Excess Revenues Over Expenditures	(278,987)	(86,783)	44,534	-	-
Other Resources (Uses)	-	-	-	-	-
Fund Balance-Beginning	321,236	42,249	(44,534)	-	-
Fund Balance-Ending-Projected	<u>\$ 42,249</u>	<u>\$ (44,534)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Forney Independent School District
Historical Fund Balance Analysis
Food Service Fund**

Audit Year	Enrollment	Ending Fund Balance	Food Service Exp's	Months of Fund Balance	Net Change
2002-2003	3,344	\$ -	\$ 1,100,751	-	N/A
2003-2004	3,796	\$ 9,336	\$ 1,223,730	0.10	\$ 9,336
2004-2005	4,414	\$ 4,311	\$ 1,492,506	0.04	\$ (5,025)
2005-2006	5,239	\$ 125,462	\$ 1,670,160	0.95	\$ 121,151
2006-2007	6,138	\$ 138,678	\$ 2,104,209	0.83	\$ 13,216
2007-2008	6,995	\$ 134,588	\$ 2,609,373	0.64	\$ (4,090)
2008-2009	7,413	\$ 321,236	\$ 2,919,423	1.36	\$ 186,648
2009-2010	7,795	\$ 42,249	\$ 3,571,559	0.15	\$ (278,987)
2010-2011	8,087	\$ (44,534)	\$ 3,546,242	(0.15)	\$ (86,783)
2011-2012	8,288	\$ -	\$ 3,437,477	-	\$ 44,534

Ending Fund Balance by School Year



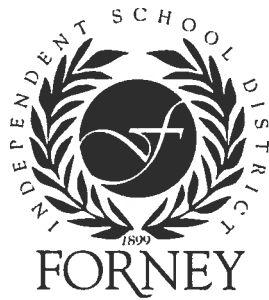
Forney Independent School District

Impact of Capital Improvements on Operating Budget

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- *Costs of building and improvements* include purchase price, contract price, professional fees of architects, attorneys, appraisers, financial advisors, etc.; damage claims; cost of fixtures attached to a building or other structure; construction insurance premiums, interest, and related costs incurred during the period of construction; and any other expenditures necessary to put a building or structure into its intended state of operation.
- *Construction work in progress* represents a temporary capitalization of labor, materials, equipment, and overhead costs of a construction project. Upon completion such costs should be cleared or moved by transfer of the capitalized costs to one or more of the other classes of assets.
- *Furniture and equipment* should include the total purchase price, before any trade-in allowance, and minus any discounts. Other costs which should be capitalized as equipment include transportation charges, installation costs, taxes or any other expenditure required to place the asset in its intended state of operation. If library books are considered to have a useful life of greater than one year, they are capital assets and are depreciable. Because most library collections consist of a large number of books with modest values, group or composite depreciation methods may be appropriate.
- *Infrastructure assets* are defined as long lived capital assets that are normally stationary in nature and which can normally be maintained for a significantly greater number of years than most capital assets. Infrastructure assets include roads, water and sewer systems, bridges, dams, tunnels, and lighting systems.

For 2013/2014, the food service fund budget includes routine furniture and equipment allocations. If any material capital asset purchases or improvements are necessary, fund reserves will be utilized.



DEBT SERVICE INFORMATION

Forney Independent School District

Debt Service Overview

Debt Service Fund Information

The Debt Service Fund accounts for payments of principal, interest, and related fees on the District's general obligation bonds. Under Texas law, only these debt service payments can be accounted for in this fund.

The Texas Education Code Section 45.003(e) specifies that a school district is able to issue unlimited tax bonds, provided that the district demonstrates its projected ability to pay such bonds plus the District's outstanding bonds (excluding bonds authorized by an election held on or before April 1, 1992 and issued before September 1, 1992) at a debt service rate of not more than \$0.50 per \$100 of assessed valuation without the pledging of Tier I funds first.

Budget Preparation Process

The taxable values, tax collection rate, estimated penalties and interest collected, Existing Debt Allotment (EDA), Instructional Facilities Allotment (IFA), debt repayment schedule, estimated interest earnings, bond fees, and arbitrage fees are the core of the revenues and expenditures that are reviewed annually when determining the proposed tax rate and budget.

Other sources of information for inclusion in the debt service fund budget include the financial advisor, bond counsel, and the board of trustees.

When the District is preparing a potential bond referendum, additional consideration must be made in regards to fund balance (bond rating) and related bond closing costs.

General Obligation Bonds

The primary type of bond debt instrument is the General Obligation Bond. This debt instrument requires voter approval.

There are \$37,460,000 of bonds that have been authorized but not issued as of January 31, 2013 (\$36,340,000 for future elementary schools and \$1,120,000 for land).

General Obligation Bonds (continued)

The following information depicts bonded debt facts of FISD as of May 31, 2013:

Outstanding Bonded Debt	\$ 283,583,298
Underlying Bond Rating	BBB+ S&P
Underlying Bond Rating	BBB Fitch

Goals and Objectives

The following goals and objectives are key components which drive our debt service fund budget:

- Provide sufficient cash flows in the months of February and August to make payment on bond obligations.
- Calculate the lowest tax rate possible that provides for sufficient resources to balance the annual budget.

The District does have a fund balance reserve policy that strives to maintain sufficient funds to provide for any costs anticipated prior to tax collection season.

The expenditures included in the budget are needed to subsidize future bond principal and interest payments along with related fees.

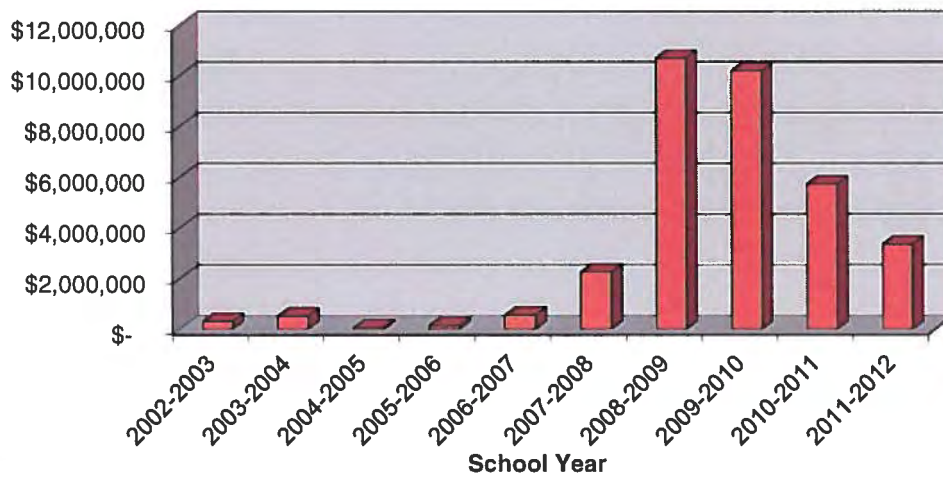
Forney Independent School District
Five Year Analysis of Revenues and Expenditures
Debt Service Fund

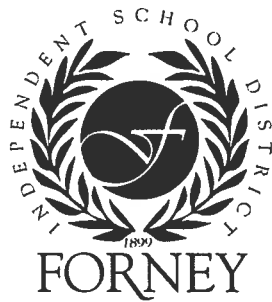
	Audit 2009/2010	Audit 2010/2011	Audit 2011/2012	Forecasted Budget 2012/2013	Draft Budget 2013/2014
Revenues					
5710 Tax collections	\$ 10,491,012	\$ 10,592,285	\$ 10,624,704	\$ 11,535,000	\$ 11,590,000
5742 Investment earnings	21,004	14,005	13,821	10,000	10,000
Total Local Revenues	<u>10,512,016</u>	<u>10,606,290</u>	<u>10,638,525</u>	<u>11,545,000</u>	<u>11,600,000</u>
5829 EDA and IFA Allotments	2,330,351	776,753	2,487,147	3,000,000	2,800,000
Total State Revenues	<u>2,330,351</u>	<u>776,753</u>	<u>2,487,147</u>	<u>3,000,000</u>	<u>2,800,000</u>
5959 Miscellaneous federal revenue	-	-	-	-	-
Total Federal Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>12,842,367</u>	<u>11,383,043</u>	<u>13,125,672</u>	<u>14,545,000</u>	<u>14,400,000</u>
Expenditures					
71 Debt service payments & fees	15,695,756	15,589,488	15,511,197	12,221,458	14,400,000
Total Expenditures	<u>15,695,756</u>	<u>15,589,488</u>	<u>15,511,197</u>	<u>12,221,458</u>	<u>14,400,000</u>
Excess Revenues Over Expenditures	(2,853,389)	(4,206,445)	(2,385,525)	2,323,542	-
Other Resources (Uses)	<u>2,345,909</u>	<u>52,210</u>	<u>2,840</u>	<u>577,390</u>	<u>-</u>
Fund Balance-Beginning as Restated	<u>10,700,469</u>	<u>9,564,596</u>	<u>5,736,879</u>	<u>3,354,194</u>	<u>6,255,126</u>
Fund Balance-Ending-Projected	<u>\$ 10,192,989</u>	<u>\$ 5,410,361</u>	<u>\$ 3,354,194</u>	<u>\$ 6,255,126</u>	<u>\$ 6,255,126</u>

**Forney Independent School District
Historical Fund Balance Analysis
Debt Service Fund**

<u>Audit Year</u>	<u>Enrollment</u>	<u>Ending Fund Balance</u>	<u>Debt Service Fund Exp's</u>	<u>Months of Fund Balance</u>	<u>Net Change</u>
2002-2003	3,344	\$ 312,915	\$ 3,383,615	1.11	N/A
2003-2004	3,796	\$ 522,279	\$ 3,539,321	1.77	\$ 209,364
2004-2005	4,414	\$ 60,044	\$ 5,508,849	0.13	\$ (462,235)
2005-2006	5,239	\$ 152,663	\$ 5,350,362	0.34	\$ 92,619
2006-2007	6,138	\$ 565,333	\$ 6,769,390	1.00	\$ 412,670
2007-2008	6,995	\$ 2,263,271	\$ 10,619,621	2.56	\$ 1,697,938
2008-2009	7,413	\$ 10,700,469	\$ 6,141,085	20.91	\$ 8,437,198
2009-2010	7,795	\$ 10,192,989	\$ 15,695,756	7.79	\$ (507,480)
2010-2011	8,087	\$ 5,736,879	\$ 15,589,488	4.42	\$ (4,456,110)
2011-2012	8,288	\$ 3,354,194	\$ 15,511,197	2.59	\$ (2,382,685)

Ending Fund Balance by School Year





CONSTRUCTION FUND INFORMATION

Forney Independent School District

Construction Fund Overview

Budget Preparation Process

The proceeds from bond sales, interest earnings, and capital expenditures are the core of the revenues and expenditures that are reviewed annually when preparing the budget.

When the District has spent all principal bond funds, consideration is given to future expenditure (planned and unexpected) of related interest earnings.

Goals and Objectives

The following goals and objectives are key components which drive our capital projects fund budget:

- Retain sufficient interest earnings to provide payment for unexpected costs related to a catastrophic event.
- Provide for the planned and necessary capital outlay expenditures that arise.

The District does not have a fund balance reserve policy but strives to utilize all principal bond proceeds and related interest earnings in a manner acceptable with law, the community, and Board of Trustees.

The expenditures included in the budget are needed for capital asset purposes.

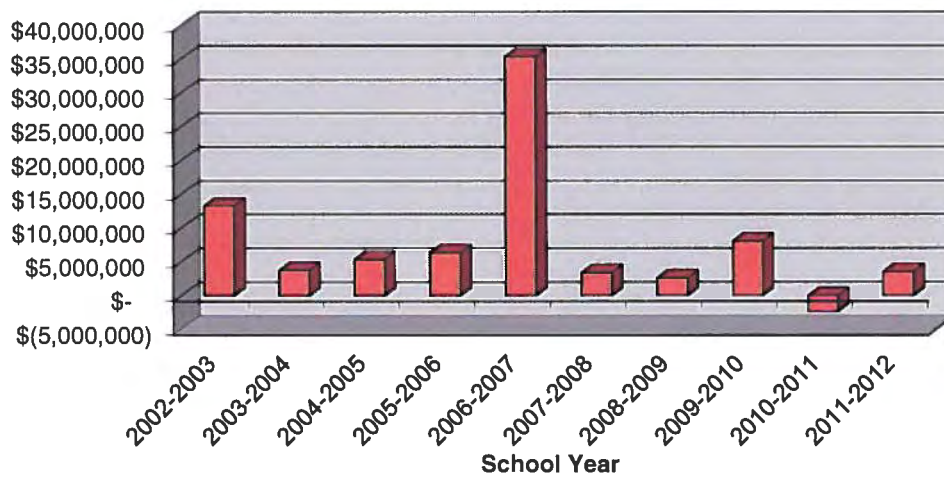
Forney Independent School District
Five Year Analysis of Revenues and Expenditures
Capital Projects Fund

	Audit 2009/2010	Audit 2010/2011	Audit 2011/2012	Forecasted Budget 2012/2013	Draft Budget 2013/2014
Revenues					
5742 Investment earnings	\$ 9,647	\$ 9,081	\$ 7,187	\$ 4,005	\$ 3,000
5749 Miscellaneous revenues	-	-	-	-	-
Total Local Revenues	<u>9,647</u>	<u>9,081</u>	<u>7,187</u>	<u>4,005</u>	<u>3,000</u>
5819 Miscellaneous state aid	-	-	-	-	-
Total State Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5959 Miscellaneous federal revenue	-	-	-	-	-
Total Federal Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>9,647</u>	<u>9,081</u>	<u>7,187</u>	<u>4,005</u>	<u>3,000</u>
Expenditures					
11 Instruction	2,488,314	1,098,266	301,715	107,395	100,000
12 Library and media	257,554	-	-	-	-
13 Staff development	24,555	-	4,911	-	-
21 Instructional leadership	15,427	-	-	-	-
23 School leadership	32,543	2,478	4,517	3,010	-
31 Counseling & evaluation services	17,916	1,833	496	-	-
33 Health services	71,092	2,939	-	-	-
34 Student transportation	32,365	-	20,463	-	90,000
35 Food services	5,823	-	-	-	-
36 Cocurricular/extracurricular	666,055	11,721	-	13,282	-
41 General administration	201,196	-	-	-	-
51 Plant maintenance & operations	698,455	953	36,425	61,061	100,000
52 Security & monitoring services	32,834	-	7,826	74,253	25,000
53 Data processing services	780,184	130,066	235,560	67,510	100,000
71 Debt service	-	244,259	181,894	-	-
81 Capital projects	7,254,211	24,148,874	5,743,043	653,569	-
Total Expenditures	<u>12,578,524</u>	<u>25,641,389</u>	<u>6,536,850</u>	<u>980,080</u>	<u>415,000</u>
Excess Revenues Over Expenditures	(12,568,877)	(25,632,308)	(6,529,663)	(976,075)	(412,000)
Other Resources (Uses)	<u>18,000,000</u>	<u>15,244,993</u>	<u>12,442,170</u>	<u>10,215</u>	<u>-</u>
Fund Balance-Beginning	<u>2,627,406</u>	<u>8,058,529</u>	<u>(2,328,786)</u>	<u>3,583,720</u>	<u>2,617,860</u>
Fund Balance-Ending-Projected	<u>\$ 8,058,529</u>	<u>\$ (2,328,786)</u>	<u>\$ 3,583,720</u>	<u>\$ 2,617,860</u>	<u>\$ 2,205,860</u>

**Forney Independent School District
Historical Fund Balance Analysis
Capital Projects Fund**

Audit Year	Enrollment	Ending Fund Balance	Capital Project Exp's	Months of Fund Balance	Net Change
2002-2003	3,344	\$ 13,310,985	\$ 13,045,137	12.24	N/A
2003-2004	3,796	\$ 3,788,845	\$ 16,789,046	2.71	\$ (9,522,140)
2004-2005	4,414	\$ 5,388,904	\$ 15,556,859	4.16	\$ 1,600,059
2005-2006	5,239	\$ 6,421,054	\$ 28,964,890	2.66	\$ 1,032,150
2006-2007	6,138	\$ 35,413,694	\$ 34,100,053	12.46	\$ 28,992,640
2007-2008	6,995	\$ 3,432,277	\$ 72,882,406	0.57	\$ (31,981,417)
2008-2009	7,413	\$ 2,627,406	\$ 35,691,217	0.88	\$ (804,871)
2009-2010	7,795	\$ 8,058,529	\$ 12,578,524	7.69	\$ 5,431,123
2010-2011	8,087	\$ (2,328,787)	\$ 25,641,389	(1.09)	\$ (10,387,316)
2011-2012	8,288	\$ 3,583,720	\$ 6,536,850	6.58	\$ 5,912,507

Ending Fund Balance by School Year





FINANCIAL ACCOUNTABILITY INFORMATION

Forney Independent School District

Texas Comptroller Gold Leadership Circle

The Texas Comptroller, Susan Combs, recognizes local governments (cities, counties, school districts and other special districts) across the state where “hard-earned dollars” are spent. The recognition provided is based on three levels (gold, silver, and bronze) and the rating provided is determined by how financially transparent local governments are by posting three key financial documents online and they are as follow:

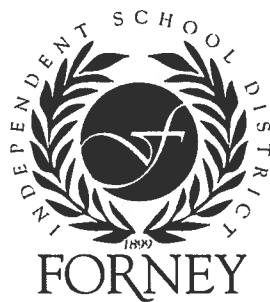
1. the annual budget,
2. the annual financial report, and
3. the check register.

By direction from the Board of Trustees, Forney Independent School District applied for and received a gold star rating, which is the highest rating possible, for financial transparency in 2012. Besides the three Comptroller-required key financial documents, the Business Office maintains energy reports, tax data, etc. online and these items were a contributing factor in the District gaining this special recognition.



**Comptroller
Leadership
Circle Member**

INFORMATIONAL SECTION



PERFORMANCE MEASURES

Portrait of a Forney Graduate

Academically Prepared

- Knowledge in math, science, and social studies necessary for problem solving, communicating, and reasoning
- Participates in the literary, visual and performing arts for personal enrichment
- Set goals, complete tasks, manage time, money, environmental and other resources in a responsible and effective manner

Leadership

- Demonstrate adaptability to work productively in a variety of settings
- Demonstrates interpersonal skills needed to lead effectively in teams, and manage conflicts
- Be an effective role model and leader in the community



Communicator

- Effectively communicate in a global society
- Listen, speak, read, and write correctly, effectively, and fluently, to convey and understand thought, competencies, and feelings

Contributing Citizen

- Take responsibility and accept consequences for ones actions
- Understands the value and rewards of work
- Demonstrate patriotism and citizenship through community service and participation in the democratic process

Productive, Ethical, Continuous Learner

- Demonstrates logic, critical-thinking skills, creativity, and the ability to solve problems and make sound decisions
- A well rounded individual who is guided by honorable values, morals, and ethics
- Acquires skills, knowledge and attitudes that promote mental/emotional and physical well-being

Forney Independent School District

Historical Analysis of Drop-Out and Completion Rates

Annual Drop-Out Rate

The following information depicts Forney ISD's drop-out rates (grades 7-12) versus Region 10 (greater Dallas area) and the State:

<u>School Year</u>	<u>FISD</u>	<u>Region 10</u>	<u>State</u>
2006-2007	0.9%	2.9%	2.7%
2007-2008	1.0%	2.4%	2.2%
2008-2009	0.4%	2.0%	2.0%
2009-2010	0.2%	1.7%	1.7%
2010-2011	0.1%	2.1%	2.4%

4-Year Completion Rate

The following information depicts Forney ISD's completion rates versus Region 10 (greater Dallas area) and the State:

<u>Student Status</u>	<u>FISD</u>	<u>Region 10</u>	<u>State</u>
<i>Class of 2007</i>			
Graduated	88.3%	77.1%	78.0%
Received GED	1.5%	1.5%	2.0%
Continued HS	5.1%	9.2%	8.7%
Dropped Out (4-yr)	5.1%	12.2%	11.4%
<i>Class of 2008</i>			
Graduated	90.8%	77.8%	79.1%
Received GED	1.2%	1.3%	1.5%
Continued HS	3.8%	9.5%	8.9%
Dropped Out (4-yr)	4.1%	11.3%	10.5%
<i>Class of 2009</i>			
Graduated	92.2%	79.5%	80.6%
Received GED	0.3%	1.2%	1.4%
Continued HS	4.0%	9.5%	8.6%
Dropped Out (4-yr)	3.5%	9.9%	9.4%
<i>Class of 2010</i>			
Graduated	94.1%	83.7%	84.3%
Received GED	0.5%	0.8%	1.3%
Continued HS	3.8%	8.0%	7.2%
Dropped Out (4-yr)	1.6%	7.5%	7.3%
<i>Class of 2011</i>			
Graduated	95.9%	N/A	N/A
Received GED	0.2%	N/A	N/A
Continued HS	3.2%	N/A	N/A
Dropped Out (4-yr)	0.6%	N/A	N/A

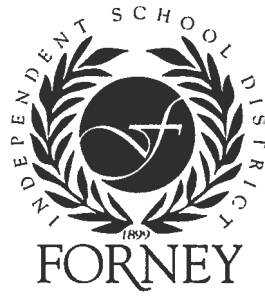
Forney Independent School District

Historical Analysis of SAT/ACT Results

The following information depicts Forney ISD's SAT/ACT results versus Region 10 (greater Dallas area) and the State:

<u>SAT/ACT Results</u>	<u>FISD</u>	<u>Region 10</u>	<u>State</u>
<i>Tested</i>			
Class of 2007	73.0%	68.0%	68.2%
Class of 2008	60.6%	63.9%	65.0%
Class of 2009	60.1%	60.9%	61.5%
Class of 2010	59.0%	64.1%	62.6%
Class of 2011	68.6%	71.1%	68.9%
<i>At/Above Criterion</i>			
Class of 2007	23.6%	32.0%	27.0%
Class of 2008	20.3%	32.9%	27.2%
Class of 2009	25.5%	30.5%	27.0%
Class of 2010	29.2%	29.9%	27.2%
Class of 2011	24.3%	30.1%	25.7%
<i>Mean SAT Score</i>			
Class of 2007	973	1,011	992
Class of 2008	981	1,011	987
Class of 2009	998	1,007	985
Class of 2010	1006	1,000	985
Class of 2011	980	986	976
<i>Mean ACT Score</i>			
Class of 2007	21.5	21.1	20.2
Class of 2008	21.0	21.3	20.5
Class of 2009	21.8	21.3	20.5
Class of 2010	22.1	21.4	20.5
Class of 2011	20.5	21.2	20.5





PERSONNEL INFORMATION

Forney Independent School District

Personnel Overview

The staffing of campuses, departments, and administrative roles has been thoroughly reviewed by the Superintendent, Deputy Superintendent, Chief Financial Officer, and Assistant Superintendent for Operations. While there is not an exact science to the process, the budget document includes some of the relevant information used in determining staff counts, salary schedules, and raise criteria.

Staffing Positions Added

At this time, 28.5 positions have been added to address student growth and the expansion of the Dual Language Program to 5th grade at Rhea ES and 6th grade at Blackburn ES. In 2014/15, one more grade level expansion will be needed at Rhea ES and then the K-6 program will be fully staffed – unless program growth requires additional positions.

Teacher Pay Scale and District Compensation Changes

The FISD Teacher Pay Scale is very competitive versus the surrounding districts and the following is a summary of the highlights of the *draft* scale:

Starting Teacher	\$45,645
5 Years Experience	\$45,951
10 Years Experience	\$46,308
15 Years Experience	\$48,909
20 Years Experience	\$51,765
Maximum Salary for New Hires	\$59,798
Average Teacher Salary in FISD	\$48,415

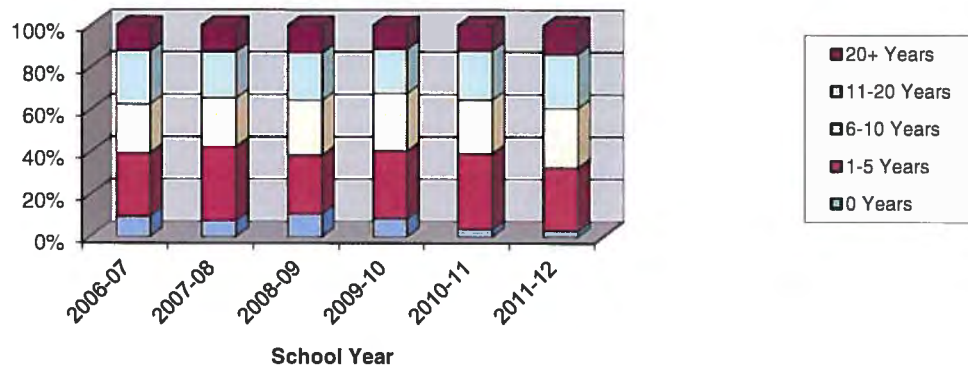
The teacher pay scale includes a 2% pay raise. (The same holds true for all other District positions).

Staffing Reassignments and Attrition

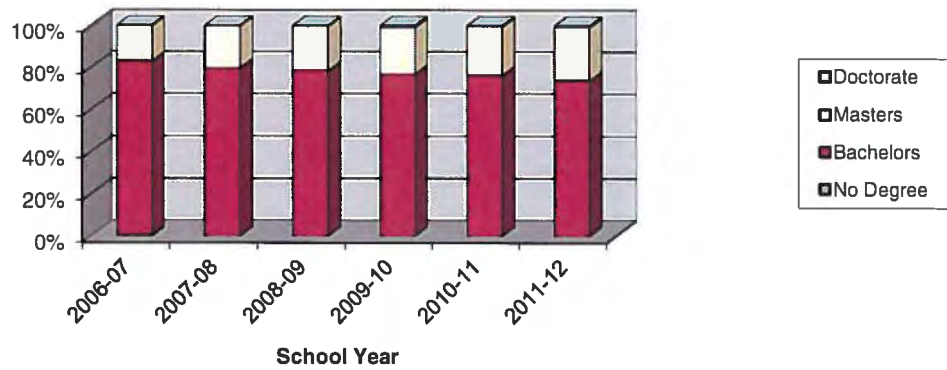
The District regularly evaluates employment types for each campus and department in order to determine if staffing levels are appropriate. When necessary, FISD reassigns staff accordingly in order to meet all District objectives. While final staffing counts will not be determined until early September (after school starts and actual enrollment is realized), a modest number of positions have added for 2013/14.

Forney Independent School District **AEIS Statistics on FISD Teachers**

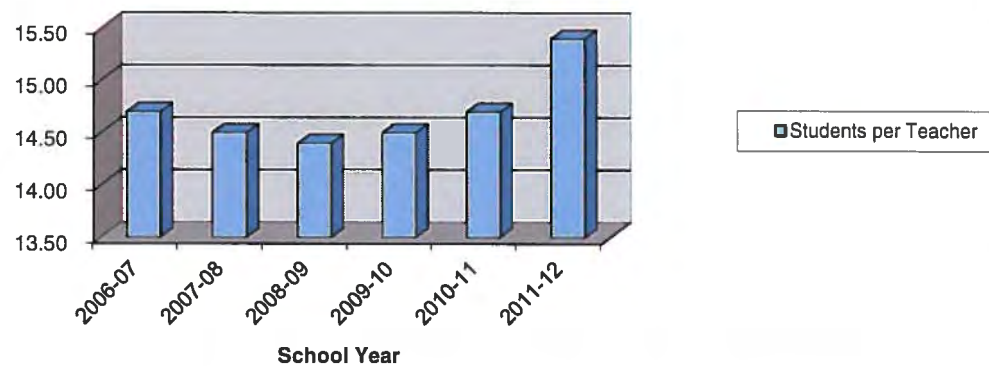
Teachers by Years of Experience



Teachers by Level of Education



Students per Teacher Ratio

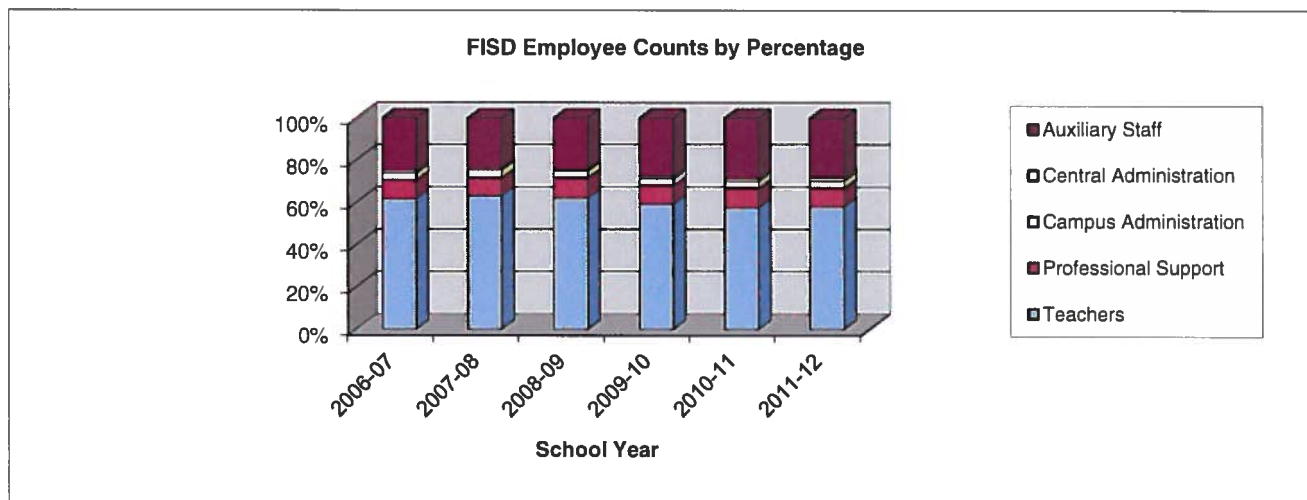


Forney Independent School District

AEIS Counts of FISD Employees

The following table and chart depicts the data included in the Fall AEIS snapshot for each of the last six fiscal years:

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Teachers	375.00	414.90	494.40	541.50	551.20	538.30
Professional Support	54.50	56.70	77.90	81.40	89.40	82.60
Campus Administration	19.80	23.60	25.50	29.60	30.40	30.90
Central Administration	6.00	5.00	5.00	9.00	10.90	13.60
Educational Aides	67.30	67.40	85.30	88.50	100.70	94.00
Auxiliary Staff	152.80	157.00	194.70	252.80	277.40	263.70



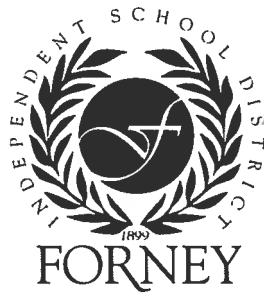
TEACHER, NURSE, LIBRARIAN--SERIES 100

2012-2013 Teacher Pay Scale

Step	Bachelors	Masters	Doctorate
0	\$44,750	\$45,750	\$46,750
1	\$44,750	\$45,750	\$46,750
2	\$45,000	\$46,000	\$47,000
3	\$45,000	\$46,000	\$47,000
4	\$45,050	\$46,050	\$47,050
5	\$45,100	\$46,100	\$47,100
6	\$45,150	\$46,150	\$47,150
7	\$45,200	\$46,200	\$47,200
8	\$45,300	\$46,300	\$47,300
9	\$45,400	\$46,400	\$47,400
10	\$45,550	\$46,550	\$47,550
11	\$46,050	\$47,050	\$48,050
12	\$46,550	\$47,550	\$48,550
13	\$47,050	\$48,050	\$49,050
14	\$47,950	\$48,950	\$49,950
15	\$48,450	\$49,450	\$50,450
16	\$48,950	\$49,950	\$50,950
17	\$49,450	\$50,450	\$51,450
18	\$49,950	\$50,950	\$51,950
19	\$50,750	\$51,750	\$52,750
20	\$51,150	\$52,150	\$53,150
21	\$51,950	\$52,950	\$53,950
22	\$52,800	\$53,800	\$54,800
23	\$53,550	\$54,550	\$55,550
24	\$54,350	\$55,350	\$56,350
25	\$55,050	\$56,050	\$57,050
26	\$55,700	\$56,700	\$57,700
27	\$56,350	\$57,350	\$58,350
28	\$57,000	\$58,000	\$59,000
29	\$57,550	\$58,550	\$59,550
30	\$58,550	\$59,550	\$60,550
31	\$58,625	\$59,625	\$60,625
32+	\$59,225	\$60,225	\$61,225

2013-2014 *Draft* Teacher Pay Scale

Step	Bachelors	% Increase	\$ Increase
0	\$45,645	N/A	N/A
1	\$45,645	2%	\$895
2	\$45,645	2%	\$895
3	\$45,900	2%	\$900
4	\$45,900	2%	\$900
5	\$45,951	2%	\$901
6	\$46,002	2%	\$902
7	\$46,053	2%	\$903
8	\$46,104	2%	\$904
9	\$46,206	2%	\$906
10	\$46,308	2%	\$908
11	\$46,461	2%	\$911
12	\$46,971	2%	\$921
13	\$47,481	2%	\$931
14	\$47,991	2%	\$941
15	\$48,909	2%	\$959
16	\$49,419	2%	\$969
17	\$49,929	2%	\$979
18	\$50,439	2%	\$989
19	\$50,949	2%	\$999
20	\$51,765	2%	\$1,015
21	\$52,173	2%	\$1,023
22	\$52,989	2%	\$1,039
23	\$53,856	2%	\$1,056
24	\$54,621	2%	\$1,071
25	\$55,437	2%	\$1,087
26	\$56,151	2%	\$1,101
27	\$56,814	2%	\$1,114
28	\$57,477	2%	\$1,127
29	\$58,140	2%	\$1,140
30	\$58,701	2%	\$1,151
31	\$59,721	2%	\$1,171
32+	\$59,798	2%	\$1,173



TAX INFORMATION

Forney Independent School District

Tax Overview

The preliminary valuations for the 2013 tax year have been received by the District. Since the tax roll will not be certified until July or August, the following value estimate is the initial factor considered when preparing the General Fund and Debt Service Fund budgets:

Kaufman County	\$2,375,000,000
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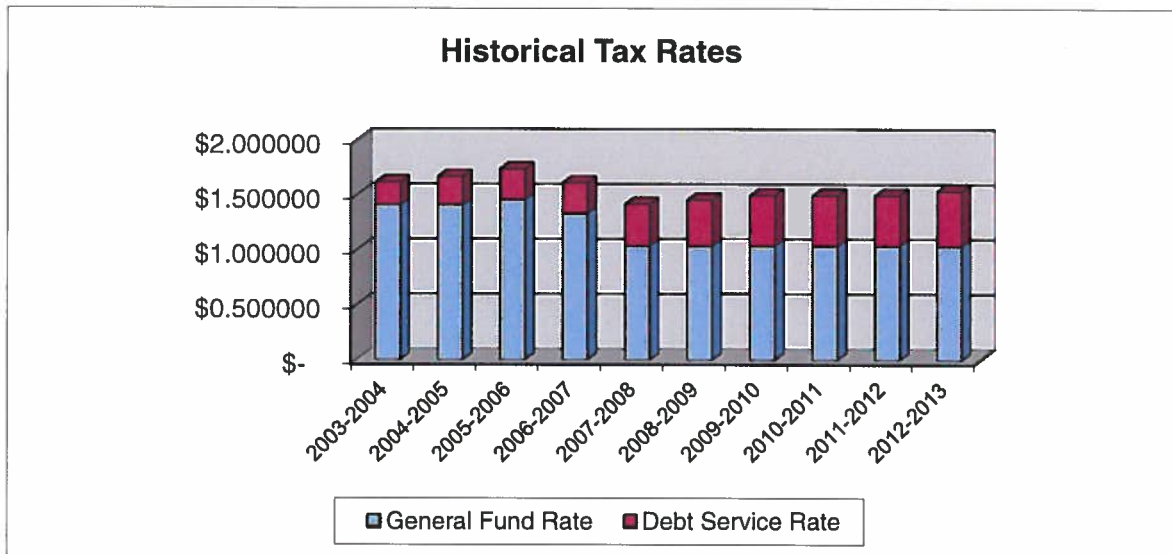
By law, we have to *propose* a tax rate in the very near future after certified values are received. Based on the information available at this time, it appears that a total tax rate of \$1.54 (\$1.04 for M&O and \$0.50 for I&S) may be proposed at a special called meeting in August or September. The proposed tax rate is the maximum tax rate the district may adopt without going through the same motions.

Forney Independent School District Historical Tax Rates

<u>Year</u>	<u>General Fund Tax Rate</u>	<u>Debt Service Tax Rate</u>	<u>Total Tax Rate</u>
2003-2004	\$ 1.410000	\$ 0.210000	\$ 1.620000
2004-2005	\$ 1.410000	\$ 0.260000	\$ 1.670000
2005-2006	\$ 1.460000	\$ 0.280000	\$ 1.740000
2006-2007	\$ 1.334580	\$ 0.280000	\$ 1.614580
2007-2008	\$ 1.040000	\$ 0.380000	\$ 1.420000
2008-2009	\$ 1.040000	\$ 0.420000	\$ 1.460000
2009-2010	\$ 1.040000	\$ 0.460000	\$ 1.500000
2010-2011	\$ 1.040000	\$ 0.460000	\$ 1.500000
2011-2012	\$ 1.040000	\$ 0.460000	\$ 1.500000
2012-2013	\$ 1.040000	\$ 0.500000	\$ 1.540000

Note: Tax rates are per \$100 of assessed valuation.

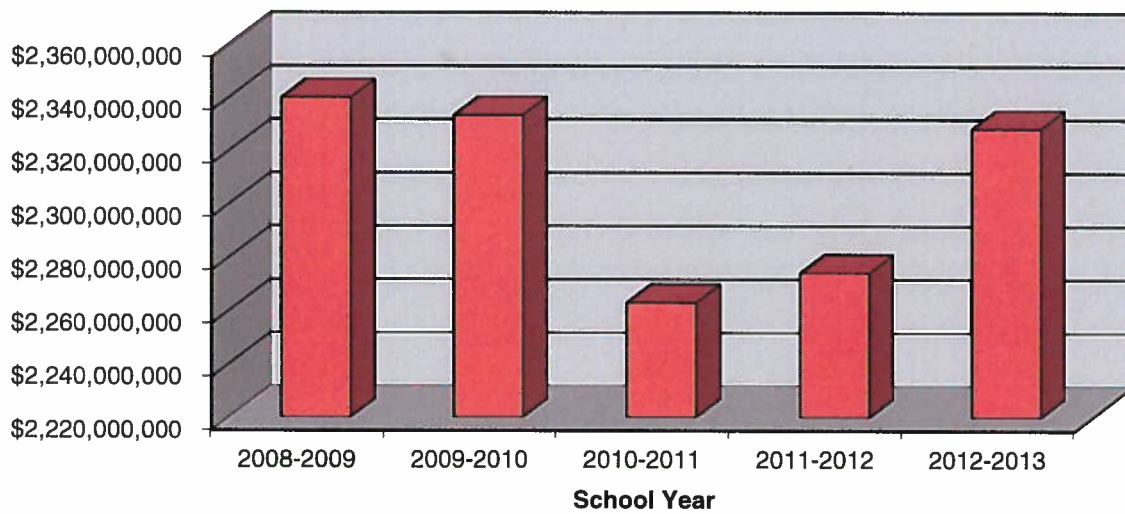
The graph below depicts the tax rates for years 2003-2004 through 2012-2013.



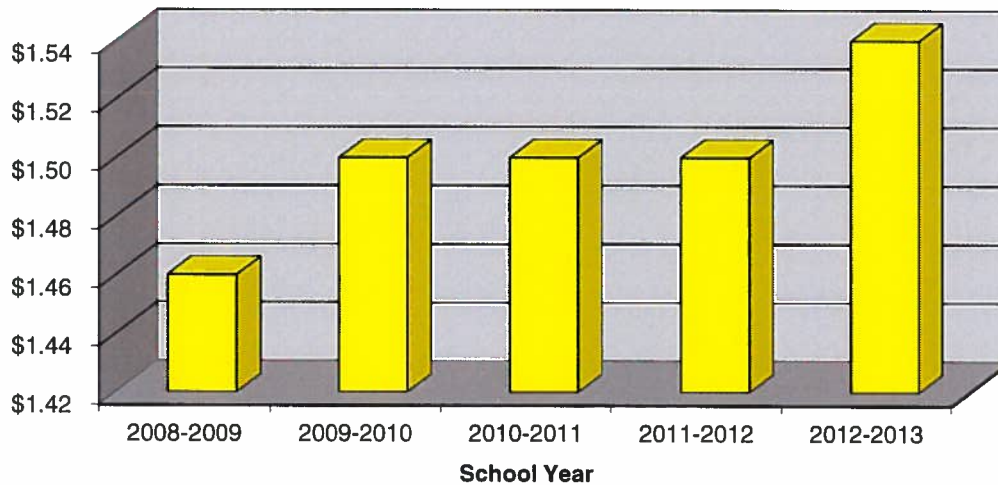
**Forney Independent School District
Five Year Trend for Property Taxes and Rates**

<u>Tax Year</u>	<u>School Year</u>	<u>Taxable Values</u>	<u>% Change</u>	<u>\$ Increase</u>	<u>Total Tax Rate</u>
2008	2008-2009	\$ 2,340,032,940	N/A	N/A	\$ 1.46
2009	2009-2010	\$ 2,333,464,800	-0.3%	\$ (6,568,140)	\$ 1.50
2010	2010-2011	\$ 2,263,120,733	-3.0%	\$ (70,344,067)	\$ 1.50
2011	2011-2012	\$ 2,274,351,650	0.5%	\$ 11,230,917	\$ 1.50
2012	2012-2013	\$ 2,328,468,573	2.4%	\$ 54,116,923	\$ 1.54

Taxable Values by School Year



Tax Rates by School Year



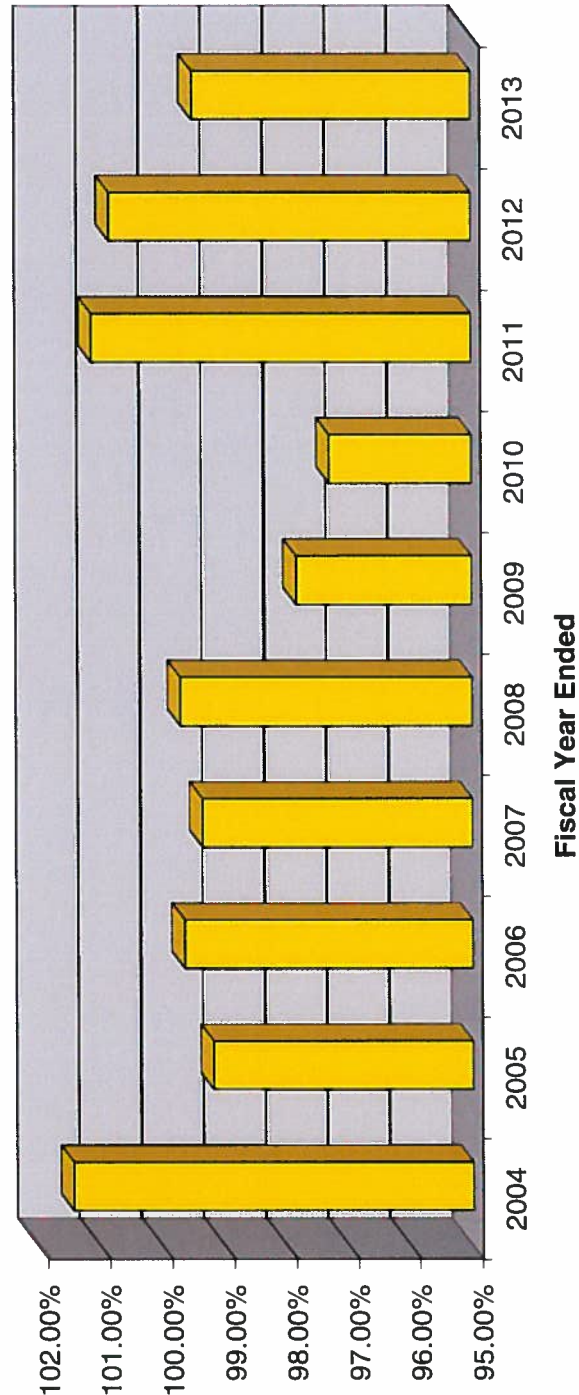
Forney Independent School District Tax Collection History

Tax Year	Taxable Valuation \$	Tax Rate	Tax Levy \$	Current Collections		Current and Delinquent Collections		FYE 6/30
				Amount	%	Amount	%	
2003	1,053,673,794	1.62000	17,069,515	\$ 16,962,959	99.38%	\$ 17,315,151	101.44%	2004
2004	1,337,589,041	1.67000	22,337,737	21,979,613	98.40%	22,155,944	99.19%	2005
2005	1,665,387,221	1.74000	26,889,009	26,456,772	98.39%	26,792,905	99.64%	2006
2006	1,834,704,072	1.61458	29,622,765	28,943,196	97.71%	29,431,541	99.35%	2007
2007	2,186,360,493	1.42000	31,046,319	30,326,834	97.68%	30,953,498	99.70%	2008
2008	2,340,032,940	1.46000	34,164,481	32,966,805	96.49%	33,425,225	97.84%	2009
2009	2,333,464,800	1.50000	35,001,972	33,622,781	96.06%	34,056,335	97.30%	2010
2010	2,292,259,772	1.50000	33,946,811	33,716,237	99.32%	34,326,325	101.12%	2011
2011	2,285,297,623	1.50000	34,115,275	33,700,075	98.78%	34,398,683	100.83%	2012
2012	2,285,297,623	1.54000	35,536,771	35,178,592 *	98.99%	35,358,415 *	99.50%	2013

Note: Fiscal years 2004-2008 ended August 31 and fiscal year ended 2009 was a 10-month year due to fiscal year change to 6/30

* Collections are through May 31, 2013

Tax Collection % by Fiscal Year



**FORNEY INDEPENDENT SCHOOL DISTRICT
FINANCIAL IMPACT ON RESIDENTIAL HOMEOWNER
FOR BUDGET YEAR 2013-2014**

Historical Lookback at Adopted Tax Rates and *Draft* Proposed Tax Rates for 2013/2014

	2009 Tax Year	2010 Tax Year	2011 Tax Year	2012 Tax Year	2013 Tax Year
Proposed M&O Tax Rate	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04
Proposed I&S Tax Rate	0.46	0.46	0.46	0.50	0.50
Total Proposed Tax Rate	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.54</u>	<u>\$ 1.54</u>
Average Assessed Valuation Increase					0%

Analysis of Change in Estimated Taxes Owed on Average Home (\$173,957)

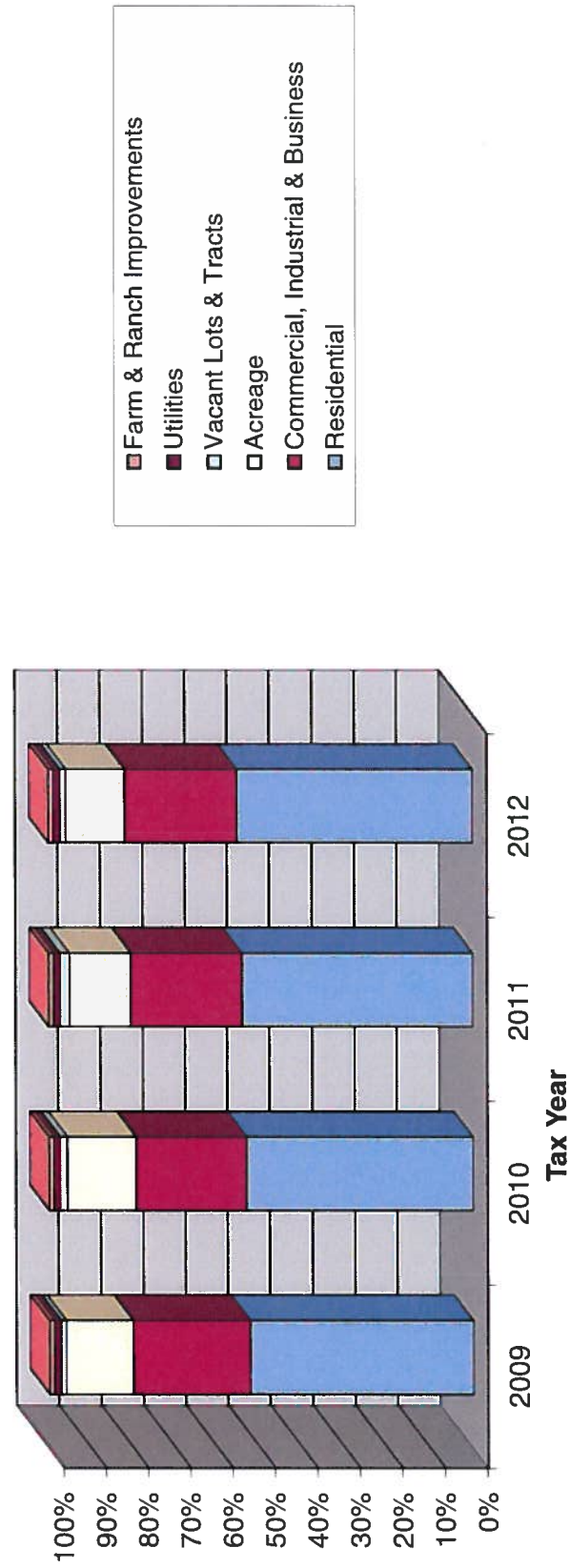
	2009 Tax Year	2010 Tax Year	2011 Tax Year	2012 Tax Year	2013 Tax Year
Home Value	\$ 173,957	\$ 173,957	\$ 173,957	\$ 173,957	\$ 173,957
State Homestead	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Taxable Value	\$ 158,957	\$ 158,957	\$ 158,957	\$ 158,957	\$ 158,957
Total FISD Tax Rate	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>	<u>1.54</u>	<u>1.54</u>
Estimated Taxes Owed	<u>\$ 2,384</u>	<u>\$ 2,384</u>	<u>\$ 2,384</u>	<u>\$ 2,448</u>	<u>\$ 2,448</u>
Change in FISD Taxes					<u>\$ -</u>

Notes: The above analysis has been prepared with the assumption that the home value has remained constant.

Forney Independent School District
Comparison of Certified Valuations by Property Type

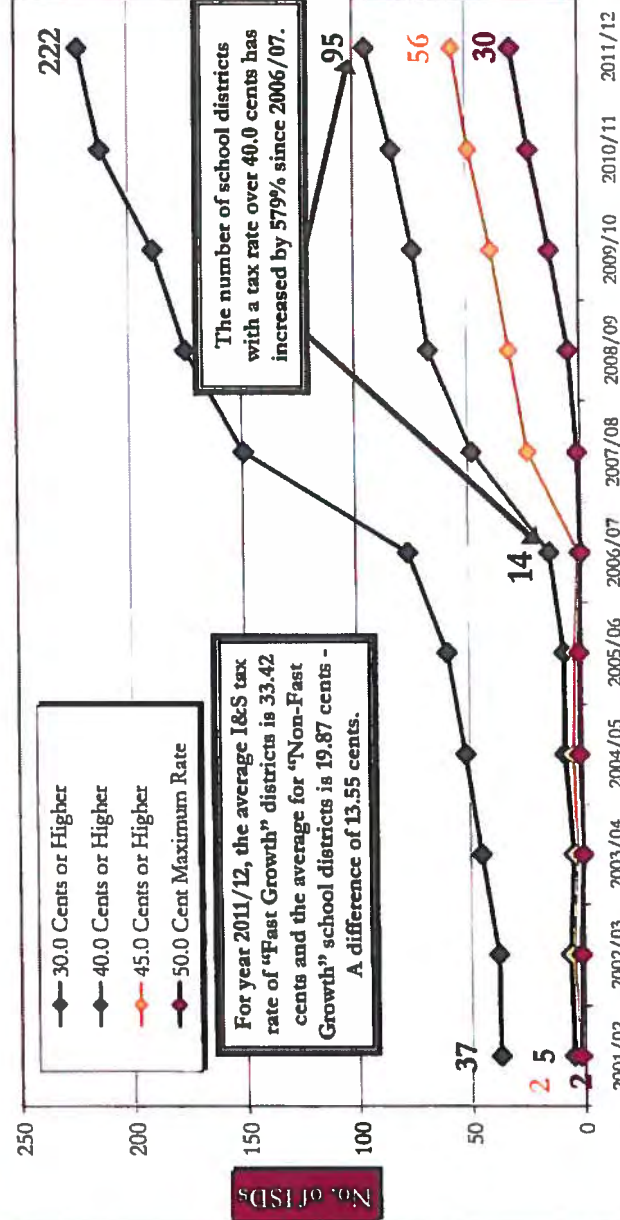
Property Type	2009 Tax Year		2010 Tax Year		2011 Tax Year		2012 Tax Year	
	Appraised Value	Percentage	Appraised Value	Percentage	Appraised Value	Percentage	Appraised Value	Percentage
Residential	\$ 1,551,769,726	52.50%	\$ 1,570,941,476	53.32%	\$ 1,566,908,830	54.32%	\$ 1,616,402,535	55.49%
Commercial, Industrial & Business	821,323,970	27.79%	773,187,071	26.24%	760,527,766	26.37%	774,329,171	26.58%
Acreage	464,486,253	15.72%	474,231,807	16.10%	416,667,535	14.45%	401,908,056	13.80%
Vacant Lots & Tracts	35,162,411	1.19%	49,543,121	1.68%	62,517,751	2.17%	40,450,700	1.39%
Utilities	47,844,350	1.62%	44,947,040	1.53%	44,735,380	1.55%	47,878,850	1.64%
Farm & Ranch Improvements	35,086,405	1.19%	33,379,384	1.13%	33,127,780	1.15%	32,137,294	1.10%
Total Appraised Value	\$ 2,955,673,115	100.00%	\$ 2,946,229,899	100.00%	\$ 2,884,485,042	100.00%	\$ 2,913,106,606	100.00%

Valuations by Property Type



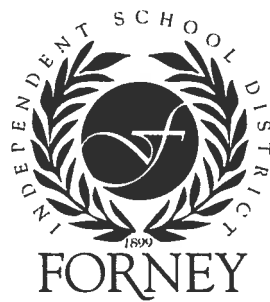
Result – Increasing I&S Tax Rates and Limited Bond Capacity

Historical Trend of Interest & Sinking Fund Tax Rates
Years 2001/02 – 2011/12



Note: 2011/12 Tax Data is Preliminary.

Source: Texas Comptroller of Public Accounts - Property Tax Division.



ADDITIONAL INFORMATION

972/564.4055; 972/552.3038 (FAX); Bus/Fin Ofc FAX 972.552.3873

Rev, 8/29/12
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Forney Independent School District 2013 – 2014 School Calendar

**FISD Board of Trustees
Approved**

- 14-15 New Teachers**
- 16-22 Staff Development**
- 23 Teacher Work Day**
- 26 First Day of School /
Beginning of 1st Grading
Period**

AUGUST '13						
S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	NT	NT	SD	17
18	SD	SD	SD	SD	SD	24
25	26	27	28	29	30	31

SEPTEMBER '13						
S	M	T	W	Th	F	S
1	H	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

- 2 District Staff / Student
Holiday**

- 4 End of 1st Grading Period**
- 7 Student Fair Day / Teacher
Waiver Day**
- 8 Start of 2nd Grading Period**

OCTOBER '13						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	W	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

NOVEMBER '13						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	H	H	H	H	H	30

- 15 End of 2nd Grading
Period**
- 18 Beginning of 3rd
Grading Period**
- 25-29 District Staff / Student
Holiday**

- 20 Early Release**
- 12/23-1/3 District Staff / Student
Holiday**

DECEMBER '13						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	ER	21
22	H	H	H	H	H	28
29	H	H				

JANUARY '14						
S	M	T	W	Th	F	S
			H	H	H	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	W	21	22	23	24	25
26	27	28	29	30	31	

- 12/23-1/3 District Staff /
Student Holiday**
- 17 End of 3rd Grading
Period**
- 20 Student Holiday /
Teacher Waiver Day**
- 21 Beginning of 4th
Grading Period**

- 17 Staff Development Day**
- 28 End of 4th Grading Period**

FEBRUARY '14						
S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	SD	18	19	20	21	22
23	24	25	26	27	28	

MARCH '14						
S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	H	H	H	H	H	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

- 3 Beginning of 5th
Grading Period**
- 10-14 Spring Break**

- 17 End of 5th Grading Period**
- 18 Staff / Student Holiday**
- 21 Beginning of 6th Grading
Period**

APRIL '14						
S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	H
18	19	20	21	22	23	24
25	26	27	28	29	30	

MAY '14						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	BW /H
23	24	25	26	27	28	29
30	31					

- 23 If no Bad Weather Day
is used, this will be a
Student / Staff Holiday**
- 26 Staff / Student Holiday**

- 4 Early Release**
- 5 Last Day of School. If no
bad weather day was
used, and Early Release.
End of 6th Grading Period**
- 6 If this day is not used as a
makeup bad weather
day, it will serve as the last
teacher work day.**
- 7 Makeup teacher work day
if the 6th is used as a
makeup bad weather day**

JUNE '14						
S	M	T	W	Th	F	S
1	2	3	ER	ER	BW /SD	SD
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

JULY '14						
S	M	T	W	Th	F	S
		1	2	3	H	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

- 4 District Holiday**

 Student / Staff Holidays
 Waiver Day for Teachers / Student Holiday /
 Staff Development Day
 NT New Teachers Holiday
 Beginning and Ending of Grading Period
 BW Bad Weather ER Early Release

Teacher Days 187
Instructional Days 177
 1st Semester 88
 2nd Semester 89

The Texas Education Agency testing calendar
 can be found at
www.tea.state.tx.us/student/assessment/calendars

Forney Independent School District

Glossary of Terms

The following explanations of terms are presented to aid in understanding the narrative discussions and illustrations included in this text and the terminology generally used in governmental accounting, auditing, financial reporting and budgeting. Because this glossary is reprinted from the Government Finance Association's Governmental Accounting and Financial Reporting, the terms and explanations have not been modified to reflect specific Texas 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.

ACCOUNTABILITY. Being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry—to justify the raising of public resources and the purposes for which they are used. Governmental accountability is based on the belief that the citizenry has a "right to know," a right to receive openly declared facts that may lead to public debate by the citizens and their elected representatives. [SGAC1]

ACCOUNTING PRINCIPLES BOARD (APB). Authoritative private-sector standard-setting body that preceded the FASB. The APB issued guidance in the form of *Opinions*.

ACCOUNTING STANDARDS EXECUTIVE COMMITTEE (AcSEC). An AICPA committee that is authorized to issue *Practice Bulletins*. A *Practice Bulletin* specifically targeted to state and local governments and cleared by the GASB would 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*.

ACCRUAL BASIS OF ACCOUNTING. A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows.

ACQUISITION COSTS. Term used in connection with public-entity risk pools. Costs that vary with and are primarily related to the acquisition of new and renewal contracts. Commissions and other costs (e.g., salaries of certain employees involved in the underwriting and policy issue functions, and inspection fees) that are primarily related to contracts issued or renewed during the period in which the costs are incurred are considered to be acquisition costs [SGAS 10]

ACTIVITY. A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible (e.g., *police* is an activity within the *public safety* function).

ACTUARIAL ACCRUED LIABILITY. Term used in connection with defined benefit pension plans. That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension plan benefits and expenses which is not provided for by future normal costs. [SGAS 25]

ACTUARIAL ASSUMPTIONS. Term used in connection with defined benefit pension plans. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and government-provided pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods; and other relevant items. [SGAS 25]

ACTUARIAL COST METHOD. Term used in connection with defined benefit pension plans. A procedure for determining the actuarial present value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability. [SGAS 25].

ACTUARIAL SECTION. One of five sections of a comprehensive annual financial report of a public employee retirement system. The contents of this section typically include the actuary's certification letter, a summary of actuarial assumptions and methods, a schedule of active member valuation data, a schedule of retirants and beneficiaries added to and removed from rolls, a solvency test, an analysis of financial experience, an independent actuarial review opinion (if available), and a discussion of changes in plan provisions (if the plan has been amended).

ACTUARIAL VALUE OF ASSETS. Term used in connection with defined benefit pension 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 net assets). [SGAS 25]

ADDITIONS. Term used to describe increases in the net assets of fiduciary funds.

ADVANCE REFUNDING. A transaction in which new debt is issued to provide monies to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. An advance refunding occurs before the maturity or call date of the old debt, and the proceeds of the new debt are invested until the maturity or call date of the old debt. Most advance refundings result in defeasance of debt. [SGAS 7]

ADVERSE OPINION. Term used in connection with auditing. Conclusion in the independent auditor's report that financial statements are not fairly presented.

AGENCY FUNDS. One of four types of fiduciary funds. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations or other governments. [SGAS 34]

AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN. An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level. [SGAS 27]

AGGREGATE 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 of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the actuarial present value allocated to a valuation year is called the normal cost. The actuarial accrued liability is equal to the actuarial value of assets. [SGAS 25]

ALLOCATED CLAIMS ADJUSTMENT EXPENSES. Term used in connection with risk financing activities. Expenses associated directly with specific claims paid or in the process of settlement, such as legal and adjusters' fees. [SGAS 10]

ALLOTMENT. Portion of an annual or biennial budget appropriation allocated to an interim period.

ANALYTICAL REVIEW. Term used in connection with auditing. The process of attempting to determine the reasonableness of financial data by comparing their behavior with other financial and nonfinancial data.

ANNUAL COVERED PAYROLL. Term used in connection with defined benefit pension plans. All elements included in annual compensation paid to active employees on which contributions to a pension plan are based. [SGAS 27]

ANNUAL REQUIRED CONTRIBUTION (ARC). Term used in connection with defined benefit pension plans. The employer's mandated contribution for the year, calculated in accordance with certain parameters. The parameters include requirements for the frequency and timing of actuarial valuations as well as for the actuarial methods and assumptions that are acceptable for financial reporting. [SGAS 27]

APPROPRIATED BUDGET. The expenditure authority created by the appropriation bills or ordinances that are signed into law and related estimated revenues. The appropriated budget would include all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes. [NCGA Interpretation 10]

ARBITRAGE. Classically, the simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

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 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.

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 SCOPE. In the context of a financial statement audit, the coverage provided by the independent auditor's opinion on the financial statements.

AUDITOR ROTATION. Policy that a government periodically change the independent auditor of its financial statements.

AUDITOR'S REPORT ON INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL REPORTING. Report issued in conjunction with a financial audit performed in accordance with GAGAS. In this report, the independent auditor reports on internal control weaknesses and instances of noncompliance discovered in connection with the financial audit, but does not offer an opinion on internal controls or compliance.

AUDIT GUIDES. A series of AICPA publications that enjoy "level 2" status on the hierarchy of authoritative sources of GAAP established by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*, when they are specific to state and local government and cleared by the GASB.

AVAILABILITY CRITERION. Principle of the modified accrual basis of accounting according to which revenues may only be recognized when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. [NCGA Statement 1]

AVAILABILITY PERIOD. A specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized in accordance with the availability criterion of modified accrual accounting.

BANK HOLDING COMPANY. A company that controls one or more banks and may own subsidiaries with operations closely related to banking. When branch banking was severely limited, bank holding company statutes allowed banking systems to develop by permitting common ownership of several banks. Generally, the Bank Holding Company Act provides that a holding company has control over a bank if it owns, controls, or holds 25 percent or more of the voting stock of the bank. [TB 97-1]

BANK INVESTMENT CONTRACTS. A separate account at a financial institution that functions like a guaranteed investment contract.

BANKERS' ACCEPTANCES. Short-term, noninterest-bearing notes sold at a discount and redeemed by the accepting banks at maturity for face value. Bankers' acceptances generally are created based on a letter of credit issued in a foreign trade transaction. [SGAS 31]

BANKING POOLS. One of four different types of public-entity risk pool. An arrangement by which monies are made available for pool members in the event of loss on a loan basis. [SGAS 10]

BASIC FINANCIAL STATEMENTS. The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.

BASIS DIFFERENCES. Differences that arise through the employment of a basis of accounting for budgetary purposes that differs from the basis of accounting prescribed by GAAP for a given fund type. [NCGA Interpretation 10]

BASIS OF ACCOUNTING. The timing of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because of a particular timing of recognition is necessary to accomplish a particular measurement focus. [SGAS 11]

BETTERMENT. An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset. The term *improvement* is preferred.

BLENDING. The method of reporting the financial data of a component unit that presents the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government. [SGAS 14]

BLUE BOOK. A term commonly used to designate the Government Finance Officers Association's publication *Governmental Accounting, Auditing, and Financial Reporting*.

BOND ANTICIPATION NOTE. Short-term interest-bearing note issued by a government in anticipation of bond proceeds to be received at a later date. The note is retired from proceeds of the bonds to which it is related.

BOOK-ENTRY SYSTEM. A system that eliminates the need for physically transferring bearer-form paper or registering securities by using a central depository facility. [SGAS 3]

BUDGETARY BASIS OF ACCOUNTING. The method used to determine when revenues and expenditures are recognized for budgetary purposes.

BUDGETARY ACCOUNTS. Special accounts used to achieve budgetary integration, but not reported in the general-purpose external financial statements. By convention, ALL CAPS 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 comprehensive annual financial report to demonstrate compliance at the legal level of control for all governmental funds with legally adopted annual budgets.

BUSINESS-TYPE ACTIVITIES. One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds. [SGAS 34]

CALL OPTIONS. A contract giving the buyer (owner) the right, but not the obligation, to purchase from (call option) the seller (writer) of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable "strike" price on a given date or at any time on or before a given date. [SGAS 31]

CAPITAL AND RELATED FINANCING ACTIVITIES. Term used in connection with cash flows reporting. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit. [SGAS 9]

CAPITAL ASSETS. Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, 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. [SGAS 34]

CAPITAL PROJECTS FUND. Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds.) [NCGA Statement 1]

CAPITALIZATION CONTRIBUTION. Term used in connection with public-entity risk pools. A contribution to meet initial or ongoing capital minimums established by statute, regulation, or the pooling agreement itself. Capitalization contributions generally take the form of cash. [IGAS 4]

CAPITALIZATION THRESHOLD. The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

CAPPING. Term used in connection with municipal solid-waste landfills (MSWLF). The cost of final cover expected to be applied near or after the date that the MSWLF stops accepting solid waste. [SGAS 18]

CASH. The term, as used in connection with cash flows reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. *Cash* also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. [SGAS 9]

CASH BASIS OF ACCOUNTING. Basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.

CASH EQUIVALENT. Term used in connection with cash flows reporting. Short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose “original maturity” means the original maturity to the entity holding the investment. [SGAS 9]

CEDED PREMIUMS/CLAIMS COSTS. Terms used in connection with public-entity risk pools. Ceded premiums are those transferred to another enterprise in connection with a reinsurance arrangement. Ceded claims costs are those transferred to another enterprise through reinsurance.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM. Program sponsored by the Government Finance Officers Association to encourage and assist state and local governments to prepare high-quality comprehensive annual financial reports. The program has been in continuous operation since 1946. The program originally was known as the Certificate of Conformance Program.

CHARACTER CLASSIFICATION. Expenditure classification according to the periods expenditures are presumed to benefit. The four character groupings are (a) *current* operating expenditures, presumed to benefit the current fiscal period; (b) *debt service*, presumed to benefit prior fiscal periods as well as current and future periods; (c) *capital outlays*, presumed to benefit the current and future fiscal periods, and (d) *intergovernmental*, when one government transfers resources to another.

CLAIMS-MADE POLICY. Term used in connection with public-entity risk pools. A type of policy that covers losses from claims asserted (reported or filed) against the policyholder during the policy period, regardless of whether the liability-imposing events occurred during the current or any previous period in which the policyholder was insured under the claims-made contract or other specified period before the policy period (the policy retroactive date). [SGAS 10]

CLAIMS-SERVICING POOL. One of four different types of public entity risk pools. An arrangement by which a pool manages separate accounts for each pool member from which the losses of that member are paid. Also referred to as “account pool.” [SGAS 10]

CLASSIFIED PRESENTATION. The separate presentation on the statement of position of the current and long-term portions of assets and liabilities. A classified presentation is required for the proprietary fund statement of net assets.

CLOSED AMORTIZATION PERIOD. Term used in connection with the unfunded actuarial accrued liability associated with defined benefit pension plans. A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth. [SGAS 25]

CLOSED-END MUTUAL FUND. An SEC-registered investment company that issues a limited number of shares to investors that are then traded as an equity security on a stock exchange. [SGAS 31]

COLLATERAL. Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit. [SGAS 3]

COLLATERAL POOL. A single financial institution collateral pool is a group of securities pledged by a single financial institution against all the public deposits it holds. A multiple financial institution collateral pool is a group of securities pledged by various financial institutions to provide common collateral for their deposits of public funds. In such a collateral pool, the assets of the pool and the power to make additional assessments against the members of the pool, if necessary, insure there will be no loss of public funds because of the default of a member. [SGAS 3]

COMBINING FINANCIAL STATEMENTS. Financial statements that report separate columns for individual funds or component units. Combining financial statements normally are required in a comprehensive annual financial report to support each column in the basic financial statements that aggregates information from more than one fund or component unit.

COMMERCIAL PAPER. An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

COMMITTEE ON ACCOUNTING PROCEDURE (CAP). Authoritative private-sector standard-setting body that preceded the Accounting Principles Board and the FASB. The CAP issued guidance in the form of *Accounting Research Bulletins*.

COMMODITIES PROGRAMS. The distribution of surplus agricultural products as a form of assistance.

COMPARABILITY. The principle according to which differences between financial reports should be due to substantive differences in the underlying transactions or the governmental structure rather than due to selection of different alternatives in accounting procedures or practices. [SGAC 1]

COMPARATIVE DATA. Information from prior fiscal periods provided to enhance the analysis of financial data in the current fiscal period.

COMPARATIVE FINANCIAL STATEMENTS. Financial statements providing all of the information required by GAAP for two or more fiscal periods.

COMPLIANCE SUPPLEMENT. Term used in connection with Single Audits. A publication of the U.S. Office of Management and Budget outlining compliance requirements for federal awards programs. The publication is designed to assist independent auditors performing Single Audits.

COMPONENT UNIT. A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. [SGAS 14]

COMPOSITE DEPRECIATION METHODS. Depreciation methods applied to groups of assets rather than to individual assets.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data. The CAFR of a public employee retirement system or an investment pool also should provide information on investments. Likewise, the CAFR of a public employee retirement system should provide actuarial information.

COMPREHENSIVE FRAMEWORK OF INTERNAL CONTROLS. A structure of internal controls that provides for (a) a favorable control environment, (b) the continuing assessment of risk, (c) the design, implementation, and maintenance of effective control-related policies and procedures, (d) the effective communication of information, and (e) the ongoing monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

CONDENSED FINANCIAL STATEMENTS. Abbreviated financial statements sometimes required by GAAP to be presented within the notes to the financial statements in connection with component units, external investment pools, and segments. In addition, GAAP prescribe the presentation of condensed financial information for the prior fiscal year as part of management's discussion and analysis.

CONDUIT DEBT. Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. [IGAS 2]

CONNECTION FEES. Fees charged to join or to extend an existing utility system. Often referred to as *tap fees* or *system development fees*.

CONSISTENCY. The principle according to which once an accounting principle or reporting method is adopted, it will be used for all similar transactions and events. The concept of consistency in financial reporting extends to many areas such as valuation methods, basis of accounting, and determination of the financial reporting entity. [SGAC 1]

CONTROL CYCLE. Term used in connection with the evaluation of internal controls. A series of logically connected transactions/processes and associated control-related policies and procedures.

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. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer. [SGAS 25]

COUNTERPARTY. Term used in connection with custodial credit risk. Another party to a transaction. In the case of deposits and investments made by governmental entities, a counterparty could be the issuer of security, a financial institution holding a deposit, a broker-dealer selling securities, or a third party holding securities or collateral. [SGAS 3]

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 COSTS. Term used in connection with municipal solid-waste landfills. The amount that would be paid if all equipment, facilities, and services included in the estimate of closure and postclosure care costs were acquired during the current period. [SGAS 18]

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and used solely for reporting the financial position and results of operations of governmental funds.

CURRENT REFUNDING. A refunding transaction in which the proceeds of the refunding debt are applied immediately to redeem the debt to be refunded. This situation differs from an advance refunding, where the proceeds of the refunding bonds are placed in escrow pending the call date or maturity of the debt to be refunded.

CUSTODIAL CREDIT RISK. The risk that a government will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. [SGAS 3, Q&A]

DEBT SERVICE FUND. Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. [NCGA statement 1]

DEDUCTION. Term used in connection with fiduciary funds. Decrease in the net assets of a fiduciary fund.

DEFEASANCE. In financial reporting, the netting of outstanding liabilities and related assets on the statement of position. Defeased debt 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. 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 REVENUE. Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period time; the amount of specified usually is a function of one or more factors such as age, years of service, and compensation. [SGAS 25]

DEFINED CONTRIBUTION PENSION PLAN. A pension plan having terms that specify how contributions to a plan member's account are to be determined, rather than the amount of retirement income the member is to receive. The amounts received by a member will depend only on the amount contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account. [SGAS 25]

DEMAND BONDS. Long-term debt issuances with demand ("put") provisions that require the issuer to repurchase the bonds upon notice from the bondholder at a price equal to the principal plus accrued interest. To assure its ability to redeem the bonds, issuers of demand bonds frequently enter into short-term standby liquidity agreements and long-term "take out" agreements. [IGAS 1]

DERIVATIVE. Contract whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. The term also is applied to similar transactions, such as structured financial instruments (for example, mortgage-backed securities). [TB 94-1]

DERIVED TAX REVENUES. Nonexchange revenues that result from assessments imposed on exchange transactions (for example, income taxes, sales taxes, and other assessments on earnings or consumption). [SGAS 33]

DESIGNATED UNRESERVED FUND BALANCE. Management's intended use of available expendable financial resources in governmental funds reflecting actual plans approved by the government's senior management. Expressed another way, designations reflect a government's self-imposed limitations on the use of otherwise available expendable financial resources in governmental funds.

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 the 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. [SGAS 34]

DISALLOWED COSTS. Claims for grantor resources that have been rejected by the grantor. Disallowed costs are to be distinguished from *questioned costs*, which are potential disallowed costs that have not yet been rejected by the grantor.

DISCRETE PRESENTATION. Method of reporting financial data of component units in a column or columns separate from the financial data of the primary government. [SGAS 14]

DISCUSSION MEMORANDUM. A due-process document issued by the GASB soliciting comments from interested parties on various aspects of a technical issue that is the subject of research by the board.

DUE PROCESS. The procedures followed by the GASB to ensure that the views of all interested parties are solicited and considered prior to issuing an authoritative pronouncement. At a minimum, due process requires that all statements and interpretations be preceded by an exposure draft.

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 not-for-profit organizations in the private sector.

EFFECTIVENESS. Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives.

EFFICIENCY. Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives with the least use of scarce resources. Efficiency necessarily presupposes effectiveness.

ELIGIBILITY REQUIREMENTS. Term used in connection with government-mandated and voluntary nonexchange transactions. Conditions established by the provider of resources stipulating matters such as the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies. [SGAS 33]

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.

ENCUMBRANCES. Commitments related to unperformed (executory) contracts for goods or services. [NCGA Statement 1]

ENTERPRISE FUND. Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services. [SGAS 34]

ENTITY DIFFERENCES. A difference between the budgetary basis of accounting and GAAP arising because the appropriated budget either includes or excludes organizations, programs, activities, and functions which may or may not be compatible with the criteria defining the governmental reporting entity. [NCGA Interpretation 10]

ENTRY AGE ACTUARIAL COST METHOD. Term used in connection with defined benefit pension plans. A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability. [SGAS 25]

EQUIVALENT SINGLE AMORTIZATION PERIOD. 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 in accordance with the parameters. [SGAS 25]

ESCHEAT. The reversion of property to a governmental entity in the absence of legal claimants or heirs. The laws of many governmental entities provide that a rightful owner or heir can reclaim escheat property in perpetuity, provided the claimant can establish his or her right to the property. [SGAS 21]

ETHICS RULE 202. Ethics rule established by the AICPA that places upon auditors the burden of proof for justifying any material departures from the guidance found on levels 2, 3, or 4 of the GAAP hierarchy.

ETHICS RULE 203. Ethics rule established by the AICPA that makes it an ethical violation for an auditor to state that financial statements are “fairly presented in conformity with GAAP” if those statements materially violate standards issued by the FASB, the GASB, or the Federal Accounting Standards Advisory Board. A special exception applies when unusual circumstances would make the application of an authoritative standard misleading.

EXCHANGE TRANSACTIONS. Transaction in which each party receives and gives up essentially equal values. [SGAS 33]

EXCHANGE-LIKE TRANSACTION. Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange. Examples include certain fees for regulatory or professional licenses and permits, certain tap fees, certain developer contributions, certain grants and donations, and other transactions that, regardless of the label applied to them, are based on an exchange of similar but not equal values. [SGAS 33]

EXPENDITURE-DRIVEN GRANTS. Government-mandated or voluntary nonexchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as *reimbursement grants*.

EXPENDITURE. Decreases in net financial resources under the current financial resources measurement focus not properly classified as *other financing uses*.

EXPLICIT MEASURABLE EQUITY INTEREST. Term used in connection with joint ventures. Asset resulting from a stipulation in the joint venture agreement that the participants have a present or future claim to the net resources of the joint venture and setting forth the method to determine the participants’ shares of the joint venture’s net resources. [SGAS 14]

EXPOSURE DRAFT. A due-process document issued by the GASB soliciting comments from interested parties on a proposed authoritative pronouncement.

EXTERNAL AUDITORS. Independent auditors, typically engaged to conduct the audit of a government’s financial statements.

FAIR VALUE. Term used in connection with the valuation of investments. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. [SGAS 31]

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD.

Authoritative standard-setting body responsible for establishing GAAP for the federal government.

FIDUCIARY FUNDS. Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. [SGAS 34]

FINAL AMENDED BUDGET. Term used in connection with budgetary reporting. The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized. [SGAS 34]

FINANCIAL ACCOUNTABILITY. Term used in connection with the definition of the financial reporting entity. The level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government. [SGAS 14]

FINANCIAL ACCOUNTING FOUNDATION (FAF). Not-for-profit organization responsible for overseeing the operations of both the GASB and the FASB.

FINANCIAL ACCOUNTING STANDARDS ADVISORY COUNCIL (FASAC). Advisory group that assists the FASB. The FASAC includes representatives of all of the FASB's major constituents.

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB). The authoritative accounting and financial reporting standard-setting body for business enterprises and not-for-profit organizations. The FASB is the direct successor of the Committee on Accounting Procedure and the Accounting Principles Board. The GASB and its predecessors have elected to apply a number of the FASB's standards, as well as those of its predecessors, to state and local governments.

FINANCIAL AUDITS. Audits designed to provide independent assurance of the fair presentation of financial information.

FINANCIAL REPORTING ENTITY. A primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

FINANCIAL RESOURCES. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and prepaids (because they obviate the need to expend current available financial resources).

FINANCIAL SECTION. One of the three basic sections of a comprehensive annual financial report. The financial section is used to present the independent auditor's report on the financial statements, the basic financial statements (including the notes to the financial statements), required supplementary information, combining statements, individual fund statements and schedules, and supplementary information, as needed.

FINDING. Term used in connection with public-sector auditing. Published communication of an internal control weaknesses or instance of noncompliance in connection with an audit conducted in accordance with GAGAS.

FISCAL ACCOUNTABILITY. The responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or one year). This term is used in contrast to *operational accountability*. [SGAS 34]

FISCAL DEPENDENCE. Term used in connection with the definition of the financial reporting entity. Situation requiring the inclusion of a legally separate entity as a component unit within the financial reporting entity because the governing board of the primary government may *arbitrarily* override the financial decisions of the legally separate entity regarding (a) its budget, (b) the levying of taxes or the setting of rates or charges, or (c) the issuance of bonded debt.

FISCAL FUNDING CLAUSE. Term used in connection with capital leases. A clause in a lease agreement that generally provides that the lease is cancelable if the legislature or other funding authority does not appropriate the funds necessary for the government unit to fulfill its obligations under the lease agreement.

FIVE PERCENT CRITERION. Second of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. This test is applied to the combined total assets, liabilities, revenues or expenses/expenditures of all governmental and enterprise funds for which the 10 percent criterion has been met.

FIXED BUDGETS. Term used in contrast with *flexible budgets*. Budgets that embody estimates of specific (fixed) dollar amounts. [NCGA Statement 1]

FIXED COUPON REPURCHASE-REVERSE REPURCHASE AGREEMENT. A repurchase agreement or a reverse repurchase agreement where the parties agree that the securities returned will have the same stated interest rate as, and maturities similar to, the securities transferred. [SGAS 3]

FLEXIBLE BUDGETS. Term used in contrast with *fixed budgets*. Budgets that embody dollar estimates that vary according to demand for the goods or services provided. [NCGA Statement 1]

FOOD STAMPS. A federal award program that is intended to improve the diets of members of low-income households by increasing their ability to purchase food. [SGAS 24]

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.

FROZEN ENTRY 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 of the group included in an actuarial valuation, over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability, is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. The frozen actuarial accrued liability is determined using the entry age actuarial cost method. The portion of this actuarial present value allocated to a valuation year is called the normal cost. [SGAS 25]

FUNCTION. A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., *public safety*).

FUND. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations [NCGA Statement 1]

FUNDAMENTAL ANALYSIS. A method of estimating the fair value of a security when it is thinly traded or when quoted market prices are not available. Fundamental analysis considers assets, liabilities, operating statement performance, management, and economic environment of the issuer in estimating a fair value. [SGAS 31, Q&A]

FUND BALANCE. The difference between assets and liabilities reported in a governmental fund.

FUND CLASSIFICATIONS. One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.

FUND FINANCIAL STATEMENTS. Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

FUND TYPE. One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

FUNDED MANDATE. Also known as a government-mandated nonexchange transaction. A situation where a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform). [SGAS 33]

FUNDED RATIO. The actuarial value of assets expressed as a percentage of the actuarial accrued liability. [SGAS 25]

GAAFR. The acronym for *Governmental Accounting, Auditing, and Financial Reporting*, a publication of the Government Finance Officers Association. Also known as the *Blue Book*, various editions of this book have been published since the mid 1930s.

GAAP HIERARCHY. An authoritative list of the sources of GAAP. The GAAP hierarchy for state and local governments is set forth in SAS No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report*.

GENERAL ACCOUNTING 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*, which are the source of GAGAS.

GENERAL FUND. The general fund is one of five governmental fund types and typically serves as the chief operating fund of a government. The general fund is used to account for all financial resources except those required to be accounted for in another fund. [NCGA Statement 1]

GENERAL REVENUES. All revenues that are *not* required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax—for example, sales tax, property tax, franchise tax, income tax. All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues. [SGAS 34]

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report*.

GENERALLY ACCEPTED AUDITING STANDARDS (GAAS). The rules and procedures that govern the conduct of a financial audit. There are ten basic GAAS classed into three broad categories: general standards, standards of fieldwork, and standards of reporting. The Auditing Standards Board of the AICPA publishes SASs and related interpretations to comment and expand upon these basic standards.

GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS). Standards for the conduct and reporting of both financial and performance audits in the public sector. The General Accounting Office promulgates GAGAS through its publication *Government Auditing Standards*, commonly known as the *Yellow Book*. The basic GAGAS 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.

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 if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool. [SGAS 31]

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.

GOVERNMENTAL ACCOUNTING STANDARDS ADVISORY COUNCIL (GASAC). An advisory body established to assist the GASB. The membership of the GASAC represents all major groups with an interest in accounting and financial reporting for state and local governments.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the NCGA.

GOVERNMENTAL ACCOUNTING, AUDITING, AND FINANCIAL REPORTING (GAAFR). A publication of the Government Finance Officers Association. Also known as the *Blue Book*, various editions have been published since the mid 1930s.

GOVERNMENTAL ACTIVITIES. Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are usually reported in governmental funds and internal service funds. [SGAS 34]

GOVERNMENTAL ENTITY. For accounting and financial reporting purposes, an entity subject to the hierarchy of GAAP applicable to state and local governmental units. The criteria used to distinguish governmental entities from nongovernmental entities are set forth in the AICPA's *Audits of State and Local Governmental Units*.

GOVERNMENTAL FINANCIAL REPORTING MODEL. The minimum combination of financial statements, note disclosures, and required supplementary information prescribed for state and local governments by the GASB.

GOVERNMENTAL FUNDS. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS.

Transactions that occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform). [SGAS 33]

GOVERNMENT-WIDE FINANCIAL STATEMENTS. Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of activities. Both basic government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

GRANT ANTICIPATION NOTE. Short-term, interest-bearing note issued by a government in anticipation of a grant to be received at a later date. The note is retired from proceeds of the grant to which it is related.

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.

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).

IMPLEMENTATION GUIDES. Guidance on the proper implementation of authoritative accounting and financial reporting standards issued by the staff of the GASB. Implementation guides use a question-and-answer format and enjoy “level 4” status on the hierarchy of GAAP for state and local governments established by the AICPA’s SAS No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report*.

IMPOSED NONEXCHANGE REVENUES. Revenues that result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (for example, property taxes and fines). [SGAS 33]

IMPROVEMENT. An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

“IN-RELATION-TO” OPINION. An indication in the independent auditor’s report that the auditor does *not* render an opinion on the fair presentation *per se* of certain information contained in the financial report (e.g., combining and individual fund financial statements), but does assert that the information in question is fairly presented *in relation to* the audited financial statements.

INCURRED BUT NOT REPORTED (IBNR) CLAIMS. Term used in connection with risk financing. Claims for insured events that have occurred but have not yet been reported to the governmental entity, public entity risk pool, insurer, or reinsurer as of the date of the financial statements. IBNR claims include (a) known loss events that are expected to be presented later as claims, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported. [SGAS 10]

INDEPENDENT AUDITOR. Auditors who are independent, both in fact and appearance, of the entities they audit. Both GAAS and GAGAS set specific criteria that must be met for an auditor to be considered to be independent.

INDEPENDENT AUDITOR’S REPORT. The official written communication of the results of an audit. In a financial audit, the independent auditor’s report typically will offer (or disclaim) an opinion on whether a set of financial statements is fairly presented in conformity with GAAP (or some other comprehensive basis of accounting).

INDIRECT EXPENSES. Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category. [SGAS 34]

INDIVIDUAL INVESTMENT ACCOUNTS. An investment service provided by a governmental entity for other, legally separate entities that are not part of the same reporting entity. With individual investment accounts, specific investments are acquired for individual entities and the income from and changes in the value of those investments affect only the entity for which they were acquired. [SGAS 31]

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. [SGAS 34]

IN-SUBSTANCE DEFEASANCE OF DEBT. A situation that occurs when debt is considered defeased for accounting and financial reporting purposes, even though a legal defeasance has not occurred. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

INSURED DEFINED BENEFIT PENSION PLAN. A pension 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. [SGAS 27]

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. [SGAS 34]

INTERFUND REIMBURSEMENTS. Repayments from the funds or blended component units of the primary government responsible for particular expenditures or expenses to the funds or blended component units of the primary government that initially paid for them. [SGAS 34]

INTERFUND SERVICES PROVIDED AND USED. Sales and purchases of goods and services between funds and blended component units of the primary government for a price approximating their external exchange value. [SGAS 34]

INTERFUND TRANSFERS. Flows of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for repayment. [SGAS 34].

INTERNAL AUDITING. An appraisal of the diverse operations and controls within a government entity to determine whether acceptable policies and procedures are followed, established standards are met, resources are used efficiently and economically, and the organization's objectives are being achieved. The term covers all forms of appraisal of activities undertaken by auditors working for and within an organization.

INTERNAL CONTROL FRAMEWORK. An integrated set of policies and procedures designed to assist management 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) must provide for the design, implementation, and maintenance of effective control-related policies and procedures, (d) must provide for the effective communication of information, and (e) must provide for the ongoing monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

INTERNAL FINANCIAL REPORTING. Financial reporting specifically designed to meet the needs of management.

INTERNAL SERVICE FUNDS. Proprietary fund type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. [SGAS 34]

INTRODUCTORY SECTION. The first of three essential components of any comprehensive annual financial report. The introductory section typically provides general information on a government's structure and personnel as well as information useful in assessing the government's financial condition. The contents of the introductory section normally fall outside the scope of the independent audit of the financial statements.

INVESTING ACTIVITIES. Term used in connection with cash flows reporting. Investing activities include making and collecting loans (except program loans) and acquiring and disposing of debt or equity instruments. [SGAS 9]

INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT. One of three components of net assets 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.

INVESTMENT SECTION. One of the sections of a comprehensive annual financial report for an investment pool or public employee retirement system.

INVESTMENT TRUST FUNDS. Fiduciary fund type used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government. [SGAS 34]

INVITATION TO COMMENT. A due-process document that may be released by the GASB to solicit the views of interested parties on a topic under study by the board prior to the release of an exposure draft.

JOINT VENTURE. A legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the joint venture participants directly, or for the benefit of the public or specific service recipients. [SGAS 14]

JOINTLY GOVERNED ORGANIZATION. A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. [SGAS 14]

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS. Costs incurred to provide for the protection of the environment that occur near or after the date that a municipal solid-waste landfill stops accepting solid waste and during the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (e.g., leachate collection systems and final cover) as well as the cost of services (e.g., postclosure maintenance and monitoring costs). [SGAS 18]

LAPSE PERIOD. A specified time at the beginning of a given budget period during which encumbrances outstanding at the end of the prior budget period may be liquidated using the prior year's budgetary authority. Many governments avoid the use of a lapse period by automatically appropriating as part of each new budget an amount sufficient to cover encumbrances outstanding at the end of the prior budget period.

LEGAL DEBT MARGIN. The excess of the amount of debt legally authorized over the amount of debt outstanding.

LEGAL DEFEASANCE. A situation that occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

LEGAL LEVEL OF BUDGETARY CONTROL. The level at which a government's management may not reallocate resources without special approval from the legislative body.

LENT SECURITIES. The securities lent by the lender to the borrower in a securities lending transaction. Also referred to as *underlying securities*. [SGAS 28]

LEVEL (1-4) GUIDANCE. In the context of the hierarchy of GAAP for state and local governments, a reference to the relative authority of a given source of GAAP guidance.

LEVEL OF EFFORT REQUIREMENTS. A requirement that a grant recipient not use grant resources to reduce its own participation in a given program or activity.

LIEN DATE. For property (ad valorem) taxes, the date when an enforceable legal claim to taxable property arises. Generally the lien date is specified in the relevant enabling legislation. Many governments use the term *lien date* even though a lien is not formally placed on the property at that date. Alternatively, the term *assessment date* is used to describe this same date. [SGAS 33]

LOAN PREMIUM OR FEE. Term used in connection with securities lending arrangements. Payments from the borrower to the lender as compensation for the use of the underlying securities when the borrower provides securities or letters of credit as collateral. [SGAS 28]

MAJOR FUND. A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. 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. [SGAS 34]

MAJOR PROGRAM. Term used in the context of Single Audits. As part of the Single Audit, the independent auditor must gain an understanding of internal controls over compliance for each major federal award program and then test those controls. In addition, the independent auditor must render an opinion on whether the government complied with laws, regulations, and provisions of contracts or grant agreements that could have a direct and material effect on each major federal award program.

MANAGEMENT LETTER. A term used in connection with the independent audit of the financial statements. A formal communication by the auditor to management that focuses on internal control weaknesses discovered in the course of the audit of the financial statements. A management letter typically would be redundant in an audit conducted in accordance with GAGAS, which require that the independent auditor publish internal control weaknesses and instances of noncompliance in conjunction with a formal report on internal controls 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS. A component of required supplementary information used to introduce the basic financial statements and provide an analytical overview of the government's financial activities. [SGAS 34]

MATCHING REQUIREMENT. A requirement that a grant recipient contribute resources to a program that equal or exceed a predetermined percentage of amounts provided by the grantor.

MATERIAL WEAKNESS. A reportable condition (internal control weakness) of such magnitude that it could potentially result in a material misstatement of the financial statements.

MATERIALITY. The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.²

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. [SGAS 31, Q&A]

MEASUREMENT FOCUS. The objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured (for example, financial or economic resources), but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MODIFIED ACCRUAL BASIS OF ACCOUNTING. Basis of accounting according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due. [NCGA Statement 1]

MODIFIED APPROACH. The election *not* to depreciate infrastructure assets that are part of a network or subsystem of a network that meet two specific requirements. First, the government manages the eligible infrastructure assets using an asset management system that has certain specified characteristics; second, the government documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. [SGAS 34]

MONEY MARKET INVESTMENT. A short-term, highly liquid debt instrument, including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Asset-backed securities, derivatives, and structured notes are not included in this term. [SGAS 31]

MULTI-PURPOSE GRANTS. Term used in connection with the identification of program revenues. Grants intended to finance activities reported in different functional categories in the government-wide statement of activities. Multipurpose grants that do not provide for specific identification of the programs and amounts should be reported as general revenues. [SGAS 34]

MUNICIPAL FINANCE OFFICERS ASSOCIATION. Original name of the Government Finance Officers Association of the United States and Canada.

MUNICIPAL SOLID-WASTE LANDFILL. A discrete area of land or an excavation that receives household waste, and that is not a land application unit, surface impoundment, injection well, or waste pile, as those terms are defined in regulations of the Environmental Protection Agency. It may also receive other types of Resource Conservation and Recovery Act Subtitle D wastes, such as commercial solid waste, nonhazardous sludge, and industrial solid waste. The term *municipal* indicates the primary type of solid waste received by the landfill, not its ownership. [SGAS 18].

NATIONAL ADVISORY COUNCIL ON STATE AND LOCAL BUDGETING (NACSLB). A working group created by eight public-sector organizations to establish a comprehensive framework for public-sector budgeting that could be used by state and local governments as an ideal against which to measure and improve the quality of their own budget practices. The Government Finance Officers Association has formally recommended the NACSLB's guidelines to its members.

NATIONAL COMMITTEE ON MUNICIPAL ACCOUNTING (NCMA). A committee of the Municipal Finance Officers Association that served as the authoritative accounting and financial reporting standard-setting body for local governments prior to 1946. The NCMA was one of the predecessors of the GASB.

NATIONAL COMMITTEE ON GOVERNMENTAL ACCOUNTING. A committee of the Municipal Finance Officers Association that served as the authoritative accounting and financial reporting standard-setting body for local governments from the late 1940s until the establishment of the National council on Governmental Accounting in the 1970s.

NATIONAL COUNCIL ON GOVERNMENTAL ACCOUNTING (NCGA). The immediate predecessor of the GASB as the authoritative accounting and financial reporting standard-setting body for state and local governments. The NCGA issued 7 statements and 11 interpretations prior to its dissolution in June 1984. These statements and interpretations remain effective unless superseded by a subsequent GASB pronouncement.

NEGOTIABLE CERTIFICATES OF DEPOSIT. Transferable certificates of deposit. 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 amounts being paid with other than general resources (e.g., general obligation debt associated with proprietary funds and special assessment debt), as well as amounts available in sinking funds for debt repayment.

NET PENSION OBLIGATION. Term used in connection with defined benefit pension plans. The cumulative difference between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition to SGAS 27, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt. [SGAS 27]

NO-COMMITMENT SPECIAL ASSESSMENT DEBT. Special assessment debt that is secured solely by liens on assessed properties and resources provided from bond proceeds and is not backed by either the full faith and credit of the government or by any other type of general government commitment.

NONCAPITAL FINANCING ACTIVITIES. Term used in connection with cash flows reporting. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction, or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments. [SGAS 9]

NONEXCHANGE TRANSACTIONS. A transaction in which a government (including the federal government, as a provider) either gives value (benefit) to another party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange. [SGAS 33]

NONFINANCIAL ASSETS. A term used in connection with the current financial resources measurement focus and the modified accrual basis of accounting. Assets that are expected to be used in the provision of goods or services rather than converted to cash. Financial statement preparers have the option of treating prepaid items and the inventories of supplies as either a financial asset (consumption method) or as a nonfinancial asset (purchases method).

NONOPERATING REVENUES AND EXPENSES. A term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. Revenues and expenses not qualifying as operating items, which typically include interest revenue and expense, taxes, and grants that are not equivalent to contracts for services.

NONPARTICIPATING INTEREST-EARNING INVESTMENT

CONTRACTS. Investment contracts whose value is not affected by market (interest rate) changes (e.g., nonnegotiable certificates of deposit with redemption terms that do not consider market rates). This definition excludes investment contracts that are negotiable or transferable, or whose redemption value considers market rates. [SGAS 31]

NONRECIPROCAL INTERFUND ACTIVITY. The internal counterpart to nonexchange transactions. This category includes both interfund transfers and interfund reimbursements. [SGAS 34]

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.

NORMALLY. Term used in connection with the application of the modified accrual basis of accounting to certain long-term liabilities. Specifically, certain accrued liabilities are recognized as expenditures in governmental funds only when they are *normally* expected to be liquidated with current available financial resources (e.g., compensated absences, claims and judgments, special termination benefits, landfill closure and postclosure care costs). For this purpose, the term *normally* should be interpreted from the perspective of the practice of state and local governments generally.

NUMBER OF FUNDS PRINCIPLE. The principle that only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration. [NCGA Statement 1]

OBJECT. A term used in connection with the classification of expenditures. The article purchased or the service obtained, rather than the purpose for which the article or service was purchased or obtained (e.g., *personal services, contractual services, materials and supplies*).

OBLIGATED IN SOME MANNER. Term used in connection with special assessment debt and the determination of the financial reporting entity. A government is obligated in some manner for debt if (a) it is legally obligated to assume all or part of the debt in the event of default or (b) the government may take certain actions to assume secondary liability for all or part of the debt—and the government takes, or has given indications that it will take, those actions. Stated differently, the phrase *obligated in some manner* is intended to include all situations *other than* those in which (a) the government is *prohibited* (by constitution, charter, statute, ordinance, or contract) from assuming the debt in the event of default or (b) the government is not legally liable for assuming the debt and makes no statement, or gives no indication, that it will, or may, honor the debt in the event of default. [SGAS 6]

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. [SGAS 24]

OPEN AMORTIZATION PERIOD. Term used in connection with defined benefit pension plans. An open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, 30 years), the period may increase, decrease, or remain stable. [SGAS 25]

OPEN-END MUTUAL FUNDS. An open-end mutual fund is one that continuously offers its shares for sale to the public, compared with a closed-end company, which may issue only a limited number of shares. Mutual funds generally do not issue share certificates; instead, they send out periodic statements showing deposits, withdrawals, and dividends credited to the investor's account. [SGAS 3]

OPERATING ACTIVITIES. Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. [SGAS 9]

OPERATING REVENUES AND EXPENSES. Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are advised to consider the definition of *operating activities* for cash flows reporting in establishing their own definition. [SGAS 34]

OPERATIONAL ACCOUNTABILITY. Governments' responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose, and whether they can continue to meet their objectives for the foreseeable future. [SGAS 34]

OPTION-ADJUSTED SPREAD MODELS. A method of estimating the fair value of an option when it is thinly traded or when quoted market prices are not available. Such models measure the spread provided from a security that is an option or includes an option. Using a benchmarked yield curve, separate cash flows are discounted according to their maturity. The result is a spread when compared to yields for risk-free investments. [SGAS 31, Q&A]

OPTION CONTRACT. A contract giving the buyer (owner) the right, but not the obligation, to purchase from (call option) or sell to (put option) the seller (writer) of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable "strike" price on a given date or at any time on or before a given date. [SGAS 31]

OPTION-PRICING MODELS. A method of estimating the fair value of an option when it is thinly traded or when quoted market prices are not available. Under one such model (i.e., the Black-Scholes model) consideration is given to a security's return, the-risk free interest rate, the time remaining until the option expires, and the relationship of the underlying security's price to the strike price of the option. [SGAS 31, Q&A]

ORIGINAL BUDGET. The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior-year encumbrances. [SGAS 34]

OTHER FINANCING SOURCE. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the *other financing sources* category is limited to items so classified by GAAP.

OTHER FINANCING USE. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the *other financing uses* category is limited to items so classified by GAAP.

OTHER POSTEMPLOYMENT BENEFITS (OPEB). Postemployment benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income. OPEB also includes postemployment health care benefits provided through a public employee retirement system or pension plan. In addition to postemployment health care benefits (such as illness, dental, vision, and hearing), OPEB may include, for example, life insurance, disability income, tuition assistance, legal services, and other assistance programs. [SGAS 12]

OTHER SOURCES OF GAAP. Potential sources of accounting and financial reporting guidance that may be used in the absence of authoritative guidance on one of the four levels of the hierarchy of GAAP for state and local governments set forth in SAS No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report*. Examples of other sources of GAAP for state and local governments include concepts statements of the GASB, pronouncements of the FASB that are not authoritative for government, professional publications, textbooks, and position papers of professional organizations. GASB Concepts Statements take precedence as another source of GAAP.

OUTCOME MEASURES. Term used in connection with service efforts and accomplishments reporting. Indicators that measure accomplishments or results that occur (at least partially) because of services provided. Results also include measures of public perceptions of outcomes. [SGAC 2]

OUTPUT MEASURES. Term used in connection with service efforts and accomplishments reporting. Indicators that measure the quantity of services provided. Output measures include both measures of the *quantity of service provided* and measures of the *quantity of a service provided that meets a certain quality requirement*. [SGAC 2]

OVERLAPPING DEBT. Proportionate share that property within a government must bear of the debts of other local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, and to total assessments receivable, which will be used wholly or in part for this purpose.

OVERLAPPING GOVERNMENTS. All local governments located wholly or in part within the geographic boundaries of the reporting government.

PARTICIPATING INTEREST-EARNING INVESTMENT CONTRACTS. Interest-earning investment contracts whose value is affected by market (interest rate) changes (e.g., contracts that are negotiable or transferable, or whose redemption value considers market rates). [SGAS 31]

PASSENGER FACILITIES CHARGES (PFCs). A fixed fee authorized by the Federal Aviation Administration that airports may impose on each departing passenger for use in eligible construction projects or for related debt service. This charge is collected by whoever sells the ticket and then remitted to the airport.

PASS-THROUGH GRANTS. Grants and other financial assistance received by a governmental entity to transfer to or spend on behalf of a secondary recipient. [SGAS 24]

PAYMENT IN LIEU OF TAXES. A payment that a property owner not subject to taxation makes to a government to compensate it for services that the property owner receives that normally are financed through property taxes.

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS. A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. [SGAS 34]

PENSION COST. A measure of the periodic cost of an employer's participation in a defined benefit pension plan. [SGAS 27]

PENSION OBLIGATION BONDS. Bonds issued by employers to finance one or more elements of their pension obligation to employees. Pension obligation bonds may be used, for example, to provide funds for one or more of the following purposes; to reduce or eliminate the employer's net pension obligation, to pay the employer's annual required contribution for the year, or to reduce or eliminate the plan's unfunded actuarial accrued liability.

PENSION PLAN. An arrangement for the provision of pension benefits in which all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the plan. [SGAS 25]

PENSION-RELATED DEBT. All long-term liabilities of an employer to a pension plan, the payment of which is not included in the annual required contributions of a sole or agent employer or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan. [SGAS 27]

PENSION TREND DATA. Actuarially based data over time concerning the funding progress of a defined benefit pension plan and employers' actual and annual required contributions to the plan.

PERFORMANCE AUDITING. Auditing designed to evaluate the effectiveness or efficiency of an organization, program, or activity.

PERFORMANCE MEASUREMENT. Commonly used term for service efforts and accomplishments reporting.

PERMANENT FUNDS. A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

PERSPECTIVE DIFFERENCES. Differences between the budgetary basis of accounting and GAAP that result when the structure of financial information used for GAAP financial reporting differs from the structure of financial information used for budgetary purposes. [NCGA Interpretation 10]

POLICYHOLDER DIVIDENDS. Term used in connection with public-entity risk pools. Payments made or credits extended to the insured by the insurer, usually at the end of a policy year, that result in reducing the net insurance cost to the policyholder. These dividends may be paid in cash to the insured or applied by the insured to reduce premiums due for the next policy year. [SGAS 10]

POPULAR ANNUAL FINANCIAL REPORTING. Supplementary financial reporting designed to meet the special needs of interested parties who are either unable or unwilling to use the more detailed financial information provided in traditional comprehensive annual financial reports.

POPULAR ANNUAL FINANCIAL REPORTING AWARD. An awards program sponsored by the Government Finance Officers Association with the objective of encouraging and assisting governments to prepare and publish high quality popular annual financial reports.

POSTEMPLOYMENT HEALTHCARE BENEFITS. Medical, dental, vision, and other health-related benefits provided to terminated employees, retired employees, dependents, and beneficiaries. [SGAS 26]

POTENTIALLY MISLEADING TO EXCLUDE. Term used in connection with defining the financial reporting entity. Basis for including a legally separate entity within the financial reporting entity even though that separate entity does not meet either of the normal criteria for inclusion as a component unit (i.e., board appointment or fiscal dependency).

PRELIMINARY PROJECT STAGE. Term used in connection with computer software developed or obtained for internal use. Costs incurred prior to the development stage of computer software (e.g., the conceptual formulation of alternatives, the evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives).

PRELIMINARY VIEWS. A due-process document issued by the GASB soliciting comments from interested parties on a proposed authoritative pronouncement prior to the issuance of an exposure draft.

PREMIUM DEFICIENCY. Term used in connection with public-entity risk pools. A situation that occurs if the sum of expected claims costs (including incurred but not reported claims) and all expected claim adjustment expenses, expected dividends to policy holders or pool participants, and unamortized acquisition costs exceeds related unearned premiums. [SGAS 30]

PRIMARY GOVERNMENT. Term used in connection with defining the financial reporting entity. A state government or general purpose local government. Also, a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. The primary government is the focus of the financial reporting entities. [SGAS 14]

PRIMARY USERS OF GENERAL-PURPOSE EXTERNAL FINANCIAL REPORTS. Those groups of financial statement users whose needs guide the development of GAAP. For state and local governments, the primary users of general-purpose external financial reports are (a) those to whom government is primarily accountable (the citizenry), (b) those who directly represent the citizens (legislative and oversight bodies), and (c) those who lend or who participate in the lending process (investors and creditors). [SGAC 1]

PRIVATE-PURPOSE TRUST FUNDS. A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. [SGAS 34]

PROGRAM. Group activities, operations or organizational units directed to attaining specific purposes or objectives.

PROGRAM LOAN. Term used in connection with cash flows reporting. A loan made and collected as part of a governmental program that provides a *direct* benefit to *individual* constituents. [SGAS 9, Q&A]

PROGRAM REVENUE. Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues. [SGAS 34]

PROJECTED UNIT CREDIT ACTUARIAL COST METHOD. A method under which the projected benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial present value of benefits allocated to a valuation year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the actuarial accrued liability.

PROPRIETARY FUNDS. Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS). A state or local governmental entity entrusted with administering one or more pension plans; it also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans. A public employee retirement system also may be an employer that provides or participates in a pension plan or other types of employee benefit plans for employees of the system. [SGAS 25]

PUBLIC-ENTITY RISK POOL. A cooperative group of governmental entities joining together to finance an exposure, liability, or risk. Risk may include property and liability, workers' compensation, or employee health care. A pool may be a stand-alone entity or included as part of a larger governmental entity that acts as the pool's sponsor. [SGAS 10]

PURE CASH CONDUIT. Term used in connection with pass-through grants. A grantor that merely transmits grantor-supplied moneys without having administrative or direct financial involvement in the program. [SGAS 24]

PURPOSE RESTRICTIONS. Term used in connection with government-mandated and voluntary nonexchange transactions. Legal limitations that specify the purpose or purposes for which resources are required to be used. [SGAS 33]

PUT OPTION. An option contract giving the buyer (owner) the right, but not the obligation, to sell to the writer of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable “strike” price on a given date or at any time on or before a given date. [SGAS 31]

QUALIFIED OPINION. Term used in connection with financial auditing. A modification of the independent auditor’s report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditor’s general assertion that the financial statements are fairly presented.

QUESTIONED COST. Term used in connection with Single Audits. A determination by the independent auditor that an expenditure under a federal grant does not meet all of the grantor’s requirements and therefore may be subject to refund to the grantor.

REALIZED GAINS AND LOSSES. The cumulative effect of appreciation and depreciation in the value of investments reported at fair value at the time those investments are sold.

REAPPROPRIATION. The inclusion of a balance from the prior year’s budget as part of the budget of the subsequent fiscal year. Reappropriation is common for encumbrances outstanding at the end of a fiscal year that a government intends to honor in the subsequent fiscal year.

REASONABLE ASSURANCE. A term used in connection with financial auditing. The principle that the goal of the independent audit of the financial statements is to ensure that financial statements are free from *material* misstatement. The principle of reasonable assurance rests upon the assumption that it is not cost beneficial to attempt to ensure that financial statements are free of immaterial misstatements.

REBATABLE ARBITRAGE. A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

RECIPROCAL INTERFUND ACTIVITY. The interfund counterpart to exchange and exchange-like transactions. This category includes both interfund loans and interfund services provided and used. [SGAS 34]

REFUNDING. The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). [SGAS 23]

REGULATED ENTERPRISES. Enterprises for which (a) rates for regulated services or products are either established by, or subject to approval by an independent, third-party regulator (or the governing board itself if it is empowered by statute or contract to establish rates that bind customers), (b) the regulated rates are designed to recover the specific enterprise's costs of providing regulated services or products, and (c) it is reasonable to assume that the regulated activity can set and collect charges sufficient to recover its costs. Regulated enterprises have the *option* of adopting certain specialized guidance issued by the FASB. In practice, the term "regulated enterprise" normally is applied only to enterprises that elect this option.

REIMBURSEMENT GRANT. A grant for which a potential recipient must first incur qualifying expenditures to be eligible. Reimbursement grants are also referred to as *expenditure-driven grants*.

REINSURANCE. A transaction in which an assuming enterprise (reinsurer), for a consideration (premium), assumes all or part of a risk undertaken originally by another insurer (ceding enterprise). However, the legal rights of the insured are not affected by the reinsurance transaction, and the ceding enterprise issuing the original insurance contract remains liable to the insured for payment of policy benefits. [SGAS 10]

RELATED ORGANIZATION. Term used in connection with defining the financial reporting entity. An organization for which a primary government is accountable because that government appoints a voting majority of the board, but is not *financially* accountable. [SGAS 14]

RELATED PARTY TRANSACTION. A transaction that an informed observer might reasonably believe reflects considerations other than economic self interest based upon the relationship that exists between the parties to the transaction. The term often is used in contrast to an *arm's-length transaction*.

RELATIVE ORDER OF LIQUIDITY. An order for presenting assets and liabilities on the statement of net assets based upon how readily they may be converted to cash or will require the use of cash. [SGAS 34]

RELEVANCE. The principle that there should be a close logical relationship between the financial information provided and the purpose for which it is needed. Information is relevant if it is capable of making a difference in a user's assessment of a problem, condition, or event. [SGAC 1]

RELIABILITY. The principle that financial information should be verifiable, free from bias, and faithfully represent what it purports to represent. [SGAC1]

REPORTABLE CONDITION. Term used in connection with financial auditing. A significant deficiency in internal controls discovered in the course of the financial statement audit that must be communicated by the independent auditor to the entity's audit committee or its equivalent.

REPORTING PACKAGE. Term used in connection with Single Audits. A package that the independent auditor must communicate to the Federal Audit Clearing House that includes (a) the government's financial statements, (b) the government's supplementary schedule of expenditures of federal awards, (c) the auditor's reports, (d) a summary schedule of prior audit findings, and (e) a corrective action plan. The reporting package must be accompanied by a special data collection form that summarizes the information contained in the reporting package.

REPURCHASE AGREEMENT. A transaction in which the governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the governmental entity and promises to repay the cash plus interest in exchange for the return of the same securities. [SGAS 3]

REQUIRED SUPPLEMENTARY INFORMATION. Statements, schedules, statistical data, or other information that the GASB has determined to be necessary to supplement, although not required to be a part of, the basic statements. [SGAS 5]

RESERVED FUND BALANCE. The portion of a governmental fund's net assets that is not available for appropriation.

RESTRICTED ASSETS. Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enable legislation. [SGAS 34]

RESTRICTED NET ASSETS. A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

RETROSPECTIVELY (EXPERIENCE) RATED POLICY. Term used in connection with public-entity risk pools. An insurance policy for which the final amount of the premium is determined by adjusting the initial premium based on actual experience during the period of coverage (sometimes subject to maximum and minimum limits). A retrospectively rated policy is designed to encourage safety by the insured and to compensate the insurer if larger-than-expected losses are incurred. [SGAS 10]

REVENUE AND CLAIMS DEVELOPMENT TREND DATA. Required supplementary information mandated by the GASB for public-entity risk pools.

REVENUE ANTICIPATION NOTE. Short-term, interest-bearing note issued by a government in anticipation of revenues to be received at a later date. The note is retired from the revenues to which it is related.

REVERSE REPURCHASE AGREEMENT. An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfer securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for the same securities or for different securities. [SGAS 3]

RISK-SHARING POOLS. One of four different types of public-entity risk pools. An arrangement by which governments pool risks and funds and share in the cost of losses. [SGAS 10]

SALARY-RELATED PAYMENTS. Term used in connection with compensated absences. Payments by an employer that are directly and incrementally associated with payments made for compensated absences on termination. Such salary-related payments include the employer's share of social security and Medicare taxes and also might include, for example, the employer's contributions to pension plans. [SGAS 16]

SCHEDULE OF EMPLOYER CONTRIBUTIONS. Term used in connection with defined benefit pension plans. Trend data on employers' annual required contribution to a pension plan and actual contributions.

SCHEDULE OF FUNDING PROGRESS. Term used in connection with defined benefit pension plans. Trend data on the relationship between the actuarial value of pension plan assets and the related actuarial accrued liability.

SEC 2A7-LIKE POOLS. An external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 (17 Code of Federal Regulations §270.2a-7). Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the market value of the portfolio deviates from amortized cost by a specified amount. [SGAS 31]

SECURITIES LENDING TRANSACTIONS. Transactions in which governmental entities transfer their securities to broker-dealers and other entities for collateral—which may be cash, securities, or letters of credit—and simultaneously agree to return the collateral for the same securities in the future. [SGAS 28]

SEGMENT. An identifiable activity (or grouping of activities) required to be accounted for separately which is reported as or within an enterprise fund or an other stand-alone entity for which one or more revenue bonds or other revenue-backed debt instruments (such as certificates of participation) are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets, and liabilities that can be identified. [SGAS 34]

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.

SINGLE AUDIT. An audit performed in accordance with the Single Audit Act of 1984 (as amended) and Office of Management and Budget (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.

SOLVENCY TEST. Term used in connection with pension plan financial reporting. Comparison of a pension plan's present assets to the aggregate accrued liabilities classified into the following categories: (a) liability for active member contributions on deposit, (b) liability for future benefits to present retired lives, and (c) liability for service already rendered by active members. In preparing this schedule, valuation assets are arbitrarily allocated first to the liability for active member contributions on deposit, second to the liability for future benefits to present retired lives, and third to the liability for service already rendered by active members, regardless of the method used for asset allocation.

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 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. [SGAS 27]

SPECIAL ITEMS. Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. [SGAS 34]

SPECIAL REVENUE FUND. A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. [NCGA Statement 1]

SPECIAL TERMINATION BENEFITS. Benefits offered for a short period of time to employees in connection with their termination of employment. Special termination benefits serve as an inducement to take early retirement, and often are used to help alleviate near-term budgetary problems.

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 comprehensive annual financial report. The statistical section provides a broad range of trend data covering key financial indicators from the past 10 fiscal years (e.g., general government revenues and expenditures, property tax collections, debt burden). It also contains demographic and miscellaneous data useful in assessing a government's financial condition. The contents of the statistical section normally fall outside the scope of the independent audit of the financial statements.

STOCK RIGHTS. Rights given to existing stockholders to purchase newly issued shares in proportion to their holdings at a specific date. [SGAS 31]

STOCK WARRANTS. Certificates entitling the holder to acquire shares of stock at a certain price within a stated period. Warrants often are made part of the issuance of bonds or preferred or common stock. [SGAS 31]

STREET OR NOMINEE NAME. Securities that are issued in or endorsed to the name of a securities depository, broker-dealer, or other financial services company, on behalf of the true beneficial owners of the securities. [SGAS 3, Q&A]

STRIKE PRICE. A fixed or determinable price on a given date or at any time on or before a given date at which the buyer (owner) may purchase from (call option) or sell to (put option) the seller (writer) of an option contract a fixed number of items (such as shares of equity securities). [SGAS 31]

STRUCTURED SETTLEMENT. Term used in connection with risk financing. A means of satisfying a claim liability, consisting of an initial cash payment to meet specific present financial needs combined with a stream of future payments designed to meet future financial needs, generally funded by annuity contracts. [SGAS 10]

SUBJECT. 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).

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 authoritative guidance governing the contents of the SSAP is provided in Accounting Principles Board (APB) Opinion No. 22, *Disclosure of Significant Accounting Policies*.

SUPPLEMENTARY INFORMATION. Financial information presented together with basic financial statements that is not included within the scope of the audit of those statements. When the presentation of certain supplementary information is mandated by the GASB it is referred to as *required supplementary information*.

SUSCEPTIBLE TO ACCRUAL. Term used in connection with the application of the modified accrual basis of accounting. Revenues that are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. [NCGA Statement 1]

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. [1GAS 1]

TAP FEES. Fees charged to join or to extend an existing utility system. Also referred to as *system development fees* or *connection fees*.

TAX ANTICIPATION NOTE. Short-term, interest-bearing note issued by a government in anticipation of tax revenues to be received at a later date. The note is retired from the tax revenues to which it is related.

TAX-INCREMENT FINANCING. Financing secured by the anticipated incremental increase in tax revenues, resulting from the redevelopment of an area.

TECHNICAL AGENDA. Term used in connection with the operation of the GASB. A list of research projects formally undertaken by the GASB as part of its development of authoritative standards of accounting and financial reporting.

TECHNICAL BULLETIN. A document issued by the staff of the GASB to provide guidance for applying GASB statements and interpretations and resolving accounting issues not directly addressed by them. [TB 84-1]

TEMPORARY ACCOUNTS. Accounts that close to net assets at the end of an accounting period (e.g., revenues and expenses).

TEN PERCENT CRITERION. The first of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. For governmental funds, this test is applied to the total assets, liabilities, revenues, and expenditures of all governmental funds. For enterprise funds, this test is applied to the total assets, liabilities, revenues, and expenses of all enterprise funds. The test need be met for only one of these four items.

TERMINATION PAYMENTS METHOD. A method of calculating the liability for earned sick leave for which it is probable that the benefits will result in termination payments. Under this method, the amount of the liability is estimated based on a governmental entity’s past experience of making termination payments for sick leave, adjusted for the effect of changes in its termination policy and other factors. [SGAS 16]

TIMELINESS. The principle that financial statements must be issued soon enough after the reported events to affect decisions. [SGAC 1]

TIMING DIFFERENCES. Differences between the budgetary basis of accounting and GAAP that occur when the period used for budgeting differs from the period used for GAAP reporting (e.g., a special revenue fund that uses a grant-year budget rather than a fiscal-year budget).

TRI-PARTY ARRANGEMENTS. 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 is owner). [SGAS 3, Q&A]

TYPE A PROGRAM. Term used in connection with the determination of major programs for purposes of Single Audits. Type A programs are defined on the basis of the relationship between program expenditures and total federal awards expended.

TYPE B PROGRAM. Term used in connection with the determination of major programs for purposes of Single Audits. A Type B program is any program with insufficient program expenditures to qualify as a Type A program.

UNALLOCATED CLAIM ADJUSTMENT EXPENSES. Term used in connection with risk financing. Costs that cannot be associated with specific claims but are related to claims paid or in the process of settlement, such as salaries and other internal costs of the pool's claims department. [SGAS 10]

UNALLOCATED DEPRECIATION. Term used in connection with the government-wide statement of activities. Depreciation not properly reported as a direct expense of a functional category.

UNCOMMITTED BALANCE OF APPROPRIATIONS. The portion of an appropriation remaining after the deduction of expenditures and encumbrances.

UNDERSTANDABILITY. The principle that information in financial reports should be expressed as simply as possible. [SGAC 1]

UNDESIGNATED UNRESERVED FUND BALANCE. Available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., designations).

UNDIVIDED INTEREST. An arrangement (also known as a *joint operation*) that resembles a joint venture but no entity or organization is created by the participants. An undivided interest is an ownership arrangement in which two or more parties own property in which title is held individually to the extent of each party's interest. Implied in that definition is that each participant is also liable for specific, identifiable obligations (if any) of the operation. Because an undivided interest is not a legal entity, borrowing to finance its operations often is done individually by each participant. An additional consequence of the absence of a formal organizational structure is that there is no entity with assets, liabilities, expenditures/expenses, and revenues—and thus, equity—to allocate to participants. [SGAS 14]

UNEARNED REVENUE. A type of deferred revenue account used in connection with resources that have not yet been earned.

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.*

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. Cumulative change in the market value of investments prior to their disposition.

UNREALIZED REVENUES. Term used in connection with budgeting. The difference between estimated revenues and actual revenues.

UNRESTRICTED NET ASSETS. That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

VESTING METHOD. A method of calculating the liability for earned sick leave for which it is probable that the benefits will result in termination payments. Under this method, the amount of the liability is estimated based on the sick leave accumulated at the date of the statement of position for those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. In calculating the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or classes or groups of employees will become eligible to receive termination payments. [SGAS 16]

VOLUNTARY NONEXCHANGE TRANSACTIONS. Transactions that result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (for example, certain grants and private donations). [SGAS 33]

VOTING MAJORITY. Term used in connection with defining the financial reporting entity. A situation in which the number of the primary government's appointees to a component unit's board is sufficient to control decisions of the component unit. [SGAS 14, Q&A]

VULNERABILITY ASSESSMENT. Term used in connection with evaluations of internal controls. The risk-based systematic prioritization of internal control evaluations.

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 General Accounting Office's publication *Government Auditing Standards*.

YIELD MAINTENANCE REPURCHASE—REVERSE REPURCHASE AGREEMENT. A repurchase agreement or a reverse repurchase agreement where the parties agree that the securities returned will provide the seller-borrower with a yield as specified in the agreement. [SGAS 3]

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