

FINANCIAL ACCOUNTING MANUAL
FOR
MISSISSIPPI PUBLIC SCHOOL DISTRICTS



Effective for Fiscal Years That Begin

On or After July 1, 2002

Prescribed By:

Office of the State Auditor

PHIL BRYANT, STATE AUDITOR

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INTRODUCTION

In accordance with Sections 7-7-211(a) and 37-37-1, Miss. Code Ann. (1972), this Financial Accounting Manual for Mississippi Public School Districts is prescribed by the Office of the State Auditor for public school district accounting in the State of Mississippi.

All public school districts are required to keep their accounting records in conformity with this edition, effective for fiscal years that begin on or after July 1, 2001. This manual replaces and supercedes the Financial Accounting Manual for Mississippi Public School Districts which was issued by this office in 1996.

This edition is the latest successor to the original edition which was first issued in 1985. Early in that year, a committee composed of representatives from the Mississippi State Department of Education, the Mississippi Association of School Business Officials (MASBO) and the Mississippi State Auditor's Office met initially and discussed the financial and accounting needs of Mississippi's public school districts. As a result of the committee's efforts, the July, 1985 edition of this manual was developed. The committee members who gave of their time and efforts in initially developing that edition, and the entities they represented at that time, were:

Smith Sparks	Mississippi State Department of Education
Ruth Garling	Mississippi State Department of Education
Scott Dutt	Mississippi Association of School Business Officials
Jude McDonnell	Mississippi Association of School Business Officials
Joyce Tuttle	Mississippi Association of School Business Officials
Roger McDaniel	Mississippi Association of School Business Officials
Steve Duncan	Mississippi State Auditor's Office
Leslie Shivers	Mississippi State Auditor's Office
Dale Brooks	Mississippi State Auditor's Office
Jim Vinson	Mississippi State Auditor's Office
David Phillips	Mississippi State Auditor's Office

PROCEDURE TO REQUEST A REVISION OF THIS MANUAL

All requests for a revision to this manual must be submitted in writing to the Office of the State Auditor. At the discretion of the Office of the State Auditor, revision requests will be submitted to the Research Committee established by the Mississippi Association of School Business Officials. The Research Committee will review, evaluate, and report to the Office of the State Auditor any and all desired changes to the manual. All revisions to this manual must be approved by the Office of the State Auditor.

All revision requests should be submitted to:

Director of Educational Audits
Office of the State Auditor
Post Office Box 956
Jackson, Mississippi 39205

Requests received by October 1 will be considered for revision to the manual for the fiscal year beginning the following July 1. All manual revisions will be disseminated in a timely fashion to all Mississippi public school districts by the Office of the State Auditor.

OVERVIEW OF CHANGES FROM PREVIOUS EDITION OF THIS MANUAL

1. Changes from the previously updated Manual as revised 3/2000 have been included in this the Revised July 1, 2002, Manual. All pages should reference a "Revised 7/1/2002" at the top of the page, except for the "Cover Page", "Table of Contents" and Pages i through iii.
2. GASB 34's implementation required adding or reclassifying individual Funds, Balance Sheet Accounts, Revenue Accounts and Expenditure Account classifications. A complete review of this manual should be made to insure your records are in conformity with all modifications.

SECTION A BASIC PRINCIPLES

Accounting Principles

The financial records and statements of all Mississippi public school districts will be kept and presented in accordance with generally accepted accounting principles in the United States of America. Generally accepted accounting principles for school districts are derived from the official pronouncements of the Governmental Accounting Standards Board (GASB). As GASB makes authoritative pronouncements, this manual will be updated.

On June 30, 1999, the Governmental Accounting Standards Board approved GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments. This Statement describes the minimum set of financial statements, note disclosures and required supplementary information that must be presented in a financial report for an independent auditor to assert, without qualification or further comment, that a government's financial statements are fairly presented in conformity with generally accepted accounting principals (GAAP). Implementation of GASB 34 requirements will be detailed in Section N of this Manual. Due to reporting requirements of the Mississippi Department of Education, the Basis of Accounting as noted below and all related Sections of the Manual, except Section N, must be implemented to meet reporting requirements of the Mississippi Department of Education.

Basis of Accounting

An entity's basis of accounting determines when transactions and economic events are reflected in its financial records. All Mississippi public school districts will prepare financial records using the modified accrual or accrual basis of accounting. The modified accrual or accrual basis of accounting, as appropriate, should be utilized in measuring financial position or operating results, as follows:

- A. Governmental fund revenues, expenditures, other financing sources and uses and related assets and liabilities 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 for interest not matured on general long-term debt, which should be recognized when due. Transfers should be recognized in the accounting period in which the inter-fund receivable and payable arise.
- B. Proprietary fund revenues, expenses and related assets and liabilities 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 fund revenues and expenditures and related assets and liabilities 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. Transfers should be recognized in the accounting period in which the inter-fund receivable and payable arise. Agency Fund assets and liabilities should be accounted for on the modified accrual basis.

The Modified Accrual Basis and Accrual Basis of accounting are described below.

Modified Accrual Basis:

Revenues:

Revenues are defined as an increase in the governmental unit's current financial resources. Revenues 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 revenue is subject to reasonable estimation. Revenues are available when the revenue is 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.

Expenditure:

Expenditures are recognized when the related liability is incurred, if measurable, except for interest and principal on general long-term debt, which is recognized when due and payable. Expenditures should be accrued at the end of the year when they are expected to use expendable financial resources. Generally, this means that expenditures that will be paid within a short period after the year-end are subject to year end-end accrual.

Accrual Basis:

Revenues are recognized when the earning process is complete or virtually complete and an exchange has taken place. Accrual accounting attempts to record the financial effects on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the enterprise. Accrual accounting is concerned with the process by which cash expended on resources and activities is returned as more(or perhaps less) cash to the enterprise, not just with the beginning and end of the process.

The essential elements of the accrual accounting method include:

1. The deferral of expenditures and the subsequent amortization of the deferred costs (prepaid expenses, supplies, etc.),
2. The deferral of revenues until they are earned (property taxes received in advance).
3. The capitalization of certain expenditures and the subsequent depreciation of the capitalized costs (depreciation of cost of machinery), and
4. The accrual of revenues that have been earned and expenses that have been incurred.

Recognizing revenue under both methods of accounting normally results in recording certain receivables (assets). These receivables consist of the uncollected but realized portions of the related revenue recognized for the current period.

A liability account (deferred revenue) results for certain cash and asset transactions when they are measurable but not yet earned. Cash received in advance and assets such as donated commodities received and valued under the consumption method of inventory valuation are reported as deferred revenue (liability account) in these cases. The revenue is recognized when these type transactions have met both the measurable and earned criterion.

Fund Accounting

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.

The following types of funds and account groups shall be used by Mississippi public school districts:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

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 and Trust Funds).

Debt Service Funds - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Permanent Funds - to account for assets held by the governmental unit where only the earnings the assets generate may be used by the governmental unit.

Proprietary Funds

Enterprise Funds - to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds

Agency Funds - to account for resources held by a governmental unit on a temporary, purely custodial basis.

Private Purpose Trust Funds - to account for resources held by the governmental unit for others that cannot be used to support the entities operations.

Account Groups

Account groups are not "funds." They are concerned only with the measurement of financial position and not involved with measurements of results of operations. Account Groups consist of the following:

General Fixed Asset Account Group:

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds.

General Long-Term Account Group:

Long-term debt is accounted for in the General Long-term Debt Account Group.

SECTION B MISCELLANEOUS ISSUES**INDEX OF SUBJECTS IN THE ORDER PRESENTED IN THIS SECTION**

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A. Accounting Systems

The accounting system consists of the methods and records established to identify, assemble, analyze, classify, record and report a government's transactions and to maintain accountability for the related assets and liabilities. Sections E, F, G, H, I, J, K, M and N of this Manual have been established for the purpose of defining the accounting system to be used by all public school districts.

B. Timeliness

It is imperative that all financial records and supporting documentation be maintained on a timely basis and include accurate and reliable information. Timely shall be defined as monthly. All records and reports should be completed and filed by the end of the following month, unless other requirements apply.

C. Pre-numbered Documents

All receipts and checks shall be pre-numbered. Purchase orders and other control documents shall also be pre-numbered unless the school district clearly demonstrates that the use of pre-numbered documents would be inefficient. In such situations, adequate control shall be maintained by sequentially numbering the documents as they are used. The pre-numbering of documents insures that all such documents can be sequentially accounted for. Documents which are numbered by computer software will be allowed provided there are adequate controls to prevent the overriding of the computer program performing this function.

D. Personnel Files

There shall be individual personnel files in the school district central office which include contracts, a copy of teacher certificates, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals.

E. Receipt Files

All monies shall be receipted to the school district utilizing pre-numbered receipts (2 parts) and be maintained in a bound book or ledger. Under no circumstance shall monies be deposited to any bank account without a proper receipting of such monies. Any documentation necessary to support the receipts shall be maintained on file. All receipts shall include date, received from, amount, account classification and signature of receiver, at a minimum. Electronic transfers of funds should also have receipts assigned for reporting purposes. Receipt files should be prepared and filed by month. These files should contain receipts filed in numerical order along with all supporting documentation (i.e. remittance advices, etc.).

F. Paid Invoice Files

Paid invoice files are to be maintained in the following manner:

1. Paid invoice files shall contain all information necessary to support the payment transaction. School districts shall utilize a system of filing paid invoices which promotes easy access and review. Acceptable filing systems with appropriate supporting documentation include:
 - A. Filing paid invoices by fund and by check number or claim number.
 - B. Filing paid invoices by vendor in alphabetical order (PREFERRED).
 - C. Filing paid invoices by purchase order number.
 - D. Filing paid invoices by voucher number.

Upon receipt of all invoices, the district shall date the invoice as of the date it is actually received from the vendor.

Paid invoices shall be stamped "PAID" as a control feature to help prevent repayment. Paid invoices shall contain check number, claim number (if applicable), fund code, function code and object code. This could be accomplished by a cover sheet generated by your computer system and attached to the paid invoices.

G. Depository Reconciliations

All school districts are to properly reconcile all depository accounts monthly. This reconciliation should be completed in a timely manner. School districts shall maintain the bank statements intact following the reconciliation process. Cancelled checks may be pulled from the bank statements and filed numerically, only after an accurate and reliable reconciliation of the depository accounts has taken place. If canceled checks are filed numerically, all other remittance advises received in the bank statement shall be attached to, and filed with, the bank statement.

H. Quote or bid records

All school districts are to maintain quote or bid records which are cross-referenced to purchase orders, invoices and board approval, if applicable, to substantiate that applicable purchasing laws have been complied with. Records related to sealed bids received in response to advertisements are to be maintained in a bid file by bid number. Records related to quotes (bids obtained without formal advertising) may be maintained in a quote file by quote number or may simply be attached to, and filed with, the paid invoice. The school board's approved policies on purchasing should detail the district's procedures to be followed.

I. Petty Cash

A petty cash account may be established to handle small payments for incidental items that occur at the local school and/or at the district administrative office(s). This would include such items as postage, express charges, small supplies and similar items. The school board should approve policies and procedures in determining the amount, the designated person responsible for the petty cash account, determine if the person responsible shall be bonded, and provide adequate safeguards for the petty cash account. At no time shall any type loan, personal or otherwise, be made from the petty cash account. Transactions should be accounted for on a monthly basis.

The petty cash account will be established by writing a check on the district maintenance fund for the proper amount as authorized by the school board. The check will be made payable to the person who is responsible for the petty cash account. At no time should a petty cash account be established by writing a check on a fund which is under the control of the person who is responsible for the petty cash account.

Disbursements from the petty cash account shall be supported by invoices, statements, receipts or other documentation. This documentation shall remain with the petty cash account until the fund is replenished. The sum of this documentation and the remaining cash shall, at all times, be equal to the original amount of the petty cash account. This shall be periodically checked by the superintendent's office. The petty cash account will be replenished when the cash is nearly exhausted. Replenishment takes place by presenting an itemized listing of all disbursements with documentation to the superintendent's office. After verification by the superintendent's office, a check is written for the amount of the itemized listing and made payable to the person responsible. At this time the superintendent's office will enter the accounting data for the petty cash account disbursements into the accounting records.

J. Payroll Clearing Fund

A payroll clearing fund shall be established by each school district to account for salaries and the related salary withholdings paid from governmental funds. Each pay period the total gross amount of the payroll shall be transferred from the governmental funds to the payroll clearing fund. The gross amount transferred will be charged to the appropriate expenditure functions in the expenditure register of each governmental fund. The net payroll amounts due to school district personnel shall then be written from the payroll clearing fund. The matching portion of benefits paid by the LEA shall be transferred from the governmental funds to the payroll clearing fund. The LEA's portion transferred will be charged to the appropriate expenditure functions in the expenditure register of each governmental fund. The total amount due to outside entities for withholdings or benefits shall then be written from the payroll clearing fund. The payroll clearing fund shall be classified as an Agency Fund and maintained in a separate depository (bank) account.

K. Accounts Payable Clearing Fund

An accounts payable clearing fund shall be established by each school district to account for claims paid from the governmental funds. Each month the total dollar amount of claims is transferred from the governmental funds to the accounts payable clearing fund. The amounts transferred will be charged to the appropriate expenditure functions of each governmental fund. The amounts due to individual vendors will then be written from the accounts payable clearing fund. The accounts payable clearing fund shall be classified as an Agency Fund and maintained in a separate depository (bank) account.

L. Agency Funds

Agency Funds are custodial (assets equal liabilities) and thus do not involve measurement of results of operations. It is not necessary to budget Agency Funds. They include the clearing funds and the activity club accounts.

M. Unemployment Compensation Revolving Fund

School districts which maintain an unemployment compensation revolving fund shall make all payments to the Mississippi Employment Security Commission from this fund. The unemployment compensation revolving fund shall be replenished before June 30 of each year. Replenishment takes place when the balance in the fund falls below the required 2% of the first \$6,000 of covered wages for an individual calendar year and shall be accomplished by an operating transfer between funds. Expenditures to the Mississippi Employment Security Commission from the revolving fund shall be coded to the appropriate expenditure function as it related to the individual for which the payment has been made.

N. Interest Income

Interest income shall be recorded as revenue in the fund which invests the principal amount. The school district's Board of Education may transfer unrestricted interest income to the General Fund. Interest income in excess of \$100 per fiscal year shall be allocated back to the fund or funds from which the deposit or investment was made. Interest income of less than \$100 can be deposited directly to the district maintenance fund. The board shall adopt policies and procedures that would reasonably allocate interest earned in excess of \$100 per fiscal year. Special rules may apply to interest income on the investment of federal funds. It is advisable to contact the Mississippi State Department of Education or the Office of the State Auditor regarding the allocation of interest income on federal funds.

O. Depositories

Section 37-7-333, Mississippi Code Annotated (1972), state in part that "All such allotments or funds shall be placed in the depository or depositories selected by the school board in the same manner as provided in Section 27-105-305 for the selection of county depositories. Provided, however, the annual notice to be given by the school board to financial institutions may be given by the school board at any regular meeting subsequent to the board's regular December meeting but prior to the regular May meeting. The bids of financial institutions for the privilege of keeping school funds may be received by the school board at some subsequent meeting, but no later than the regular June meeting; and the selection by the school board of the depository or depositories shall be effective on July 1 of each year. School boards shall advertise and accept bids for depositories, no less than once every three (3) years, when such board determines that it can obtain a more favorable rate of interest and less administrative processing. Such depository shall place on deposit with the superintendent of schools the same securities as required in Section 27-105-315."

Section 27-105-315, Mississippi Code Annotated(1972) states that "(1) Any financial institution in a county, or in an adjoining county where there is no financial institution in the county qualifying, whose accounts are insured by the Federal Deposit Insurance Corporation or any successors to that insurance corporation may qualify as a county depository, if the institution qualifies as a public funds depository under Section 27-105-5 or a public funds guaranty pool member under Sections 27-105-5 and 27-105-6. The qualified financial institution shall secure those deposits by placing qualified securities on deposit with the State Treasurer as provided in Section 27-105-5."

(2) Notwithstanding the foregoing, any financial institution not meeting the prescribed ratio requirement whose accounts are insured by the Federal Deposit Insurance Corporation or any successors to that insurance corporation, may receive county funds in an amount not exceeding the amount that is insured by that insurance corporation and may qualify as a county depository to the extent of that insurance.

A memo dated September 15, 2001 from the Treasury Department of the State of Mississippi to Banks stated in part, "Pledging to the State Treasurer on behalf of public entities will begin on October 1, 2001. Arrangements with your particular Safekeeping Banks should be made to start implementation of such pledging on October the first."

P. Deferred Compensation Plans

Deferred compensation plans offer employees the opportunity to defer receipt of a portion of their salary and the related liability for federal income taxes. Several sections of the Internal Revenue Code (IRC) authorize certain state and local governments to provide deferred compensation plans for their employees. The deferred compensation plans of Mississippi school districts are the plans authorized by IRC Section 457. Liability for federal income taxes under IRC Section 457 plans is deferred until the funds are withdrawn by the participant or designated beneficiary in accordance with the terms of the agreement. The participant becomes eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency. Due to the implementation effective January 1, 1997 of changes made to the federal Internal Revenue Code in 1996, the deferred amounts and related earnings held by the Mississippi Deferred Compensation Plan (MDCP) are no longer accessible to the school district and its creditors; i.e., the assets are held by the MDCP for the exclusive benefit of the employees who made the deferrals. Consequently, the assets held by the MDCP and the related liability should not be reflected on the school district's financial statements for fiscal years ending on or after June 30, 1997.

Q. Single Audit Act

Mississippi public school districts will have single audits performed by the Mississippi State Auditor's Office or by an independent accounting firm for the fiscal year ending June 30, 1986, and for each succeeding fiscal year thereafter for which the school district is required to have a single audit performed. Federal cost-sharing can help, in part, to defray the cost of single audits. Reimbursement by the federal government is generally limited to the ratio of total federal assistance expended by the recipient during the year audited to the recipient's total expenditures for that year. The Mississippi State Department of Education shall have pass-through entity responsibilities for all Mississippi public school districts. School districts should contact the audit resolution officer with the Mississippi State Department of Education to resolve any audit findings that affect federal programs in their district.

R. Inventories

Purchased Food and Supplies

At or near the fiscal year-end, school personnel should take a physical inventory of the goods on hand. This would include supplies and food items. ***[NOTE: Guidance for items inventoried as fixed assets is provided in Section G of this manual.]*** The district should plan this process in advance and should provide inventory teams with detailed instructions regarding their function. The count should be recorded on worksheets that contain, at a minimum, the following information:

1. Number of units on hand
2. Description of units
3. Unit price
4. Total unit amount

The inventory on hand should be priced under the First-in, First-out (FIFO) method. Under FIFO, the most recent invoice price is assigned to the units remaining on hand. The grand total of the inventory on hand should be placed on the school district's balance sheet under the proper account (i.e., inventory of food, inventory of supplies, etc.) by making the necessary journal entries in the accounting records.

Donated Commodities

Procedures established by the Mississippi Department of Education's Child Nutrition Division should be followed. Details may be found in the Policy and Procedures Manual for Child Nutrition Programs.

S. Sixteenth Section Funds

The following statutes concerned with sixteenth section issues are presented for your convenience and review.

Section 29-3-113, Mississippi Code Annotated (1972):

The principal fund shall be a permanent township fund which shall consist of funds heretofore or hereafter derived from certain uses or for certain resources of school trust lands which shall be invested and, except as otherwise provided in this section, only the interest and income derived from such funds shall be expendable by the school district. The principal fund shall consist of:

- (a) Funds received for easements and rights-of-way pursuant to Section 29-3-91;
- (b) Funds received for sales of lieu land pursuant to Sections 29-3-15 through 29-3-25;
- (c) Funds received from any permanent damage to the school trust land;
- (d) Funds received from the sale of nonrenewable resources including but not limited to the sale of sand, gravel, dirt, clays and royalties received from the sale of mineral ores, coal, oil and gas;
- (e) Funds received from the sale of buildings pursuant to Section 29-3-77;
- (f) Funds received from the sale of timber; and
- (g) Funds received pursuant to Section 29-3-23(2).

It shall be the duty of the Board of Education to keep the principal fund invested in any direct obligation issued by or guaranteed in full as to principal and interest by the United States of America or in certificates of deposit issued by a qualified depository of the State of Mississippi as approved by the State Treasurer. The certificates of deposit may bear interest at any rate per annum which may be mutually agreed upon but in no case shall said rate be less than that paid on passbook savings. The Board of Education is likewise authorized to invest said funds in interest bearing deposits or other obligations of the types described in Section 27-105-33, as the same now is or may hereafter be amended, or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that one hundred percent (100%) of said funds are hereby authorized to be so invested. For the purposes of investment, the principal fund of each township may be combined into one or more district accounts; however, the docket book of the county superintendent shall at all times reflect the proper source of such funds. Provided that funds received from the sale of timber shall be placed in a separate principal fund account, and may be expended for any of the purposes authorized by law.

The Board of Education shall have authority to borrow such funds at a rate of interest not less than four percent(4%) per annum and for a term not exceeding twenty (20) years, for the erection, equipment or repair of said district schools, to provide local funds for any building project approved by the State Board of Education or to provide additional funds for forest stand improvement as set forth in Section 29-3-47. In addition, the board may borrow such funds under the same interest restrictions for a term not exceeding ten (10) years to provide funds for the purchase of school buses. The Board of Education of any school district in any county that has an aggregate amount of assets in its principal fund in excess of Five Million Dollars (\$5,000,000.00), may deduct an amount not to exceed Five Hundred Thousand Dollars (\$500,000.00) for the purpose of covering the cost of asbestos removal from school district buildings. Such asbestos removal shall be construed to constitute the repair of school district facilities as prescribed in Section 29-3-115. No school land trust funds may be expended after the annual payment date until the payment is made on such loan. The annual payment can be made from any funds available to the school district except minimum foundation program funds. It shall be unlawful for the Board of Education to borrow any sixteenth section school funds in any other manner than that prescribed herein, and if any such funds shall be borrowed or invested in any other manner, any officer concerned in making such loan and investment or suffering the same to be made in violation of the provisions of this section, shall be liable personally and on his official bond for the safety of the funds so loaned.

Section 29-3-115, Mississippi Code Annotated (1972)

The expendable funds derived from sixteenth section or lieu lands may be expended for the building and repair of schoolhouses, teachers' homes, and other school facilities, the purchase of furniture, school vehicles and equipment for same, the payment of teachers' salaries, and for all other purposes in operating and maintaining the schools of the district to which such funds belong for which other available school funds may be expended. Such funds may also be expended for clearing, draining, reforestation and otherwise improving any sixteenth section lands of township to which any such available funds may belong. Such funds may also be expended for the purpose of paying any drainage district taxes, costs, expenses, and assessments for which the sixteenth section may be liable, and in such case the same shall be paid by the board of education out of any funds which would otherwise be paid over to the school district entitled thereto under the provisions of sections 29-3-115 through 29-3-123. Such funds may also be expended to pay all reasonable and necessary attorneys' fees incurred to clear the title on any sixteenth section lieu lands located outside the county.

Section 29-3-119, Mississippi Code Annotated (1972)

- (1) Where there is only one (1) school district in the township to which the available funds belong, such school district shall be entitled to the whole of such funds, and the funds shall be handled in the manner set forth in this section.
- (2) In cases where a township having available funds is occupied by two (2) or more school districts or parts of school districts, the available funds of the township shall be divided between the districts lying wholly or partly within such township in proportion to the number of children residing in that portion of each district which lies within such township and who are enrolled in the schools of that district, as compared to the total number of children residing in such township and enrolled in the schools of all districts lying wholly or partly in that township. For such purpose, annual lists shall be made of all children who reside in the township and who are enrolled in the schools of each district lying wholly or partly in that township, which lists shall be made in accordance with Section 29-3-121. Municipal separate school districts shall be entitled to their pro rata part of such funds in the same manner as other school districts.
- (3) Where there is no child residing in a township in which funds are available for distribution and where one or more school districts embrace all or part of any such township, such funds shall be distributed in the following manner:
 - (a) Where any such township is located wholly within one (1) school district, the available township funds shall be distributed to that school district.
 - (b) Where any such township having such funds available for distribution is located either in whole or in part in two (2) or more school districts, such available funds shall be distributed to the two (2) or more school districts in proportion to the number of children residing in that part of the two (2) or more school districts which is common or coextensive to each of the school districts, distribution being made on the basis of the enrollment of the school children in their respective school districts.
- (4) The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the "custodial school district") shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district's pro rata share of the available township funds, as determined from the lists of children prepared pursuant to Section 29-3-121, promptly after collecting such funds. The custodial school district shall make its books and records pertaining to the income and funds of any shared township available for inspection and copying to all other school districts sharing in the income from the township upon reasonable notice of such request. Any district entitled to such funds which is not paid promptly may assert a claim against the custodial school district for its share of the funds not later than twelve (12) months from the end of the calendar year in which the custodial school district collected such funds.

Section 29-3-121, Mississippi Code Annotated (1972):

It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year, and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year, as provided by Section 29-3-119. The superintendent of the custodial school district shall make such lists available, upon request, to each school district sharing in the revenues of the township. Any school district failing to timely provide the list to the superintendent of the custodial school district shall forfeit its right to such funds unless the school board of the custodial school district and the school board of the other district or districts entitled to such funds have executed a written agreement providing for the distribution of such funds in a manner agreed upon by the school districts. All such lists shall be retained and preserved by the superintendent of the custodial school district as a public record. Such lists shall not be made, however, as to any township which is wholly within one (1) school district. If any superintendent of a school district participating in the division of such funds shall challenge in writing the accuracy of any such list, the Office of the State Auditor, upon receipt of such challenge, may, in its discretion, order and arrange for and supervise a recount of the children enrolled in the schools of such district and who reside in such district. All costs incurred in conducting the recount shall be borne by the challenging district and the district in which the recount is conducted on a pro rata basis, as determined from the results of the recount. Such costs may be paid from the school district's share of the available township funds. Such recount, when obtained, shall supersede the original list for the purposes of Sections 29-3-115 through 29-3-123.

The following information is presented to help clarify the statutes reported above.

Principal Funds

A single sixteenth section principal fund should be established for all townships where the land area encompasses a single school district. All transactions should be accounted for within this one fund.

If an individual township's land area includes the land area of two or more school districts, then a separate principal fund should be established to account for transactions resulting from the generation of revenue from the sixteenth section land within that individual township that is legally required to be placed in a sixteenth section principal fund. This will facilitate the division of shared sixteenth section principal fund's net income.

Sources of Funds:

1. Easements and right-of-ways.
2. Permanent damages.
3. Sale of lieu lands.
4. Sale of 16th Section lands for industrial purposes.
5. Sale of non-renewable resources; sand, gravel, dirt, clay, royalties from mineral ores, coal, oil and gas.
6. Sale of buildings.
7. Interest on investments and loans.
8. Pro rata revenue from other districts.

Uses of Funds:

1. Purchase of investments.
2. Purchase of lieu lands
3. Loans for school building purposes, forest stand improvements and purchase of school buses.
4. Transfer of expendable revenues to the district maintenance fund or a building fund by board order.

Interest Funds

A single sixteenth section interest fund should be established for all townships where the land area encompasses a single school district. All transactions should be accounted for within this one fund.

If an individual township's land area includes the land area of two or more school districts, then a separate sixteenth section interest fund should be established to account for transactions resulting from the generation of revenue from the sixteenth section land within that individual township that is legally required to be placed in a sixteenth section interest fund. This will facilitate the division of shared sixteenth section interest fund's net income.

Sources of Funds:

1. Oil, gas and mineral leases, including bonus or delay rental payments.
2. Payments from agriculture, residential, commercial, industrial or other leases.
3. Interest on investments.
4. Sale of timber (optional).
5. Transfers from other funds.
6. Pro rata revenue from other districts.

Uses of Funds:

1. Purchase of investments.
2. Transfers to the district maintenance fund or to a building fund by board order.
3. Pay drainage district taxes and assessments.
4. Improvement of sixteenth section lands.
5. Cost of land reclassifications.
6. Board authorized attorney fees.

Forestry Escrow Fund

Section 29-3-47 of the Mississippi Code establishes the forestry escrow fund for the school district. A portion of this section reads: "For its services the state forestry commission shall be entitled to receive its actual expenses incurred in the discharge of the duties herein imposed. In order to provide funds with which to pay for the general supervision and sale of forest products, fifteen percent (15%) of all receipts from the sales of forest products shall be placed by the board in a forestry escrow fund and reserved to pay for work performed by the state forestry commission. Such payments shall be equal to the actual expenses incurred by the commission as substantiated by itemized bills presented to the board."

Section 29-3-45 of the Mississippi Code gives direction for the management of sixteenth section lands. A portion of this section read: “The board of education shall by order placed upon its minutes, enter into an agreement with the State Forestry Commission for the general supervision and management of all lands classified as forest lands, as here in above provided, and of all timber under the control of the board on sixteenth section lands, and lieu lands which have not been so classified; however, any school board may contract with private persons or businesses for the reforestation of sixteenth section lands. When such agreement has been entered into, no timber shall be sold from any of said sixteenth section lands or lieu lands except such as have been marked for cutting by the State Forestry Commission's employees, and the said Forestry Commission, or its designated employee, shall fix the minimum total cash price or minimum price per unit, one thousand (1,000) feet or other measure, at which said marked timber shall be sold. Said sales may be made for a lump sum or upon a unit price as in the opinion of the board may be calculated to bring the greatest return. Sales shall be made upon such other terms and conditions as to manner of cutting, damages for cutting of unmarked trees, damages to trees not cut and other pertinent matters as the Board of Education shall approve.”

Sources of Funds:

1. 15 % of timber and forest product sales.
2. Interest on investments.

Uses of Funds:

1. Purchase of investments.
2. Payment of itemized invoices submitted by the Mississippi Forestry Commission.
3. Transfer of any excess of legally restricted funds, as determined by written documentation from the Mississippi Forestry Commission.
4. Transfer of expendable revenues to the district maintenance fund or to a building fund by board order.

T. Tuition

Tuition shall be defined as the money paid to another school district for the purpose of providing educational services for students attending the other school district. This would include the money transferred to another school district for providing the basic education for transfer students (when the agreement calls for tuition to be paid) or for other agreed upon services (e.g., vocational education, alternative school programs, special education, pupil transportation, etc.). The tuition expenditure of the district transferring the students should be accounted for under the appropriate instructional expenditures function with the tuition expenditure object code. The district receiving the students should account for the tuition revenue under the local revenue code.

U. Ad Valorem Tax Requests, Escrow and Shortfall Calculations

Section 37-57-104, Mississippi Code Annotated (1972), required in part that “Each school board shall submit to the levying authority for the school district a certified copy of an order adopted by the school board requesting an ad valorem tax **effort in dollars for the support** of the school district. The copy of the order shall be submitted by the school board when the copies of the school district's budget are filed with the levying authority pursuant to Section 37-61-9.”

Section 37-57-105, Mississippi Code Annotated (1972), states in part, "In addition to the taxes levied under Section 37-57-1 the levying authority for the school district, as defined in Section 37-57-1, upon receipt of a certified copy of an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars for the support of the school district, shall, at the same time and in the same manner as other ad valorem taxes are levied, levy an annual ad valorem tax in the amount fixed in such order upon all of the taxable property of such school district, which shall not be less than a millage rate necessary to generate funds equal to the "district entitlement" as defined in Section 37-22-1(2)(e) or the millage rate certified by the State Board of Education as the uniform minimum school district ad valorem tax levy, **whichever is less**, including the amount of millage levied for the support of the minimum education program in such school district under Section 37-57-1."

Section 37-57-1, Mississippi Code Annotated (1972), states in part, "On or before September 1 of each year, the State Board of Education shall certify to the levying authority for each school district the amount of the minimum local ad valorem tax effort in dollars required of such school district for the current fiscal year under the provisions of Chapter 19 of this title. The levying authority for the school district shall, at the same time and in the same manner as other taxes are levied by the levying authority, levy a tax for the then current fiscal year for the support of the minimum education program upon all of the taxable property of the school district. Such tax shall be expressed in mills or a decimal fraction of a mill, and shall be at such a rate as will, when applied to the assessed valuation of the school district according to the assessment rolls of the county or municipality, as the case may be, produce a sum of money which is equal to the amount which said school district is required to contribute as its minimum local ad valorem tax effort under the provisions of Chapter 19 of this title. However, in no case shall the minimum local ad valorem tax effort for any school district be equal to an amount that would require a millage rate exceeding fifty-five (55) mills in that school district. Provided, however, that if a levying authority is levying in excess of fifty-five (55) mills on July 1, 1997, the levying authority may levy an additional amount not exceeding three (3) mills in the aggregate for the period beginning July 1, 1997, and ending June 30, 2003, subject to the limitation on increased receipts from ad valorem taxes prescribed in Sections 37-57-105 and 37-57-107. Nothing in this subsection shall be construed to require any school district that is levying more than fifty-five (55) mills pursuant to Sections 37-57-1 and 37-57-105 to decrease its millage rate to fifty-five (55) mills or less. In making such levy, the levying authority shall levy an additional amount sufficient to cover anticipated delinquencies and costs of collection so that the net amount of money to be produced by such levy shall be equal to the amount which the school district is required to contribute as its said minimum local ad valorem tax effort. The tax so levied shall be collected by the tax collector at the same time and in the same manner as other ad valorem taxes are collected by him. The amount of taxes so collected as a result of such levy shall be paid into the minimum education program fund of the school district by the tax collector at the same time and in the same manner as reports and payments of other ad valorem taxes are made by said tax collector, except that the amount collected to defray costs of collection may be paid into the county general fund. The levying authority shall have the power and authority to direct and cause warrants to be issued against such fund for the purpose of refunding any amount of taxes erroneously or illegally paid into such fund where such refund has been approved in the manner provided by law."

Section 37-57-107, Mississippi Code Annotated (1972), states "Beginning with the tax levy for the 1997 fiscal year and for each fiscal year thereafter, the aggregate receipts from taxes levied for school district purposes pursuant to Sections 37-57-105 and 37-57-1 shall not exceed the aggregate receipts from those sources during any one (1) of the immediately preceding three (3) fiscal years, as determined by the school board, plus an increase not to exceed seven percent (7%). For the purpose of this limitation, the term "aggregate receipts" when used in connection with the amount of funds generated in a preceding fiscal year shall not include excess receipts required by law to be deposited into a special account, and shall not include amounts received by school districts from the School Ad Valorem Tax Reduction Fund pursuant to Section 37-61-35. The additional revenue from the ad valorem tax on any newly constructed properties or any existing properties added to the tax rolls or any properties previously exempt which were not assessed in the next preceding year may be excluded from the seven percent (7%) increase limitation set forth herein. Taxes levied for payment of principal of and interest on general obligation school bonds issued heretofore or hereafter shall be excluded from the seven percent (7%) increase limitation set forth herein. Any additional millage levied to fund any new program mandated by the Legislature shall be excluded from the limitation for the first year of the levy and included within such limitation in any year thereafter. For the purposes of this section, the term "new program" shall include, but shall not be limited to, (a) the Early Childhood Education Program required to commence with the 1986-1987 school year as provided by Section 37-21-7 and any additional millage levied and the revenue generated therefrom, which is excluded from the limitation for the first year of the levy, to support the mandated Early Childhood Education Program shall be specified on the minutes of the school board and of the governing body making such tax levy, (b) any additional millage levied and the revenue generated therefrom which shall be excluded from the limitation for the first year of the levy, for the purpose of generating additional local contribution funds required for the minimum education program for the 1987 fiscal year and for each fiscal year thereafter through the 1996 fiscal year under Section 37-19-35; (c) any additional millage levied and the revenue generated therefrom which shall be excluded from the limitation for the first and each subsequent year of the levy, for the purpose of generating additional local contributions mandated under Section 37-57-105 requiring the board of trustees of a school district to reach the millage levy certified by the State Board of Education as the uniform minimum school district ad valorem tax levy or the millage levy which would generate funds in an amount equal to a school district's "district entitlement" as defined in Section 37-22-1(2)(e); and (d) any additional millage levied and the revenue generated therefrom which shall be excluded from the limitation for the first year of the levy, for the purpose of support and maintenance of any agricultural high school which has been transferred to the control, operation and maintenance of the school board by the board of trustees of the community college district under provisions of Section 37-29-272.

The seven percent (7%) increase limitation prescribed in this section may be increased an additional amount only when the school board has determined the need for additional revenues and has held an election on the question of raising the limitation prescribed in this section. The limitation may be increased only if three-fifths (3/5) of those voting in the election shall vote for the proposed increase. The resolution, notice and manner of holding the election shall be as prescribed by law for the holding of elections for the issuance of bonds by the respective school boards. Revenues collected for the fiscal year in excess of the seven percent (7%) increase limitation pursuant to an election shall be included in the tax base for the purpose of determining aggregate receipts for which the seven percent (7%) increase limitation applies for subsequent fiscal years.

Except as otherwise provided for excess revenues generated pursuant to an election, if revenues collected as the result of the taxes levied for the fiscal year pursuant to this section and Section 37-57-1 exceed the increase limitation, then it shall be the mandatory duty of the school board of the school district to deposit such excess receipts over and above the increase limitation into a special account and credit it to the fund for which the levy was made. It will be the further duty of such board to hold said funds and invest the same as authorized by law. Such excess funds shall be calculated in the budgets for the school districts for the purpose for which such levies were made, for the succeeding fiscal year. Taxes imposed for the succeeding year shall be reduced by the amount of excess funds available. Under no circumstances shall such excess funds be expended during the fiscal year in which such excess funds are collected.

For the purposes of determining ad valorem tax receipts for a preceding fiscal year under this section, the term "fiscal year" means the fiscal year beginning October 1 and ending September 30."

To help the school district better understand the above referenced calculations, the following forms are presented on the next three pages:

1. "Ad Valorem Tax Request for Operations Calculation Form"
2. "Ad Valorem Tax Escrow Calculation Form"
3. "Shortfall Calculation Form"

The school district is encouraged, but not required, to use or refer to these forms when making its ad valorem tax requests, ad valorem tax escrow and/or shortfall calculations.

Ad valorem tax collections which are in excess of the legal limitation will be reported as a fund equity reserve for ad valorem in the district maintenance fund (General Fund). A separate fund is not required to account for the excess collections.

Ad Valorem Tax Request for Operations Calculation Form

Calculation of Ad Valorem Tax Request for Operations

[NOTE: The district is allowed to choose any of the three previously completed fiscal years in determining the base. A fiscal year is defined as beginning October 1 and ending September 30, per Section 37-57-107, Mississippi Code Annotated (1972).]

Base Calculation:

Ad valorem tax received from October 1 through September 30 (for the base year to be used). _____

Homestead reimbursement received from October 1 through September 30 (for the base year to be used). _____

Add:

[NOTE: Prior fiscal year is considered to be from July 1 through June 30 for the base years used above.]

Ad valorem tax reduction funds received during the prior fiscal year. _____

Ad valorem tax escrow at beginning of the prior fiscal year. _____

Shortfall notes issued for the prior fiscal year. _____

Deduct:

Ad valorem tax escrow at end of the prior fiscal year. _____

Total Base Amount _____

Percentage increase allowable _____

New program(s) - includes Equity Funding increase, if applicable. _____

New property _____

Subtotal _____

Deduct:

Ad valorem tax reduction funds to be received for the request year. _____

Ad valorem tax escrow at the end of the prior fiscal year. _____

Total Ad Valorem Tax Requested for Operations **[See NOTE 1 below]** _____

Allocation of Total Ad Valorem Tax Requested for Operations [See NOTE 2 below]

Minimum Program (Section 37-57-1) _____

District Maintenance (Section 37-57-105) _____

NOTE 1: Proper communication between you and your levying authority is essential. Communicate to your levying authority that your district is requesting this amount in total and the total should be allocated as noted above. There should be no doubt that Homestead Reimbursement is to be considered by the levying authority in its calculation of the levies and not a concern of the school district at this point.

NOTE 2: Debt service requirements and/or other requested amounts should be listed separately and by statutory authority(ies).

Ad Valorem Tax Escrow Calculation Form

Base Calculation:

[NOTE: The district is allowed to choose any of the three previously completed fiscal years in determining the base. A fiscal year is defined as beginning October 1 and ending September 30, per Section 37-57-107, Mississippi Code Annotated (1972).]

[NOTE: The district should rework the "Ad Valorem Request for Operations Calculation Form" prepared at the beginning of the fiscal year using actual amounts instead of estimated amounts, if estimations were used in the request.]

Ad valorem tax received from October 1 through September 30 (for the base year to be used) _____

Homestead reimbursement received from October 1 through September 30 (for the base year to be used) _____

Add: *[NOTE: Prior fiscal year is considered to be from July 1 through June 30 for the base years used above.]*

Ad valorem tax reduction funds received during the prior fiscal year _____

Ad valorem tax escrow at beginning of the prior fiscal year _____

Shortfall notes issued for the prior fiscal year _____

Deduct: Ad valorem tax escrow at end of the prior fiscal year _____

Total Base Amount _____

Percentage increase allowable _____

New program(s) - includes Equity Funding increase, if applicable _____

New property _____

Subtotal _____

Deduct: Ad valorem tax escrow at the end of the prior fiscal year _____

Total Ad Valorem Tax Allowed _____

Determination of Tax Escrow:

[Note: District Maintenance and Minimum Program fund revenue only] _____

Ad valorem tax received during 7/1 through 6/30 for the current fiscal year. _____

Homestead reimbursement received during 7/1 through 6/30 for the current fiscal year. _____

Ad valorem tax escrow at the end of the prior fiscal year, if applicable. _____

Total Receipts _____

Less: Total Ad Valorem Tax Allowed from above _____

Amount of Ad Valorem Tax to Escrow _____

[NOTE: If Tax Escrow calculation results in a negative amount, complete the "Ad Valorem Shortfall Calculation Form" worksheet.]

Shortfall Calculation Form

Shortfall Borrowing

Total local source revenues budgeted as sent to the levying authority: _____

[NOTE: Include estimated ad valorem revenue and/or revenues from local sources for the district maintenance fund. The debt service fund(s) would require a separate calculation.]

Less: Revenues received from 7/1 through 6/30 for the current fiscal year. _____

Ad valorem receipts includes:

Ad valorem tax received from 7/1 through 6/30 for the current fiscal year _____

Homestead reimbursement received during from 7/1 through 6/30 for the current fiscal year _____

Ad valorem tax reduction funds received from 7/1 through 6/30 for the current fiscal year _____

Ad valorem tax escrow at the end of the prior fiscal year, if applicable _____

Total Receipts _____

Other local source revenues received from 7/1 through 6/30 for the current fiscal year, if used.

Total actual receipts _____

Total amount allowed for shortfall borrowing _____

Section 37-57-108, Mississippi Code Annotated(1972): In the event that the amount of revenue collected or estimated to be collected from local sources, on behalf of a school district during a fiscal year, is less than the amount provided for in the duly adopted budget of said school district for the fiscal year, then the school district may issue promissory notes in an amount and in the manner set forth in Section 27-39-333, not to exceed the estimated shortfall of revenue from local sources, but in no event to exceed twenty-five percent (25%) of its budget anticipated to be funded from the sources of the shortfall for the fiscal year. A school district issuing notes under the provisions of this section shall not be required to publish notice of its intention to do so or to secure the consent of the qualified electors or the tax levying authority of such school district.

Section 27-39-333, Mississippi Code Annotated (1972): Any political subdivision which, during a fiscal year, estimates that the amount of the ad valorem taxes or other anticipated revenue from local sources to be collected therein is less than the amount estimated at the time of formulation of its budget for the fiscal year due to circumstances which were unanticipated at the time of formulation of the budget and which will prevent the political subdivision from meeting its financial obligations may, with the approval of the levying authority for such political subdivision, issue promissory notes in an amount equal to the estimated shortfall of ad valorem taxes and/or revenue from local sources but in no event to exceed twenty-five percent (25%) of its budget anticipated to be funded from the sources of the shortfall for the fiscal year.

V. Revenue and Expenditure/Expense Recognition

Revenue RecognitionModified Accrual Basis:

Revenues are defined as an increase in the governmental unit's current financial resources. Revenues 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 revenue is subject to reasonable estimation. Revenues are available when the revenue is 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.

Accrual Basis:

Revenues are recognized when the earning process is complete or virtually complete and an exchange has taken place. Accrual accounting attempts to record the financial effects on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the enterprise. Accrual accounting is concerned with the process by which cash expended on resources and activities is returned as more(or perhaps less) cash to the enterprise, not just with the beginning and end of the process.

The essential elements of the accrual accounting method include:

1. The deferral of expenditures and the subsequent amortization of the deferred costs (prepaid expenses, supplies, etc.),
2. The deferral of revenues until they are earned (property taxes received in advance).
3. The capitalization of certain expenditures and the subsequent depreciation of the capitalized costs (depreciation of cost of machinery), and
4. The accrual of revenues that have been earned and expenses that have been incurred.

Recognizing revenue under both methods of accounting normally results in recording certain receivables (assets). These receivables consist of the uncollected but realized portions of the related revenue recognized for the current period.

A liability account (deferred revenue) results for certain cash and asset transactions when they are measurable but not yet earned. Cash received in advance and assets such as donated commodities received and valued under the consumption method of inventory valuation are reported as deferred revenue (liability account) in these cases. The revenue is recognized when these type transactions have met both the measurable and earned criterion.

Federal reimbursable programs stipulate that federal money is not available to school districts until such time it is earned. Being earned generally means that the school district must incur the expense. For this reason, should a school district receive money in advance for a reimbursable program, then that revenue should be recorded as a deferred revenue. The school district would recognize the revenue at the point in time the expenditures occur.

Expenditure/Expense Recognition

Expenditures are recognized when the related liability is incurred, if measurable, except for interest and principal on general long-term debt, which is recognized when due and payable. Expenditures should be accrued at the end of the year when they are expected to use expendable financial resources. Generally, this means that expenditures that will be paid within a short period after the year-end are subject to year end-end accrual.

Accrual Basis:

Accrual accounting attempts to record the financial effects on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the enterprise. Accrual accounting is concerned with the process by which cash expended on resources and activities is returned as more(or perhaps less) cash to the enterprise, not just with the beginning and end of the process.

The essential elements of the accrual accounting method include:

1. The deferral of expenditures and the subsequent amortization of the deferred costs (prepaid expenses, supplies, etc.),
2. The deferral of revenues until they are earned (property taxes received in advance).
3. The capitalization of certain expenditures and the subsequent depreciation of the capitalized costs (depreciation of cost of machinery), and
4. The accrual of revenues that have been earned and expenses that have been incurred.

W. Revenue Anticipation Notes

Section 37-59-37, Mississippi Code Annotated (1972) states, " The school board of any school district shall have the power and authority to borrow money for the anticipated current year's expenses of such school district in anticipation of the collection of ad valorem taxes and other revenues of such school district for the then current fiscal year. The money so borrowed shall bear interest at a rate not greater than that allowed in Section 75-17-105 and shall be repaid within fourteen (14) months from the date of such borrowing out of the taxes and revenues in anticipation of which such money is borrowed. Such money shall be used for no other purpose than the payment of the current year's expenses of such school district. Pending the expenditure of funds borrowed under the provisions of this section, such funds may be invested in any manner in which any school district, municipality, county, state agency or other public body may invest surplus funds.

The amount borrowed under the provisions of this section shall in no event exceed the estimated amount of taxes and revenues collected or to be collected during the last preceding fiscal year, unless the tax levy for the current fiscal year has been made, then the amount borrowed under the provisions of this section shall in no event exceed the estimated amount of taxes and revenues collected or to be collected during the current fiscal year. Revenue anticipation notes issued under the provisions of this section shall be issued within the same fiscal year during which the tax levy is or will be made and other revenues received which it is anticipated will produce the funds from which the said notes will be repaid.

In borrowing money under the provisions of this section, it shall not be necessary to publish notice of intention so to do or to secure the consent of the qualified electors of such school district, either by election or otherwise. Such borrowing shall be authorized by order or resolution of the school board and may be evidenced by negotiable note or notes, signed and executed in such form as may be prescribed in such order or resolution. Such note or notes may be sold at a negotiated sale. Money may be borrowed in anticipation of ad valorem taxes and other revenues under the provisions of this section, regardless of whether or not such borrowing shall create an indebtedness in excess of statutory limitations.

Money may likewise be borrowed by any such school district, as herein provided, for the purpose of paying current interest maturities on any bonded indebtedness of such school district in anticipation of the collection of taxes for the retirement of such bonded indebtedness and the payment of any interest thereon.”

Section 37-59-37, Mississippi Code Annotated (1972), allows Mississippi public school districts to borrow during the fiscal year in anticipation of the collection of ad valorem taxes and other revenues of the school district for that fiscal year. The statute requires that the money so borrowed "... shall be repaid within fourteen (14) months from the date of such borrowing." However, since the statute further requires that the repayment is to be made "... out of the taxes and revenues in anticipation of which such money is borrowed", the notes are technically still required to be repaid by the end of the fiscal year.

This latter repayment requirement is also deemed to be met if the repayment amount is escrowed at the fiscal year-end as provided for by the Mississippi School Boards Association (MSBA) Cash Flow Management Program. Since the amount that can be borrowed under the above statute may exceed the amount exempt from federal arbitrage requirements and because of the other potential benefits offered, school districts are encouraged to participate in this MSBA program.

X. Capital Projects Fund

A Capital Projects Fund is used to account for the purchase, construction or major renovation of a school district facility. Expenditures from a Capital Projects Fund are primarily classified under the facilities acquisition and construction services function. It is permissible to use other available functions for items that do not fall into the facilities acquisition and construction services area. Capital Projects Funds are ordinarily not used to account for the acquisition of short lived assets (furniture, fixtures, equipment, etc.), unless the financing of these items is an inseparable part of the major project. Normally, these items would be financed and accounted for in the General or Special Revenue Funds.

A separate fund must be used when the project is to be financed by a note or bond issue.

Y. Debt Issues

General Long-Term Debt Account Group

All long-term liabilities not accounted for in a proprietary fund must be presented in the General Long-Term Debt Account Group. Long-term liabilities included consists of bonds, notes, loans, capital leases, judgements, if long term, compensated absences and other liabilities that are long-term in nature. Any past due general long-term debt principal payments would be reduced from the General Long-Term Debt Account Group and recorded as current liability within the fund repaying the debt.

The long-term liability credit accounts reported in the account group will be offset with debit accounts titled "Amount Available in Debt Service Funds" or "Amount to be Provided for Retirement of General Long-Term Debt". The "Amount Available in Debt Service Funds" account should agree in amount with the related Debt Service fund balance(s). Any remaining amount needed to balance the account group's credit amounts would be reported within the "Amount to be Provided for Retirement of General Long-Term Debt".

Expendable resources used to repay the long-term debt principal and interest costs are accounted for within Funds classified as Debt Service Funds. No fund liabilities would be reported unless a payment of principal or interest is past due.

Debt Service Funds

As described earlier, Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Generally, Debt Service Funds are used when a tax levy is in place to repay a particular debt of the school district. If accumulation of resources is not necessary (e.g., repayment of sixteenth section principal fund loans), then a Debt Service Fund is not necessary and repayment can be made directly from an appropriate operating fund of the school district.

A separate Debt Service Fund is to be used for each levy established by the district's levy authority.

Once the purpose for which the Debt Service Fund was used has been fulfilled, then the Debt Service Fund is "closed out" and any remaining funds are handled in accordance with state statutes [Section 27-105-367, Mississippi Code Annotated (1972)].

Z. Debt Extinguishment (Advance Refunding)

The following guidance on accounting for, and disclosure of, advance refunding that result in defeasance of debt is based on Section D20 of the Codification of Governmental Accounting and Financial Reporting Standards (Codification) as of June 30, 1995, published by the Governmental Accounting Standards Board (GASB).

In an advance refunding transaction, 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. Defeasance of debt can be either legal or in-substance. A legal defeasance occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. An in-substance defeasance occurs when debt is considered defeased for accounting and financial reporting purposes, as discussed below, 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 balance sheet; only the new debt, if any, is reported as a liability.

Debt is considered defeased in-substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt, and the possibility that the debtor will be required to make future payments on that debt is remote. The trust is restricted to owning only monetary assets that are essentially risk-free as to the amount, timing and collection of interest principal. Section D20.103 of the Codification provides further guidance as to what constitutes "risk-free."

Debt may be advance refunded for a variety of reasons. However, the most common reason debt is advance refunded is to take advantage of lower interest rates.

The accounting and reporting requirements for advance refunding vary depending on whether the debt is general long-term debt or debt of Proprietary and similar Trust Fund types. The following guidance only addresses general long-term debt; refer to Section D20 of the Codification for guidance regarding debt of Proprietary and similar Trust Fund types.

For advance refunding resulting in defeasance of debt reported in the General Long-term Debt Account Group, the proceeds of the new debt should be reported as an Other Financing Source under Revenue Function Code #6150, "Proceeds of Refunding Bonds." Payments to the escrow agent from resources provided by the new debt should be reported as an Other Financing Use under Expenditure/Expense Function Code #7500, "Payment to Refunded Bond Escrow Agent." Payments to the escrow agent made from other resources of the entity (e.g., from monies in the old Debt Service Fund) should be reported as Debt Service Expenditures under Expenditure/Expense Code #6300, "Advance Refunding Escrow."

The transactions discussed above should be reported in the fund receiving the proceeds; in most cases, this will mean that the transactions should be reported (1) in the Debt Service Fund used to pay the debt that was advance refunded or (2) in a new Debt Service Fund established just to report the proceeds of the refunding bonds and the payments to the escrow agent. A new Debt Service Fund should be used in order to show clearing on the accounting records that the refunding proceeds were transferred to an escrow agent rather than being used to directly retire the old debt or as debt service for the new debt.

The total proceeds from the new debt, including the proceeds paid directly to the escrow agent by the purchaser of the new bonds or by another party, should be reported in the applicable fund. Issuance costs paid from the bond proceeds, whether through the school district or directly by another party, should be recorded as Debt Service Expenditures under Expenditure/Expense Function Code #6900, "Other."

The General Long-term Debt Account Group should be adjusted to remove the old debt defeased and to add the new debt.

A general description of the advance refunding should be provided in the notes to the financial statements in the year of the refunding. At a minimum, the disclosures should include (a) the difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding and (b) the economic gain or loss resulting from the transaction. For each subsequent fiscal year following an advance refunding for which debt defeased in substance remains outstanding, the amount of the debt, if any, outstanding at the fiscal year-end should be disclosed. Refer to Sections D20.111 through D20.616 of the Codification for further guidance on these disclosures and the related calculations.

AA. Compensated Absences

Section 37-7-307(5), Mississippi Code Annotated(1972), requires that "Upon retirement from employment, each licensed and nonlicensed employee shall be paid for not more than thirty (30) days of unused accumulated leave earned while employed by the school district in which the employee is last employed. Such payment for licensed employees shall be made by the school district at a rate equal to the amount paid to substitute teachers and for nonlicensed employees, the payment shall be made by the school district at a rate equal to the federal minimum wage. The payment shall be treated in the same manner for retirement purposes as a lump sum payment for personal leave as provided in Section 25-11-103(e). Any remaining lawfully credited unused leave, for which payment has not been made shall be certified to the Public Employees' Retirement System in the same manner and subject to the same limitations as otherwise provided by law for unused leave."

GASB 16 establishes the basic concept that a liability for compensated absences should be recorded when future payments for such absences have been earned by employees. Thus, the Statement establishes the basic principle that there should be no accrual for compensated absences that are dependent on the performance of future services by employees, or when payments are dependent on future events that are outside the control of the employer and employees.

Recognition of Expenditure:

Only the portion of the estimated future payments for compensated absences that will use current expendable resources should be reported as a liability of the governmental fund. Consequently, each school district will probably have a liability for compensated absences for licensed and non-licensed employees that it will need to reflect in its general purpose financial statements.

Each school district should determine its liability for compensated absences at least annually and account for such liability in accordance with the guidance provided in GASB Statement 16. The forms presented on the following pages should be used or consulted in calculating the liability for compensated absences.

Liability for Compensated Absences
As of June 30, 20__

Section 1: Total Liability for Compensated Absences is Computed as Follows:

Total liability for compensated absences for licensed employees (Section 2)	
Total liability for compensated absences for non-licensed employees (Section 3)	
Total liability for compensated absences	

Section 2: Liability for Compensated Absences for Licensed Employees can be Computed as Follows:

(Estimated Days Payable = Days Leave Accumulated x Probability Factor)

<u>Category</u>	<u>Years of Service</u>	<u>Probability Factor</u>
A	25 years or more	100%
B	At least 20 but < 25	90%
C	At least 15 but < 20	60%
D	At least 10 but < 15	40%
E	At least 5 but < 10	20%
F	Under 5 year	10%

[Note: Complete an Attachment 1 for each category reflected above.]

(Liability for Salaries Only = Total Estimated Days Payable x Daily Rate of Pay for Substitute Teachers)

	Estimated <u>Days Pay.</u>
Total for Category A from Page ____ of Attachment 1	
Total for Category B from Page ____ of Attachment 1	
Total for Category C from Page ____ of Attachment 1	
Total for Category D from Page ____ of Attachment 1	
Total for Category E from Page ____ of Attachment 1	
Total for Category F from Page ____ of Attachment 1	
Total estimated days payable	
Daily rate of pay for substitute teachers	
Liability for salaries only	
Add: Employer's share of FICA on salary (7.65%)	
Employer's share of PERS contribution on salary (9.75%)	
Total liability for compensated absences for licensed employees	

Liability for Compensated Absences
As of June 30, 20__

Section 3: Liability for Compensated Absences for Non-licensed Employees can be Computed as Follows:

(Estimated Days Payable = Days Leave Accumulated x Probability Factor)

<u>Category</u>	<u>Years of Service</u>	<u>Probability Factor</u>
A	25 years or more	100%
B	At least 20 but < 25	90%
C	At least 15 but < 20	60%
D	At least 10 but < 15	40%
E	At least 5 but < 10	20%
F	Under 5 years	10%

[Note: Complete an Attachment 2 for each category reflected above.]

(Liability for Salaries Only = Total Estimated Days Payable x Daily Rate of Pay at Federal Minimum Wage)

	<u>Estimated Days Pay.</u>
Total for Category A from Page ___ of Attachment 2	_____
Total for Category B from Page ___ of Attachment 2	_____
Total for Category C from Page ___ of Attachment 2	_____
Total for Category D from Page ___ of Attachment 2	_____
Total for Category F from Page ___ of Attachment 2	_____
Total estimated days payable	_____
Daily rate of pay at federal minimum wage	_____
Liability for salaries only	_____
Add: Employer's share of FICA on salary (7.65%)	_____
Employer's share of PERS contribution on salary (9.75%)	_____
Total liability for comp. absences for non-licensed employees	=====

BB. Accounting for Sixteenth Section Leases

Modified Accrual Basis

A. A ten year sixteenth section surface lease contract was signed with yearly payments of \$1,000. The lessee paid \$10,000 at the signing of the lease. The lease transactions for this situation would be recorded as follows:

1.	The first year:	<u>Debit</u>	<u>Credit</u>
	Cash	\$10,000	
	Surface leases (Revenue code 5110)		\$10,000

2. The second year and following:

“No entry would be required. Under the modified accrual basis of accounting revenues are recognized when they are both measurable and available.”

B. A ten year sixteenth section surface lease contract was signed with yearly payments of \$1,000. The lessee paid \$1,000 at the signing of the lease and intentions are to make yearly payments as scheduled in the lease agreement. The lease transactions for this situation would be recorded as follows:

1.	The first year:	<u>Debit</u>	<u>Credit</u>
	Cash	\$1,000	
	Sixteenth section lease receivable (Balance sheet code 128)	\$9,000	
	Surface leases (Revenue code 5110)		\$1,000
	Deferred revenue (Balance sheet code 451)		\$9,000
2.	The second year and following:		
	Cash	\$1,000	
	Deferred revenue (Balance sheet code 451)	\$1,000	
	Sixteenth section lease receivable(Balance sheet code 128)		\$1,000
	Surface leases (Revenue code 5110)		\$1,000

[NOTE: If the second year’s payment was not received the following entry would be made instead:]

Deferred revenue (Balance sheet code 451)	\$1,000	
Surface leases (Revenue code 5110)		\$1,000

[NOTE: Revenue is recorded whether the cash is received because the amount is due. If the lessee defaults, Section 29-3-57, Mississippi Code Annotated (1972) requirements should be initiated.]

Accrual Basis

- A. A ten year sixteenth section surface lease contract was signed with yearly payments of \$1,000. The lessee paid \$10,000 at the signing of the lease. The lease transactions for this situation would be recorded as follows:

1.	The first year:	<u>Debit</u>	<u>Credit</u>
	Cash	\$10,000	
	Surface leases (Revenue code 5110)		\$10,000

- B. A ten year sixteenth section surface lease contract was signed with yearly payments of \$1,000. The lessee paid \$1,000 at the signing of the lease and intentions are to make yearly payments as scheduled in the lease agreement. The lease transactions for this situation would be recorded as follows:

1.	The first year:	<u>Debit</u>	<u>Credit</u>
	Cash	\$1,000	
	Sixteenth section lease receivable (Balance sheet code 128)	\$9,000	
	Surface leases (Revenue code 5110)		\$10,000
2.	The second year and following when payments are made:		
	Cash	\$1,000	
	Sixteenth section lease receivable (Balance sheet code 128)		\$1,000

SECTION C EXAMPLE ACCOUNTING ENTRIES

INDEX

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A. Inventory Accounting

Inventory items, such as food, donated commodities and supplies, are current assets of a school district. All inventories should be accounted for by using the purchases method. Under the purchase method, purchases of inventories are recognized as expenditures when the goods are received. At the end of the period, no adjustment is made to the expenditure account. The beginning of the year inventory amounts would be adjusted by the increase or decrease in the ending inventories.

Purchases Method:

- Under the purchases method, purchases of inventories are recognized as expenditures when the goods are received. For example, if the district purchased \$25,000 of food or supplies, when the goods are acquired, the transaction would be recorded as follows:

	<u>Debit</u>	<u>Credit</u>
Expenditures	\$25,000	
Claims payable or cash or revenue (for donated commodities)		\$25,000

- At the end of the fiscal year, no adjustment is made to expenditures even though only \$15,000 of goods were used or consumed. However, if it were concluded that the ending inventory of goods was significant, the following entry would be made at the end of the fiscal year:

Inventory of food, donated commodities or supplies	\$10,000	
Increase in reserve for inventory		\$10,000

- Under the purchases method, it is necessary to reserve the fund balance by an amount equal to the reported value of the inventories since the inventories reported as assets do not represent a proper component of net current assets (i.e., it is not available for appropriation and expenditure).
- As the annual ending inventory reflected under the purchases method changes from period to period, the related reserved fund balance will change by the same amount. This change is recorded as follows:

[NOTE: The debit entry to reflect an increase in inventory would be offset by an equal credit to revenue function code #7200 (increase in reserve for inventory) while the credit entry to reflect a decrease would be offset by an equal debit to expenditure function code #8200 (decrease in reserve for inventory). When the accounting records are "closed" at fiscal year-end and the balance sheets are prepared, the increase/decrease accounts are "closed" directly to fund equity as reflected by the following entries:]

Increase in reserve for inventory	\$X,XXX	
Fund balance - reserved for inventory		\$X,XXX
Fund balance - reserved for inventory	\$X,XXX	
Decrease in reserve for inventory		\$X,XXX

5. For financial reporting purposes, the district may, at their discretion, make all entries except the entries to acquire the inventories, once a year at the fiscal year-end. This is not to preclude more frequent accounting for inventories that may be required by some other state or federal agency.

B. Leases

Leases by the school district are classified as either capital leases (lease-purchases) or operating leases.

1. Capital Leases (lease-purchases):

If the district has entered into a lease-purchase agreement, various entries are required to properly account for the transactions in the financial records. The entries required are presented in the example below:

Assume a five-year lease-purchase. Cost of the equipment, if purchased, would be \$15,000. Yearly payments are \$3,200(Principal of \$3,000 and Interest of \$200). Payments are made from the General Fund.

The following entry is necessary at the inception of the capital lease agreement:

<u>General Fixed Assets Account Group:</u>	<u>Debit</u>	<u>Credit</u>
Leased property under capital lease	\$15,000	
Investment in general fixed assets		\$15,000

<u>General Long-term Debt Account Group:</u>	<u>Debit</u>	<u>Credit</u>
Amount to be provided for payment for ret. of GLTD	\$15,000	
Obligations under capital leases		\$15,000

<u>General Fund:</u>	<u>Debit</u>	<u>Credit</u>
Expenditures	\$15,000	
Other financing sources - inception of capital leases		\$15,000

When the yearly payments are made, the following entries would be made:

<u>General Fund:</u>	<u>Debit</u>	<u>Credit</u>
Debt service - principal	\$ 3,000(*)	
Debt service - interest	\$ 200(*)	
Claims payable or cash		\$ 3,200

General Long-term Debt Account Group:

Obligations under capital leases	\$ 3,000(*)	
Amount to be provided for ret. of GLTD		\$ 3,000(*)

(*) *These amounts would normally change each year as the allocation of the annual payment between principal and interest changes.*

After the lease obligation has been fulfilled, the following entry would be made:

General Fixed Assets Account Group:

Buildings, equipment or other fixed assets category	\$15,000	
Leased property under capital leases		\$15,000

2. Operating Leases:

Operating leases are essentially rental of property. See Section M of this manual for the appropriate function and object codes. The operating lease payments would be recorded as follows.

Rentals	\$X,XXX	
Claims Payable or Cash		\$X,XXX

3. Installment Purchase Agreements:

Property purchased under an installment purchase agreement should be accounted for in a manner similar to property acquired under a lease-purchase (capital lease) agreement. Account titles would change to reflect the installment purchase agreement wording.

C. Deferred Compensation Plans

[NOTE: As explained on page B-5 of this manual, effective January 1, 1997, the Mississippi Deferred Compensation Plan (MDCP), an IRC Section 457 plan, is no longer considered to represent assets and liabilities of the school districts that have employees who participate in the plan.]

D. Revenue Anticipation Notes

[NOTE: This would apply for Tax Anticipation Notes also.]

Participation in the Mississippi School Boards Association (MSBA) cash flow management program should be accounted for in the district maintenance fund. Assume a school district participated in the plan for the fiscal year with the following results:

On July 10, 200X, the school district, through the MSBA CFM Program, issued a revenue anticipation note payable in the face amount of \$435,000. At issuance of the note, the school district receives the note proceeds of \$435,000 and pays the same to the program's trustee. The program's trustee allocates the \$435,000 as follows: \$6,525 to costs of issuance, \$30,060 to interest on notes, and the remaining \$398,415 to net proceeds available to the school district. The school district makes a draw down of \$273,513 on August 1, 200X, and repays the \$273,513 draw down on March 1, 200Y. The program's trustee credited the school district with investment earnings totaling \$24,577 for July 10, 200X through June 30, 200Y and \$12,582 for July 1, 200Y through August 10, 200Y. The note was repaid by the program's trustee on August 10, 200Y and the remaining balance of \$574 in the account was paid to the school district on August 25, 200Y.

The following entries would be made in the district maintenance fund to record the transactions:

<u>July 10, 200X</u>	<u>Debit</u>	<u>Credit</u>
1. Cash	\$435,000	
Revenue anticipation notes payable		\$435,000

<u>July 10, 200X</u>	<u>Debit</u>	<u>Credit</u>
2. MSBA cash flow management plan assets	\$398,415	
Expenditures - issuance costs (Functions 2510 or 2513)	\$6,525	
Expenditures - interest (Function 2510 or 2513)	\$30,060	
Cash		\$435,000

<u>August 1, 200X</u>	<u>Debit</u>	<u>Credit</u>
3. Cash	\$273,513	
MSBA cash flow management plan assets		\$273,513

<u>March 1, 200Y</u>	<u>Debit</u>	<u>Credit</u>
4. MSBA cash flow management plan assets	\$273,513	
Cash		\$273,513

June 30, 200Y

5.	MSBA cash flow management plan assets	\$ 24,577	
	Revenues - interest		\$ 24,577

August 10, 200Y

6.	MSBA cash flow management plan assets	\$ 12,582	
	Revenues - interest income		\$ 12,582

August 10, 200Y

7.	Revenue anticipation notes payable	\$435,000	
	MSBA cash flow management plan assets		\$435,000

August 25, 200Y

8.	Cash	\$ 574	
	MSBA cash flow management plan assets		\$ 574

The balance sheet for the district maintenance fund at June 30, 200Y, would include the asset MSBA cash flow management program assets with a debit balance of \$422,992 and the liability revenue anticipation notes payable with a credit balance of \$435,000. The difference of \$12,008 would represent the net effect for the fiscal year ending June 30, 200Y, on the fund balance of the district maintenance fund due to the reporting of program revenues of \$24,577 and program expenditures of \$36,585.

E. Debt Extinguishment (Advance Refunding)

Assume a school district did an in-substance defeasance of old debt as described below:

The school district issued 200X G.O. Bonds in the face amount of \$2,355,000 to advance refund \$2,175,000 of the \$2,610,000 outstanding from its 1988 G.O. Bonds. The \$2,175,000 advance refunded represents the principal portion of the old bond issue that will not mature prior to the call date, which is five years from now. The other \$435,000 of the old debt was not advance refunded since it will mature on or before the call date and, therefore, will continue to be serviced through the existing debt service fund previously established for the old debt. The new bonds, dated May 1, 200X, were issued for face value of \$2,355,000 plus \$6,751 of accrued interest; however, the school district only received \$84,251 on May 31, 200X, from the bond issue because the remainder was paid directly by the purchaser to the escrow agent. The school district used \$77,500 of the \$84,251 that it received to pay the bond issuance costs and related costs on June 17, 200X, as provided by the terms of the new bond issue; the other \$6,751 was paid on that date to the debt service fund for the new bonds since it represented the accrued interest required to be placed in that fund. The first interest payment on the 200X G.O. Bonds in the amount of \$61,603 was paid to the paying agent by the school district on November 1, 200X.

The following entries would be made in the applicable Governmental Fund Type fund(s) to record the transactions:

1988 G.O. Bonds Debt Service Fund (or 1988 G.O. Bonds Refunding Debt Service Fund) -

<u>May 31, 200X</u>	<u>Debit</u>	<u>Credit</u>
1. Cash	\$ 84,251	
Payment to refunded bond escrow agent	\$2,277,500	
Proceeds of refunding bonds		\$2,355,000
Due to other funds		\$ 6,751

June 17, 200X

2. Expenditures - debt service - other	\$ 77,500	
Due to other funds	\$ 6,751	
Cash		\$ 84,251

200X G.O. Bonds Debt Service Fund -

May 31, 200X

3. Due from other funds	\$ 6,751	
Other payables		\$ 6,751

June 17, 200X

4. Cash	\$ 6,751	
Due from other funds		\$ 6,751

November 1, 200X

5. Other payables	\$ 6,751	
Expenditures - Debt service - interest	\$ 54,852	
Cash		\$ 61,603

General Long-term Debt Account Group:

6.	G. O. bonds payable(1988 issue)	\$2,175,000	
	Amount to be provided for ret. of GLTD	\$ 180,000	
	G. O. bonds payable (200X)		\$2,355,000

F. MAEP Funds

[NOTE: The following adjustment should be recorded by the district if any or all the amount allowed to be pledged for the repayment of debt obligations through the MAEP Funding source was pledged. All other MAEP Funds received should be recorded in the 2010 - Interim Capital Expenditures Fund.]

Assume: The trust department of a banking institution will be handling transactions associated with this debt. All state funds pledged for debt repayment from MAEP Funding is sent directly to the banking institution which will repay the debt. The bank statements from the banking institution have the following information reported at June 30, 200X. The debt instrument was a Limited Obligation Bonds Payable issued for building purposes in the amount of \$5,000,000. The district has not recorded any transaction for this situation.

Cash	\$ 500
Investments	\$ 25,000
State MAEP Funds Received	\$200,000
Interest Earned	\$ 1,500
Service Fees	\$ 250
Principal Payments	\$ 75,000
Interest Payments	\$ 90,000

<u>Adjustment #1 Fund: MAEP Retirement fund (4041 - 4049)</u>	<u>Debit</u>	<u>Credit</u>
Cash with fiscal agent	\$201,500	
MAEP funds (State Revenue)		\$200,000
Interest (Local Revenue)		\$1,500
Principal (Expenditure)	\$ 75,000	
Interest (Expenditure)	\$ 90,000	
Service Fees (Expenditure)	\$ 250	
Cash with fiscal agents		\$ 165,250
Investments	\$25,000	
Cash with fiscal agent		\$ 25,000

Please note that the \$11,250 excess of revenues over expenditures would be closed to the fund balance.

Adjustment #2:

General Long - Term Debt Account Group

Amount to be provided for Retirement of General Long-Term Debt	\$5,000,000	
Limited obligation bonds payable		\$5,000,000

[NOTE: To record the debt issued]

Adjustment # 3:

General Long - Term Debt Account Group

Limited obligation bonds payable	\$ 75,000	
Amount to be provided for Retirement of General Long-Term Debt		\$ 75,000

[NOTE: To record yearly principal payment]

G. Construction in Progress

Assume: A new addition (no renovations or remodeling) to the high school has been approved in the amount of \$5,000,000. A capital projects' fund received the proceeds and all payments will be made from this same fund. A contract was signed and work began in March 200X. Payments of \$750,000 have been made through June 30, 200X. Work completed to date, as certified by the architect on the billings, amount to \$1,150,000 as of June 30, 200X. A 10% Retained Percentage is required. The Architect has a signed contract for 6% of the construction contract.

Capital Projects Fund - (3000's)

Adjustment # 1:

	<u>Debit</u>	<u>Credit</u>
Facilities Acquisition and Construction Services	\$750,000	
Cash		\$750,000

Adjustment # 2:

Facilities Acquisition and Construction Services	\$424,000	
--	-----------	--

[NOTE: Construction \$400,000 and \$24,000 for architect fees]

Construction Contracts Payable		\$285,000
Retained Percentage Payable		\$115,000
Claims Payable <i>[NOTE: for 6% Architect Fee due]</i>		\$ 24,000

General Fixed Assets Account Group:

Adjustment # 3:

Construction in Progress	\$1,174,000	
Investment in General Fixed Assets		\$1,174,000

[NOTE: Includes \$750,000 and \$424,000]

H. Qualified Zone Academy Bonds Payable

Assume: The school district has entered into an agreement with a lending institution that qualified the debt obligation to be classified as Qualified Zone Academy Bonds Payable. Proceeds of \$1,000,000 issued under the three-mill ten year debt authority were received and placed in a Capital Projects Fund. All requirements surrounding this situation have been met. The agreement with the lending institution requires the district to remit \$100,000 each year for 10 years. These remittances are held in trust for ten years and then the trust department will pay the debt obligation, in total, at that time. Each remittance is due by June 30. As part of the requirements a local business has agreed to contribute \$25,000 in cash each year to help satisfy the debt obligations.

Adjustment # 1:

<u>Debt Service Fund - Three-mill ten year note fund (fund #'s - 4021-4029)</u>	<u>Debit</u>	<u>Credit</u>
Payment to Qualified Zone Academy Debt Escrow Agent	\$100,000	
Cash and other deposits		\$100,000

[Note: To record payment of yearly transfer to the lending institution. This fund should be used to account for the tax revenue received from the three-mill ten year note levy.]

Adjustment # 2:

Debt Service Fund - QZAB Debt Retirement Fund (Fund #'s -4091-4999)

Cash with fiscal agent	\$100,000	
Payment to Escrow Agents (Other Financing Source)		\$100,000

[Note: To record payment of yearly transfer to the lending institution. These funds are held by the trust department, but should be considered the district's funds.]

Adjustment # 3:

Debt Service Fund - Three-mill ten year note fund (fund #'s - 4021-4029)

Cash with fiscal agent	\$25,000	
Contributions and donations from private sources(Local Sources Revenues)		\$25,000

[Note: To record the contribution from the local business.]

Adjustment # 4:

Debt Service Fund - QZAB Debt Retirement Fund (Fund #'s -4091-4999)

[NOTE: This adjustment will depend on the bank statement information as of June 30 of each fiscal year. Information should be reviewed to determine what accounts will be affected. The trust department may keep some of the funds in cash. If so, that amount would remain as "Cash with fiscal agent".]

Investments	\$125,000	
Cash with fiscal agent		\$125,000

[NOTE: The trust account bank statement note money is in T-Bills, U.S. Treasury Notes or other investments.]

Adjustment # 5:

Debt Service Fund - QZAB Debt Retirement Fund (Fund #'s -4091-4999)

Fee's	\$ 300	
Cash with fiscal agent	\$2,200	
Interest		\$2,500

[NOTE: To record noted bank service charges and interest earned for the fiscal year ending June 30.]

Adjustment # 6:

General Long - Term Debt Account Group

	<u>Debit</u>	<u>Credit</u>
Amount Available in Debt Service Funds	\$ 127,200	
Amount to be Provided for Retirement of GLTD	\$ 872,800	
Qualified Zone Academy Bonds Payable		\$1,000,000

[NOTE: The total amount of debt remains for ten years or until actual debt is repaid by the trust department of the lending institution. The amount available would change each year end to account for funds held by the trust account.]

SECTION D PURCHASING

One of the most important aspects of controls over expenditures is an efficient and effective system of purchasing. The objectives of an effective purchasing system are to buy materials, supplies, commodities, and services that are of the right quality, quantity, price and from the right source with delivery being at the right place. These objectives should be accomplished in accordance with management's purchasing policies and in accordance with applicable federal and state purchasing laws. Each school district shall establish a purchasing system which will meet these objectives.

Well-designed Purchasing System

A well-designed purchasing system should include the following forms:

- A. Purchase requisitions (2 parts)
- B. Purchase orders (3 parts)
- C. Receiving reports (2 parts)

Note: All public school districts are required to use purchase orders, except for those goods and/or services detailed in the school board's approved purchasing policy.

The use of purchase requisitions and receiving reports are optional; however, the control objectives documented by such reports must be achieved by other means if such reports are not used. The school board may exempt certain purchases from purchase order requirements. This may be achieved by the school board's approved purchasing policy detailing, which type (s) of transactions are exempt from purchase order requirements.

- A. Purchase requisitions are documents completed and signed by school personnel requesting authorization by school district management for the purchase of requested goods and/or services.
- B. A purchase order is defined as a document authorizing the delivery of specified merchandise or the rendering of certain services and the making of a charge for them. Acceptance of a purchase order by the vendor establishes a legally binding contract. The purchase order gives the vendor authority to ship the required items and binds the district for payment.
- C. Receiving reports are documents recording the fact that the items ordered were actually received.

Using the documents noted above, the purchasing process could work as follows:

1. School district personnel, seeing a need for certain goods or services, should prepare a purchase requisition by listing the goods and/or services needed. The purchase requisition should be signed and dated by the individual requesting the goods and/or services. The purchase requisition should be reviewed by the requesting individual's department head for a determination of approval or disapproval. This approval or disapproval should be documented. The department head should sign and date his approval or disapproval. The approved requisition would be presented to the school board's designated purchasing agent for further consideration. The purchasing agent should review the approved requisition for budgetary constraints and state and federal purchasing requirements before approval or disapproval are given for issuance of a purchase order.

2. If disapproved, the requisition should be noted as such, copied, filed and notification given to the requesting individual of the disapproval.
3. If approved, state and federal purchasing requirements should be initiated. Once state and federal purchasing requirements have been satisfied a purchase order should be prepared. Each purchase order should be pre-numbered, itemized by individual goods and/or services needed, signed and dated by the purchasing agent before being sent to the vendor.
4. When goods and/or services are received, a receiving report should be prepared by the person receiving those goods and/or services. The person receiving the goods should verify receipt of goods and services by comparison of items received to the items ordered as detailed on the purchase order. The receiving report should be signed and dated once acceptance has been made. In the absence of a receiving report, the vendor's invoice should be signed and dated by the person receiving the goods and/or services once acceptance has been made.
5. Prior to paying any claim, the accounts payable clerk should match the following documents:
 - a. Purchase order
 - b. Vendor invoice(s)
 - c. Purchase requisition, if used
 - d. Receiving report, if used

Other Matter:

1. All purchase orders shall be pre-numbered. A copy of the purchase order should be maintained and filed numerically. Receiving reports, if utilized, shall be pre-numbered and controlled. Purchase requisitions do not require pre-numbering.
2. A purchase order log shall be maintained. The purchase order log shall, at a minimum, contain the following information: purchase order number, date issued, vendor name, description, amount and status of any outstanding purchase orders. In lieu of a purchase order log, the school district may maintain a file copy of purchase orders, filed numerically, with a designation of completed or pending for goods and /or services received or to be received.
3. The use of open purchase orders to vendors is allowable. Open purchase orders must be used according to school board policy and in compliance with state law.
4. Centralized purchasing is recommended for all districts. It is the most efficient and effective means of handling purchasing. With centralized purchasing, all purchases of the school district are handled by one department. This would include the receiving of all purchases also. This process enhances the controls surrounding the purchasing function of the school district.
5. School boards shall establish detailed purchasing policies and procedures. Included in these policies and procedures, the board shall identify those items, if any, it is exempting from purchase order requirements (e.g., lunchroom foods that are purchased at bid price and delivered daily, purchases of certain items from student club funds, purchases made daily for the transportation department and purchases of monthly services such as utility bills and phone bills). Purchasing policies and procedures shall be approved by the school board and recorded on its official minutes.

Public Purchasing Laws:

Mississippi public school districts must make purchases in accordance with the Mississippi Code of 1972, Annotated. As reflected by the "Quick Reference Index of School Related Laws" (Section P of this manual), the most significant code sections affecting purchasing are 31-7-1, 31-7-9, 31-7-12, 31-7-13, 37-39-1, 37-39-15 and 37-39-17 et seq.

Purchases using federal funds are also subject to applicable federal regulations.

Note: The Mississippi public purchasing laws is subject to amendments by the Legislature each year. To keep current, each school district is encouraged to obtain and review a copy of any amended public purchasing laws. These amended code sections may be obtained from the Office of the Secretary of State.

Purchasing Document Formats:

The actual forms and formats to be utilized are to be determined by the district.

SECTION E BUDGETING

Budgeting is an essential element of the financial planning, control, and evaluation processes of governments. Every school district shall prepare annual budgets covering all of its funds except those funds properly classified as Agency Funds and Private Purpose Trust Funds.

Annual operating budgets are plans of current expenditures and the proposed means of financing them. Annual operating budgets are the primary means by which most of the financing, acquisition, spending, and service delivery activities of a school district are legally controlled. The use of annual operating budgets is prescribed by state law. Annual operating budgets are essential to sound financial management.

The annual operating budgets shall be viewed both (1) as a collection of separate legal budgets for individual funds and (2) as a comprehensive planning and control device for the government as a whole. School boards shall formally adopt annual operating budgets for individual funds to establish legal authorization for their spending.

Annual operating budgets shall be prepared in conformity with GAAP.

Formal Budgetary Integration

Budgetary accounts reports estimated amounts. They are thus quite different from actual accounts which report actual revenues, expenditures, assets, liabilities, and fund equity amounts.

Budgetary accounts are used to record the legally adopted annual operating budgets. Budgetary accounts are recorded in the general ledger to facilitate control over school district revenues and expenditures during the year. If the legally adopted budget is not amended, budgetary account balances remain unchanged until the end of the accounting period. If the budget is amended, appropriate revisions are posted to the affected budgetary accounts. When their interim managerial control purposes are served, the balances of budgetary accounts are eliminated in the process of closing the books at year-end by reversing the entry(ies) which recorded them.

The formal integration of budgetary accounts into the general ledger affects internal management decision making during the year and the form and content of interim budgetary comparison financial statements. Budgetary accounts have no effect on the measurement of actual revenues and expenditures or the reporting of actual results of operations in annual GAAP financial statements.

Encumbrances

Encumbrance accounting is a logical extension of the management control technique of formal budgetary integration. Encumbrances are purchase orders or other commitments for goods which have not yet been provided or for services which have not yet been rendered. Encumbrances become expenditures and liabilities only when, and if, goods are actually provided or services actually rendered. In encumbrance accounting, encumbrances are formally recorded in the general ledger as budgetary accounts.

Formal budgetary integration helps to assure that total actual expenditures do not exceed appropriations. Formal budgetary integration combined with encumbrance accounting helps to assure that total actual expenditures plus related commitments do not exceed appropriations. Encumbrance accounting alerts school district managers to the fact that a particular purchase order, if filled by the vendor, could result in the over expenditure of an appropriation. Encumbrance accounting also facilitates effective cash planning and control.

The use of encumbrance accounting is at the option of the school district. However, its use is highly recommended.

Public Hearings

Public school districts are required to provide at least one public hearing on the proposed budget. This hearing is required to be held at least one week prior to adoption of the budget by the school board. Following is a suggested time table of events with explanations of procedures which should be completed by all public school districts:

February 1 - April 30	Prepare the Budget
1st Week of May	Advertise for Public Hearing
2nd Week of May	Advertise for Public Hearing
3rd Week of May	Advertise for Public Hearing
4th Week of May	Hold the Public Hearing
3rd Week of June	Board Adopts Budget
Month of July	Publish Synopsis of Budget in the Local Newspaper
By August 15	Provide Two Copies of Budget to the Board of Supervisors/Aldermen
By August 15	Furnish Information to the Mississippi Department of Education on Prescribed Forms

Budget Formats

The budget formats which follow are to be prepared by each school district in formalizing its annual budget. These formats are prescribed by the State Auditor's Office. A school district may use computer printouts provided they contain the same information as the prescribed forms. A separate budget is required for each individual fund within each generic fund type, with the exception of Agency Funds and Private Purpose Trust Funds.

As required by Section 37-61-19, Miss. Code Ann. (1972), the approved combined budget and combining budgets for each fund type are to be reflected in the board minutes or an addendum to the board minutes. The original and amended budgets shall be signed and dated by the board president and secretary. Signed copies of all approved budgets must be filed for safekeeping and audit review.

Budgeting by Location

Each school district is required to budget by operational unit (school location code) for the following:

Funds 1000 to 3999 Using Expenditure Functions 1000 to 2490

For Title I budgets, districts are required to use operational units codes for all expenditure functions. Incorporating operational units in the budgets of other expenditure functions is optional.

School District _____

Original _____

Date Approved: _____

Combined Budget

Amended _____

Date Approved: _____

For the Year Ending June 30, 20____

	Governmental Fund Types			Debt Service	Permanent Trust	Proprietary Fund Types		Internal Service	Total
	General	Special Revenue	Capital Projects			Enterprise			
Revenues:									
Local sources									
Intermediate sources									
State sources									
Federal sources									
Sixteenth section sources									
Total Revenues									
Expenditures									
Instruction									
Support services									
Noninstructional services									
Sixteenth section									
Facilities acquisition and construction									
Debt service:									
Principal									
Interest									
Other									
Total Expenditures									
Excess(deficiency) of revenues over expenditures									

School District

Combined Budget

For the Year Ending June 30, 20__

Original
Amended

Date Approved: _____
Date Approved: _____

	<u>Governmental Fund Types</u>			<u>Debt Service</u>	<u>Permanent Trust</u>	<u>Proprietary Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>			<u>Enterprise</u>	<u>Internal Service</u>	
Other Financing Sources (Uses)								
Proceeds of General Obligation Bonds								
Proceeds of Refunding Bonds								
Proceeds of Loan(s)								
Inception of Capital Leases(s)								
Insurance Loss Recoveries								
Sale of Transportation Equipment								
Sale of Other Property								
Indirect Costs								
Other Transfers In								
Payments to Escrow Agent								
Miscellaneous Other Financing Sources								
Indirect Costs Transfers Out								
Other Transfers Out								
Payment to Refunded Bond Escrow Agent								
Payment to Qualified Zone Academy Debt Escrow Agent								
Miscellaneous Other Financing Use								
Total Other Financing Sources(Uses)								
Net Change in Fund Balances								

_____ School District Original _____ Date Approved: _____
 Combined Budget Amended _____ Date Approved: _____
 For the Year Ending June 30, 20____

Fund Balance / Retained Earnings	Governmental Fund Types				Debt Service	Permanent Trust	Proprietary Fund Types		Total
	General	Special Revenue	Capital Projects				Enterprise	Internal Service	
July 1, 20__	_____	_____	_____	_____	_____	_____	_____	_____	_____
Prior period adjustments: Reclassify fund equity Unrecorded Fund Equity Reclassify fund types	_____	_____	_____	_____	_____	_____	_____	_____	_____
July 1, 20__, as restated	_____	_____	_____	_____	_____	_____	_____	_____	_____
Increase (decrease) in reserve for inventory	_____	_____	_____	_____	_____	_____	_____	_____	_____
June 30, 20__	_____	_____	_____	_____	_____	_____	_____	_____	_____

The above _____ (Original/Amended) budget has been approved by the school board as noted in our board minutes dated _____.

Board President: _____ (signature) Date: _____
 _____ (printed name)

Board Secretary: _____ (signature) Date: _____
 _____ (printed name)

School District

Original

Date Approved:

Combining Budget for : Fund Type

Amended

Date Approved:

For the Year Ending June 30, 20

	(Fund Name)	Total								
Revenues:										
Local sources										
Intermediate sources										
State sources										
Federal sources										
Sixteenth section sources										
Total Revenues										
Expenditures										
Instruction										
Support services										
Noninstructional services										
Sixteenth section										
Facilities acquisition and construction										
Debt service:										
Principal										
Interest										
Other										
Total Expenditures										
Excess(deficiency) of revenues over expenditures										

School District _____

Original _____

Date Approved: _____

Combining Budget for : _____ Fund Type _____

Amended _____

Date Approved: _____

For the Year Ending June 30, 20 _____

	(Fund Name)	Total							
Other Financing Sources (Uses)									
Proceeds of General Obligation Bonds									
Proceeds of Refunding Bonds									
Proceeds of Loan(s)									
Inception of Capital Lease(s)									
Insurance Loss Recoveries									
Sale of Transportation Equipment									
Sale of Other Property									
Indirect Costs									
Other Transfers In									
Payments to Escrow Agent									
Miscellaneous Other Financing Sources									
Indirect Costs Transfers Out									
Other Transfers Out									
Payment to Refunded Bond Escrow Agent									
Payment to Qualified Zone Academy Debt Escrow Agent									
Miscellaneous Other Financing Use									
Total Other Financing Sources(Uses)									
Net Change in Fund Balances									

_____ School District

Original

Date Approved: _____

Combining Budget for : _____ Fund Type

Amended

Date Approved: _____

For the Year Ending June 30, 20____

	(Fund Name)	Total						
Fund Balance / Retained Earnings	_____	_____	_____	_____	_____	_____	_____	_____
July 1, 20__	_____	_____	_____	_____	_____	_____	_____	_____
Prior period adjustments:								
Reclassify fund equity	_____	_____	_____	_____	_____	_____	_____	_____
Unrecorded Fund Equity	_____	_____	_____	_____	_____	_____	_____	_____
Reclassify fund types	_____	_____	_____	_____	_____	_____	_____	_____
July 1, 20__, as restated	_____	_____	_____	_____	_____	_____	_____	_____
Increase (decrease) in reserve for inventory	_____	_____	_____	_____	_____	_____	_____	_____
June 30, 20__	_____	_____	_____	_____	_____	_____	_____	_____

The above _____ (Original/Amended) combining budget has been approved by the school board as noted in our board minutes dated _____.

Board President: _____ (signature) Date: _____
_____ (printed name)

Board Secretary: _____ (signature) Date: _____
_____ (printed name)

Individual Fund Budget

Original

Date Approved:

(Fund Name)

For the Year Ending June 30, 20

Amended

Date Approved:

Local Sources

AMOUNT

Tax Revenues:

- 1120 Ad Valorem Taxes From Local Governmental Units Other Than the LEA
- 1190 Other Taxes

Revenue From Local Governmental Units Other Than LEAs:

- 1210 Revenue in Lieu of Taxes

Tuition:

- 1310 Tuition From Individuals
- 1320 Tuition From Other LEAs Within the State
- 1330 Tuition From Other LEAs Outside the State
- 1340 Tuition From Other Sources

Transportation Fees:

- 1410 Transportation Fees From Individuals
- 1420 Transportation Fees From Other LEAs Within the State
- 1430 Transportation Fees From Other LEAs Outside the State
- 1440 Transportation Fees From Other Sources

Earnings on Investments: [NOTE: Does not include Sixteenth Section Fund revenue.]

- 1510 Interest on Investments
- 1520 Interest on Cash and Other Deposits
- 1530 Net Increase(Decrease) in FMV of Investments
- 1540 Gains or Losses on Sale of Investments

Child Nutrition:

Reimbursable Programs - Daily Sales:

- 1611 Daily Sales - School Lunch Program
- 1612 Daily Sales - School Breakfast Program
- 1613 Daily Sales - Special Milk Program

Non-reimbursable Programs - Daily Sales:

- 1621 Daily Sales - Adult
- 1622 Daily Sales - Extra Food Sales
- 1630 Special Functions
- 1640 Inspection I Function Description:

Student Activities:

- 1711-1719 Admissions
- 1721-1729 Bookstore Sales
- 1731-1739 Fees (extracurricular)
- 1791-1799 Other Student Activity Revenue

Revenue From Community Services Activities:

- 1800 Revenue From Community Services Activities

Individual Fund Budget

(Fund Name)

For the Year Ending June 30, 20__

Other Revenue From Local Sources:

- 1910 Rentals _____
- 1920 Contributions and Donations From Private Sources _____
- 1930 Gains or Losses on Sale of Fixed Assets _____
- 1940-1949 Instructional Fees and Sales to Students _____
- 1950 Services Provided Other LEAs _____
- 1970 Services Provided Other Funds _____
- 1980 Refund of Prior Year's Expenditures _____
- 1991 Revenue From Gaming _____
- 1999 Miscellaneous _____

Total Local Source Revenues _____

Intermediate Sources

- 2000 Revenue from Intermediate Sources _____

Total Intermediate Source Revenues _____

State Sources

Unrestricted Grants-in-aid:

- 3110 Homestead Exemption Reimbursement _____
- 3120 Severance Tax _____
- 3130 Chickasaw Funds _____
- 3140 Driver Education Funds _____
- 3150 Minimum Program and Per Capita _____
- 3160 School Ad Valorem Tax Reduction Fund _____
- 3190 Other Unrestricted Grants-in-aid _____

Restricted Grants-in-aid:

- 3210 Education Enhancement Fund _____
- 3211 MAEP Funds _____
- 3212 Technology in the Classroom _____
- 3215 Textbook Funds _____
- 3220 Vocational and Technical Education _____
- 3230 Public School Building Fund _____
- 3240 Adult Education _____
- 3250 Child Nutrition _____
- 3260 Uniform Millage Assistance _____
- 3270 Educable Children _____
- 3280 Education Reform Act _____
- 3290 Other Restricted Grants-in-aid _____

Revenue in Lieu of Taxes:

- 3810 Rail Cars _____
- 3820 Heavy Trucks _____
- 3830 Rental Cars _____

Revenue for/on Behalf of the LEA

- 3900 Revenue for/on Behalf of the LEA _____

Total State Source Revenues _____

Individual Fund Budget

(Fund Name)

For the Year Ending June 30, 20__

Federal Sources

Unrestricted Grants-in-aid Direct From the Federal Government:

4110 Wildlife Refuge _____
4120 E-Rate _____
4130 Impact Aid - Maintenance and Operation _____
4190 Other unrestricted grants-in-aid _____

Unrestricted Grants-in-aid From the Federal Government Received Through the State

4210 Flood Control _____
4220 Mineral Leases _____
4230 CHIPS Program _____
4290 Other unrestricted grants-in-aid _____

Restricted Grants-in-aid Direct From the Federal Government:

4310 Impact Aid - Construction (P.L. 81-815) _____
4390 Other restricted grants-in-aid _____

Restricted Grants-in-aid From the Federal Government Received Through the State or Other Pass-through Grantors:

4401 Title III - Goals 2000 _____
4405 Title I _____
4410 Title VI _____
4415 Social Services _____
4420 Special Education _____
4430 Adult Education _____
4435 Vocational Education _____
4437 Tech-Prep Education _____
4440 Title IV _____
4445 Technology Literacy Challenge _____
4451 USDA Reimbursement - School Breakfast Program _____
4452 USDA Reimbursement - National School Lunch Program _____
4453 USDA Reimbursement - Summer Food Service Program _____
4454 Donated Commodities _____
4455 Extended Day Reimbursement _____
4456 FDC Homes Pass-through Funds _____
4457 FDC Homes Administrative Funds _____
4460 Title II _____
4470 Job Training Partnership Act (JTPA) _____
4472 School to Careers _____
4475 21st Century _____
4476 Class Size Reduction _____
4480-4499 Other restricted grants-in-aid _____

Revenue in Lieu of Taxes:

4510 TVA _____
4520 National Forest _____
4590 Other revenue received in lieu of taxes _____

Revenue for/on Behalf of the LEA

4900 Revenue for/on Behalf of the LEA _____

Total Federal Source Revenues _____

Individual Fund Budget

_____ (Fund Name)

For the Year Ending June 30, 20____

Sixteenth Section Sources

Rents and Leases:

5110 Surface Leases _____
5120 Mineral Leases _____
5130 Hunting Leases _____

Sale of Timber and Forest Products:

5200 Sale of Timber and Forest Products _____

Sales of Other Assets:

5310 Oil and Gas Royalties _____
5320 Sale of Other Nonrenewable Resources _____
5330 Easements and Rights-of-way _____
5340 Other Sales _____

Pro rata Revenue From Other Districts:

5400 Pro rata Revenue From Other Districts _____

Permanent Damages to Trust Lands:

5500 Permanent Damages to Trust Lands _____

Earnings on Sixteenth Section Investments:

5600 Earnings on Sixteenth Section Investments _____
5630 Net Increase(decrease) in FMV of Investments _____

Cost-sharing Payments:

5700 Cost-sharing Payments _____

Other Sixteenth Section Revenues:

5900 Other Revenues _____

Total Sixteenth Section Source Revenues _____

TOTAL REVENUES _____

Individual Fund Budget Original _____ Date Approved: _____

(Fund Name) Amended _____ Date Approved: _____

For the Year Ending June 30, 20____

Expenditures: Amount

Instruction:

1100's Regular Programs

- 100's Personal Services - Salaries _____
- 200's Personal Services - Employee Benefits _____
- 300's Purchased Professional and Technical Services _____
- 400's Purchased Property Services _____
- 500's Other Purchased Services _____
- 600's Supplies _____
- 700's Property _____
- 800's Other Objects _____
- 900's Other Uses of Funds _____

1200's Special Programs

- 100's Personal Services - Salaries _____
- 200's Personal Services - Employee Benefits _____
- 300's Purchased Professional and Technical Services _____
- 400's Purchased Property Services _____
- 500's Other Purchased Services _____
- 600's Supplies _____
- 700's Property _____
- 800's Other Objects _____
- 900's Other Uses of Funds _____

1300's Adult / Continuing Education Programs

- 100's Personal Services - Salaries _____
- 200's Personal Services - Employee Benefits _____
- 300's Purchased Professional and Technical Services _____
- 400's Purchased Property Services _____
- 500's Other Purchased Services _____
- 600's Supplies _____
- 700's Property _____
- 800's Other Objects _____
- 900's Other Uses of Funds _____

1400's Summer School Programs

- 100's Personal Services - Salaries _____
- 200's Personal Services - Employee Benefits _____
- 300's Purchased Professional and Technical Services _____
- 400's Purchased Property Services _____
- 500's Other Purchased Services _____
- 600's Supplies _____
- 700's Property _____
- 800's Other Objects _____
- 900's Other Uses of Funds _____

_____ School District

Individual Fund Budget Original _____ Date Approved: _____

_____ (Fund Name) Amended _____ Date Approved: _____

For the Year Ending June 30, 20____

1900's Other Instructional Programs

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

Total Instruction Expenditures

Support Services:

2110's Students

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

2200's Instructional Staff

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

2300's General Administration

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

_____ School District

Individual Fund Budget Original _____ Date Approved: _____

_____ (Fund Name) Amended _____ Date Approved: _____

For the Year Ending June 30, 20____

2400's School Administration

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

2500's Business

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

2600's Operation and Maintenance of Plant Services

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

2700's Student Transportation Services

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

_____ School District

Individual Fund Budget Original _____ Date Approved: _____

_____ (Fund Name) Amended _____ Date Approved: _____

For the Year Ending June 30, 20____

2800's Central

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

Total Support Service Expenditures

3000's Non-instructional Services

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

Total Operation of Noninstructional Services

4000's Sixteenth Section

300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

Total Sixteenth Section Expenditures

_____ School District

Individual Fund Budget Original _____ Date Approved: _____

_____ (Fund Name) Amended _____ Date Approved: _____

For the Year Ending June 30, 20____

5000's Facilities Acquisition and Construction Services

100's	Personal Services - Salaries	_____
200's	Personal Services - Employee Benefits	_____
300's	Purchased Professional and Technical Services	_____
400's	Purchased Property Services	_____
500's	Other Purchased Services	_____
600's	Supplies	_____
700's	Property	_____
800's	Other Objects	_____
900's	Other Uses of Funds	_____

Total Facilities Acquisition and Construction Service Expenditures

6000's Debt Service

6100's	Principal on Debt	
800's	Other Objects	_____
6200's	Interest on Debt	
800's	Other Objects	_____
6300's	Advance Refunding Escrow	
800's	Other Objects	_____
6900's	Other	
800's	Other Objects	_____

Total Debt Service Expenditure

Total Expenditures _____

Excess (deficiency) of Revenues Over Expenditures _____

6000's / (7000's) Other Financing Sources (Uses)

6100	Proceeds of General Obligation Bonds	_____
6150	Proceeds of Refunding Bonds	_____
6200	Proceeds of Loan(s)	_____
6300	Inception of Capital Lease(s)	_____
6400	Insurance Loss Recoveries	_____
6500	Sale of Transportation Equipment	_____
6600	Sale of Other Property	_____
6710	Indirect Costs	_____
6720	Other Transfers In	_____
6800	Payments to Escrow Agent	_____
6900	Miscellaneous Other Financing Sources	_____
7110	Indirect Costs Transfers Out	_____
7120	Other Transfers Out	_____
7500	Payment to Refunded Bond Escrow Agent	_____
7600	Payment to Qualified Zone Academy Debt Escrow Agent	_____
7900	Miscellaneous Other Financing Use	_____

Net Change in Fund Balances _____

_____ School District

Individual Fund Budget Original _____ Date Approved: _____

_____ (Fund Name) Amended _____ Date Approved: _____

For the Year Ending June 30, 20__

Fund Balances / Retained Earnings

July 1, 20__ _____

Prior period adjustments
Reclassify fund equity _____
Unrecorded fund equity _____
Reclassify fund types _____

July 1, 20__, as restated _____

Increase(Decrease) in reserve for inventory

June 30, 20__ _____

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The school board of each public school district is required to develop policies and establish procedures that comply with the requirements of this section.

GENERAL FINANCIAL REQUIREMENTS

The school board should develop and adopt policies that address the following general financial requirements. The school board should establish procedures that provide a system of adequate controls to insure compliance with the adopted school board policies.

Accounting System

The school board should adopt a policy that indicates the type of accounting system used in accounting for activity funds. The two types available for use are:

Centralized Accounting System. Under this method of accounting for activity funds, the receipt of funds takes place at the local school and the expenditure of funds takes place at the central office. The receipt of funds must be performed according to the guidelines established under the "Receipts" heading below. This method of accounting does not allow a school principal or any other local school employee to write checks on the local school activity funds. This system allows for the greatest amount of internal control by the school board.

Decentralized Accounting System. This method of accounting provides for both the receipt of funds and the expenditure of funds at the local school level. The school principal has the authority to receipt funds and disburse those funds by writing checks. The receipting of funds and the writing of checks must be performed according to the guidelines established by this section.

Fund Classification

Activity funds at the local school will be classified either as a General Fund or as an Agency Fund. Those funds that are established to account for the financial affairs of school sponsored clubs will be classified as Agency Funds and all other funds will generally be accounted for as General Funds.

Activity funds shall mean all funds received by school officials in all school districts paid or collected to participate in any school activity, such activity being part of the school program and partially financed with public funds or supplemented by public funds. The term activity funds shall not include any funds raised and/or expended by any organization unless commingled in a bank account with existing activity funds, regardless of whether the funds were raised by school employees or received by school employees during school hours or using school facilities, and regardless of whether a school employee exercises influence over the expenditure or disposition of such funds.

Bank Accounts

Local school activity funds will be maintained in bank accounts of financial institutions that are selected as school depositories by the school board. To comply with state law, the school board must insure that adequate securities are pledged by the financial institution. The superintendent must approve the opening of bank accounts for activity funds. A school principal does not have the authority to open or close activity fund bank accounts. The school board must approve the individuals having the authority to sign checks on the activity fund bank accounts. The bank statements for each activity fund bank account must be mailed directly to the central office. The central office will be responsible for preparing the monthly bank reconciliations of the local school activity fund bank accounts. The number of bank accounts used in accounting for the local school activity funds is at the discretion of the superintendent.

Receipts

The local school shall document the receipt of local activity funds. A three-part receipt will be issued by the principal's office for all funds received. The person remitting the money will be given the original copy, the second copy will be remitted to the central office and the third copy will remain in the receipt book and become a permanent record at the local school. The receipts must be contained in a permanent receipt book where the receipts are bound and pre-numbered. It is permissible to use an automated system to document receipts provided there is an adequate system of controls. The receipt must contain sufficient information to adequately account for the transaction. At a minimum, the receipt will contain the date, name of remitter, amount of remittance, type of payment (cash or check), description and the financial accounting code.

Teachers who collect money from students must account for and document the funds collected. Teachers are required, at a minimum, to list those students that have paid money and the amount of money paid by the students. A copy of the list must be submitted by the teacher to the principal's office along with the money collected from the students. The principal's office will issue a receipt to the teacher. The principal's office will cross-reference the list of students to the receipt issued to the teacher. The principal must maintain a copy of the list of students on file at the local school.

The monies collected by local school clubs will be remitted to the principal's office either by the club sponsor or a member of the school club. The principal's office will be required to issue a three-part receipt for the monies received.

Monies collected by the principal's office for extracurricular activities must be receipted using a three-part receipt.

The deposit slip must indicate the receipt number(s) and corresponding amount(s) for the deposit being made.

The school board should adopt a policy regarding the amount of money that may remain on hand at the local school without being deposited. This office recommends that the amount be kept to an absolute minimum.

Disbursements

The disbursement of all activity funds must be made using pre-numbered checks. All expenditures must be accounted for with invoices or other documentation pertaining to the transaction. Only individuals authorized by the school board may sign checks on local activity fund bank accounts. There must be an accounting of all pre-numbered checks issued.

Reporting

No later than five working days after the close of the month, the principal will deliver to the central office a transmittal report of all activity fund transactions for the preceding month.

Under a decentralized accounting system, the transmittal report shall contain a listing of receipts and disbursements for all local school activity funds, including club funds. The listing will include each receipt and check issued during the month. Under a centralized accounting system, the transmittal report will contain a listing of all receipts issued during the month. The transmittal report will also contain other pertinent information for each transaction, such as date, receipt number, check number, description and the financial accounting code. Along with the transmittal report, the principal is required to submit to the central office copies of all receipts issued and invoices and statements for which disbursements were made. The central office will be responsible for reviewing the transmittal report for accuracy and completeness and entering the information in the financial accounting system. This information will be used by the central office to reconcile the bank statements.

The school board is required by law to approve the transactions of the local school activity funds. This approval must be documented in the school board minutes.

Purchasing

All local school activity fund expenditures made from funds classified as a General Fund are subject to the state purchase laws. Expenditures made by funds classified as Agency Funds are not subject to the state purchase laws. To circumvent this requirement by intentionally misclassifying a General Fund to an Agency Fund will result in a violation of state law.

The school board should establish and adopt a procurement policy for local school activity funds. The policy must provide guidance on the types of purchases allowed from local school activity funds. The procurement policy must require the use of purchase requisitions, purchase orders, and receiving reports at the local school. The system of procurement must contain procedures designed to provide adequate controls to insure compliance with this section, state purchase laws and school board policy. Purchase orders must be pre-numbered and there must be an accounting of all purchase orders.

Extracurricular Events

The school board should develop and adopt a policy that establishes the amounts charged by the local schools for admission to extracurricular activity events. The policy should include football games, basketball games, baseball games and other similar extracurricular activity events. In the absence of a school board policy, the school principal does not have the authority to set admission charges for extracurricular activity events.

Pre-numbered tickets shall be used at all extracurricular events for which a fee is charged for admission and it is anticipated that the event will generate gross receipts of more than \$100. The school board must adopt a policy regarding the use of and accounting for pre-numbered tickets. The policy must contain procedures designed to provide adequate controls to insure compliance with board policy. The principal will be required to account for all tickets by completing a School Event Receipt Form (page F-14 of this section).

Donations and Contributions

The school board should develop and adopt policies on the accepting of donations and contributions from citizens and businesses. The policy must state that all donations and contributions will be considered public funds and will be accounted for as are other public funds. The school board may adopt policies and procedures that permit the local school principal to accept donations and contributions that are at or below a stated amount as established by the school board. Donations and contributions that are greater than \$500.00 shall be formally submitted to the school board for acknowledgment and acceptance. The school board must recognize in the official minutes the donee or contributor, the amount, and the purpose for which the money was donated, if any. It is not permissible for a donation or contribution in excess of \$500.00 to be received by a local school. The central office will receipt the donation once it has been acknowledged and accepted by the school board. The superintendent will make appropriate budgetary amendments and transfer the donation to the local school if deemed appropriate by the school board.

Uses of School Activity Funds

Activity funds may only be expended for the following: Travel expenses, including advances, incurred by students and their chaperons in attending school related programs; commodities; equipment; travel expenses of school employees; purchased services; and school supplies. It is important to note that local school activity funds cannot be used to compensate school employees. The school board should adopt policies designating for what purposes local school activity funds may be expended. The school board policy should also include guidance on purchased items that may subsequently become the personal property of individuals.

Section 37-7-301(s) Mississippi Code Annotated (1972), states in part, “To expend local school activity funds, other than minimum program funds, for the purposes prescribed under this paragraph. “Activity funds” shall mean all funds received by school officials in all school districts paid or collected to participate in any school activity, such activity being part of the school program and partially financed with public funds or supplemented by public funds. The term “activity funds” shall not include any funds raised and/or expended by any organization unless commingled in a bank account with existing activity funds, regardless of whether the funds were raised by school employees or received by school employees during school hours or using school facilities, and regardless of whether a school employee exercises influence over the expenditure or disposition of such funds. Organizations shall not be required to make any payment to any school for the use of any school facility if, in the discretion of the local school governing board, the organization’s function shall be deemed to be beneficial to the official or extracurricular programs of the school. For the purposes of this provision, the term “organization” shall not include organization subject to the control of the local school governing board. Activity funds may only be expended for any necessary expenses or travel costs, including advances, incurred by students and their chaperons in attending any in-state or out-of-state school-related programs, conventions or seminars and/or any commodities, equipment, travel expenses, purchased services or school supplies which the local school governing board, in its discretion, shall deem beneficial to the official or extracurricular programs of the district, including items which may subsequently become the personal property of individuals, including yearbooks, athletic apparel, book covers and trophies. Activity funds may be used to pay travel expenses of school district personnel. The local school governing board shall be authorized and empowered to promulgate rules and regulations specifically designating for what purposes school activity funds may be expended. The local school governing board shall provide (a) that such school activity funds shall be maintained and expended by the principal of the school generating the funds in individual bank accounts, or (b) that such school activity funds shall be maintained and expended by the superintendent of schools in a central depository approved by the board. The local school governing board shall provide that such activity funds be audited as part of the annual audit required in Section 37-9-18. The State Auditor shall prescribe a uniform system of accounting and financial reporting for all school activity fund transactions”.

Use of School Facilities

The school board should develop and adopt policies regarding the use of school facilities by outside organizations. In the absence of a school board policy, the authority cannot be delegated to the school principal. It is permissible to allow an outside organization to use a school facility free of charge if, in the discretion of the school board, the organization's function is considered beneficial to the official or extracurricular programs of the school.

FUND RAISING REQUIREMENTS

The school board should develop and adopt policies that address fund raising requirements. The school board should establish procedures that provide for a system of adequate controls to insure compliance with the adopted school board policies.

Sales or Rentals to Students

As Fund Raising Activities:

Authority. The school board has the statutory authority to conduct fund raising activities as part of the sale or rental of items to students.

School Board Policy. The school board should develop and adopt policies on the conducting of fund raising activities as part of the sale or rental of items to students. The policy must state that a disclosure statement will be made available to prospective purchasers of school pictures and graduation invitations and to those renting caps and gowns when the sale or rental of such items is being conducted as a fund raising event. At a minimum, the statement must read "NOTICE. This sale is being conducted as a fund raising event. A portion of the sales price will be contributed to the local student activity fund."

Accounting Procedures. When a fund raising activity is being conducted as part of the sale or rental of items to students, a system of accountability must be established for the items sold or rented to the students. The school board may establish a policy that allows the student to pay directly to the vendor the total amount of the sales or rental price including the fee. The vendor would later rebate to the local school the amount of the fee charged to the student. Under this system, the school principal is required to obtain an independent listing of the students and the amounts paid by the students to the vendor. The independent listing of students will provide the local school with a mechanism to calculate and confirm the amount of the fee due the school by the vendor. The fee amount collected from the vendor must be credited to the general activity fund, general athletic fund or other appropriate General Fund as determined by the school board.

As Non-Fund Raising Activities:

Authority. The school board may authorize the sale or rental of items to students that are not being conducted as a fund raising activity.

School Board Policy. The school board should develop and adopt policies on the sale or rental of items to students that are not being conducted as a fund raising activity.

Accounting Procedures. The school board may establish a policy that permits the student to pay directly to the vendor the amount due for the sale or rental of the item.

School Sponsored Fund Raisers

School sponsored fund raisers include any fund raising event approved by the school board as one sponsored or promoted by the local school. Examples would include the operation of vending machines, school stores, concession stands, carnivals, sales by principals and/or teachers to students, organized school wide sales by students and similar types of fund raising activities. They should not be confused with fund raising events associated with a school sponsored club or the PTA, PTO or similar organization.

Authority. The school board has the statutory authority to engage in school sponsored fund raising activities.

School Board Policy. The school board should develop and adopt policies regarding school sponsored fund raising activities. The school board policy should address the types of school sponsored fund raising activities to be allowed, the individuals responsible for the fund raisers, the fees to be charged, and the sales price of the items. In the absence of school board policy, a school principal may not engage in any school sponsored fund raising activity.

Accounting Procedures. The money collected through school sponsored fund raising activities is required to be receipted according to the "Receipts" requirements of this section. For all items that are purchased for resale to the students, there must be a reconciliation of the items purchased to the items sold and the gross sales amount. The reconciliation must be performed on a periodic basis and be submitted to the central office for review and approval. The amount generated through school sponsored fund raising activities must be accounted for in the local school general activity fund, general athletic fund or other appropriate General Fund as determined by the school board.

Fund Raisers by Outside Organizations (PTA, PTO, Boosters, etc.)

This section pertains to outside organizations and their fund raising activities taking place at the local school using school employees.

Authority. The school board has the authority to permit the collecting of funds for the PTA, PTO, Boosters and similar organizations by school employees during school hours. The funds collected by school employees on behalf of the outside organization are not considered activity funds.

School Board Policy. The school board should develop and adopt policies regarding the collecting of funds for the PTA, PTO, Boosters and similar organizations by school employees during school hours. The policy should identify the organizations that will be permitted to use school employees during school hours to collect funds on behalf of the organization. In the absence of a school board policy, a school principal may not permit an outside organization to engage in fund raising activities using school employees during school hours.

Accounting Procedures. There are no accounting requirements. Since the funds are not considered activity funds, the local school is not required to be accountable for the funds.

Miscellaneous

Private Lessons During School Hours:

Authority. The school board has the statutory authority to allow individual lessons for music, art, and other curriculum related activities for academic or nonacademic credit during school hours and using school equipment.

Policy. The school board should adopt a policy regarding private lessons of music, art, and other curriculum related activities during school hours using school equipment. The school board policy should address the establishment of the amount to be charged the student by the individual providing the private lesson. In the absence of a school board policy, this authority cannot be delegated to the local school principal.

Accounting Procedures. The school board may establish a policy that permits the student to pay directly to the individual providing the private lessons the amount due for the lessons.

Band Instruments and Extracurricular Activities:

Authority. The school board has the statutory authority to charge a student a reasonable fee for participating in an extracurricular activity for academic or nonacademic credit for necessary and required safety equipment, band instruments and uniforms.

Policy. The school board should develop and adopt policies that determine which extracurricular activities will be subject to assessed fees. The school board should also establish the amount of the fees to be charged. In the absence of a school board policy, this authority cannot be delegated to the local school principal.

Accounting Procedures. The amounts charged the student will be received in the local school general activity or general athletic fund in accordance with the Receipts section of this guide.

Charity Organizations:

Authority. The school board has the authority to conduct or participate in any fund raising activities on behalf of or in connection with a tax exempt charitable organization.

School Board Policy. The school board should develop and adopt policies on conducting or participating in fund raising activities on behalf of or in connection with a tax exempt charitable organization. The policy should identify those organizations that will be allowed to conduct fund raising activities in the local schools. In the absence of a school board policy, this authority cannot be delegated to the local school principal.

Accounting Procedures. The money collected by the teacher and/or school principal will be remitted to the charitable organization.

CLUB SPONSORED FUND RAISERS

This section pertains to school sponsored clubs and the fund raising activities of those clubs.

Authority. The school board has the authority to establish policies regarding the establishment, operation and fund raising activities of school sponsored clubs.

Policy. The school board should develop policies and procedures regarding the establishment and operation of school sponsored clubs. The policy should also address the types of fund raising activities permitted by school sponsored clubs.

Accounting Procedures. All fund raising activities by school sponsored clubs will be accounted for by the local school principal. A separate fund will be established for each school sponsored club. The club funds will be accounted for as an Agency Fund classification. The school principal will make available to the club a listing of all club financial transactions and balances. The club fund transactions will be presented on the monthly transmittal report and be submitted to the superintendent's office.

STUDENT FEES

This section pertains to the fees assessed students by the school board for workbooks, lab, paper, and other educational material.

Workbooks, Lab, Paper, and Other Educational Material

Authority. The school board has the authority to charge a reasonable fee, not to exceed the actual cost, to students for:

1. Supplemental instructional materials and supplies.
2. Other fees designated by the school board as fees related to a valid curriculum objective.
3. Extracurricular activities and other educational activities not designated as a valid curricular objective.

School Board Policy. The school board should develop and adopt policies regarding the assessing and charging of fees to students. The policies must address which fees will be assessed to students and the amount of the fees. In the absence of a school board policy, this authority cannot be delegated to the school principal.

Accounting Procedures. The fees collected from students will be receipted into the school principal's office in accordance with the "Receipts" requirements of this section. The money collected will be accounted for in the general activity fund of the local school.

Hardship Waiver Policy

Authority. The statute requires the school board to adopt a hardship waiver policy for those students that are unable to pay any fees assessed by the school board.

School Board Policy. The school board should develop and adopt a policy regarding a hardship waiver for those students that are unable to pay any fees assessed by the school board. The policy should be furnished to the student at the time the fee is assessed.

TRANSMITTAL REPORT

The sample Transmittal Report (pages F-11 through F-13 of this section) is to be completed by the principal's office and submitted to the central office no later than five working days after the close of the month. The Transmittal Report shall contain a listing of all receipts and disbursements occurring at the local school. This listing will include both General Fund and Agency Fund transactions.

SCHOOL EVENT RECEIPT FORM

Pre-numbered tickets must be used at any local school event for which a fee is charged for admission and it is anticipated that the event will generate more than \$100. All pre-numbered tickets for such events will be accounted for using the School Event Receipt Form (page F-14 of this section). A separate form must be completed for each individual selling tickets.

Transmittal Report
Cover Sheet

(Name of School)

(Principal)

For the Month Ending _____

This Transmittal Report is verified accurate in all respects.

(Signature of Principal)

(Date)

Transmittal Report
Disbursement Summary Sheet

(Name of School)

(Principal)

For the Month Ending _____

Financial Accounting Data

Date	Check Number	Payee	Fund Code	General Ledger Code	Function Code	Program Code	Object Code	Operational Unit Code	Amount
Total									

This schedule must be recapped by fund, function and object.

School Event Receipt Form

School Name: _____
 Event: _____
 Event Date: _____

Change Cash Delivered: ₱ _____

TICKETS CHECKED OUT:

Reserved tickets	Numbers from _____ to _____
General admission	Numbers from _____ to _____
Adult tickets	Numbers from _____ to _____
Student tickets	Numbers from _____ to _____

Change Cash and Tickets Delivered To: _____
 (Individual's Signature) (Date)

TICKETS SOLD:

Reserved tickets	Numbers from _____ to _____
General admission	Numbers from _____ to _____
Adult tickets	Numbers from _____ to _____
Student tickets	Numbers from _____ to _____

	Tickets Sold	Per Ticket Price	Amount
Reserved ticket sales	_____ X	₱ _____	= ₱ _____
General admission tickets	_____ X	₱ _____	= ₱ _____
Adult ticket sales	_____ X	₱ _____	= ₱ _____
Student ticket sales	_____ X	₱ _____	= ₱ _____
Total Cash From Ticket Sales			₱ _____

TICKETS RETURNED:

Reserved tickets	Numbers from _____ to _____
General admission	Numbers from _____ to _____
Adult tickets	Numbers from _____ to _____
Student tickets	Numbers from _____ to _____

Cash Received from Individual ₱ _____ *
 Less: Change Cash ₱ _____

Total Cash From Ticket Sales ₱ _____

* Receipt Number _____, dated _____, issued to _____ by _____ for ₱ _____ cash received from school activity event.

Notes: _____

I verify this report to be correct: _____
 (Principal's Signature) (Date)

Asset Classification

The school district must use the following fixed asset classifications. The account code for each account can be found in the Balance Sheet Coding section.

Land - This includes all land owned by the school district.

Buildings - This includes all buildings owned by the district, such as school buildings, administration buildings, athletic field houses, gymnasiums and portable classrooms.

Building improvements - This includes major roof replacements, complete central heat/air unit and major wiring/cable systems.

Improvements other than buildings - This includes athletic fields, lighting, bleachers, streets, parking lots and other improvements that can not be directly associated with a particular building.

Mobile equipment - This includes all school buses and district owned automobiles, trucks and vans. This classification also includes all lawn maintenance equipment, tractors, etc.

Furniture and equipment - This includes all furniture and equipment contained in the buildings of the school district that meet the asset capitalization requirements of the school district.

Leased property under capital leases - This includes all fixed assets that are being acquired under a lease/purchase arrangement.

Construction in progress - This includes all buildings and facilities that are currently under construction.

Data Elements

Data elements consist of identifying characteristics that will be recorded for all fixed assets. It is important that the school district initially identify the data elements to satisfy both internal and external reporting requirements. When applicable, the school district must capture the following required data elements for all fixed assets:

Major asset class
Acquisition date
Location code (refer to SDE codes)
Identification tag number
Description, including serial and model numbers
Acquisition cost
Funding source
Check/purchase order numbers

The school district may consider including other data elements, such as vendor, function, group code, etc. These additional data elements are optional.

Tagging

Public school districts must tag all fixed assets that are capitalized. It will not be necessary to tag automobiles, trucks, buses or real property. The district may desire to tag assets that are not capitalized. This office suggests that these tags be different from those used for capitalized assets.

It is at the discretion of the school district as to the type of tags to use for the various assets and the type of numbering system contained on the tag. At a minimum, the tag for capitalized fixed assets must contain a number or bar code and the inscription "Property of (name) School District."

Each school district must have adequate control procedures in place to insure that all capitalized assets are properly tagged within a reasonable period of time after acquisition of that asset.

Required Reports

At a minimum, each school district must be capable of producing the following reports.

Summary of fixed assets:

This report is a fixed asset summary by major fixed asset classification that includes a summary of additions and deletions by major fixed asset classification. This report must be prepared on a monthly basis.

Fixed asset additions:

This report includes a detailed listing of additions by major fixed asset classification. This report must be prepared on a monthly basis.

Fixed asset deletions:

This report includes a detailed listing of deletions by major fixed asset classification. This report must be prepared on a monthly basis.

Detailed listing of fixed assets:

This report is a detailed listing of all fixed assets by major fixed asset classification. This report must be prepared on an annual basis.

Maintaining the System

The school district must establish adequate procedures to insure that the fixed asset accountability system is being maintained on a current basis. These control procedures must address acquisitions, adjustments, transfers and disposals.

Each school district must have procedures for annual physical inventories.

Each school district must take a physical inventory at least annually.

Write-offs or other adjustments to the fixed asset accounting records brought about as a result of the physical inventory procedures must be approved by the school board.

Mississippi Public School Asset Management Manual

The Mississippi Public School Asset Management Manual as prepared by the Office of the State Auditor, Department of Property, has been incorporated within the Mississippi Public School District Accounting Manual. The manual was made available with the assistance of Bill Pope, Director, Department of Property.

MISSISSIPPI PUBLIC SCHOOL ASSET MANAGEMENT MANUAL



**Prepared by
The Department of Property
Bill Pope, Director**

**OFFICE OF THE STATE AUDITOR
PHIL BRYANT, AUDITOR**

First Issued, March 1997

The Office of the State Auditor does not discriminate on the basis of race, religion, national origin, sex, age or disability.

FOREWORD

The Department of Property is an integral part of the organization of the Office of the State Auditor under the administration of State Auditor Phil Bryant. It is the responsibility of the Department of Property to assure that state statutes, regulations and procedures are followed in regard to accountability of fixed assets.

This manual was developed for public school districts in Mississippi, to assist property managers. Our desire is for this manual to be indispensable in the operation of efficient, responsive fixed asset management.

It is the responsibility of each school district to account for each item of property. It is prescribed that each school district conduct a property inventory annually.

This Mississippi Public School Asset Management Manual is to be used as a reference document, and its intended purpose is to assist property managers in maintaining an effective property system. Revisions will be provided as rules and procedures are updated. Any suggestions for improvement which can be incorporated in future revisions of this manual will be welcomed. Additional information can be obtained by calling the Property Department at (601) 576-2713.

BILL POPE
Director of Property

GENERAL FIXED ASSETS

INTRODUCTION

Fixed assets are those assets of a long-term nature intended to be held or used by the school district. This definition generally includes land, buildings, transportation equipment, other motor equipment, other equipment, construction in progress and leased property under capital leases.

The importance of developing and maintaining a complete and accurate accounting of fixed assets cannot be emphasized too strongly. The school district should recognize a great responsibility for custody of its assets. This protective custody cannot be accomplished without complete and accurate records.

A second reason for developing and maintaining complete and accurate fixed assets records is to allow for accurate financial reporting. The value of fixed assets for school districts is substantial and usually far greater in value than current assets. When records are not adequate, an audit opinion will be **qualified** for fixed assets, which means the auditor does not have enough evidence to offer an opinion. A qualified opinion may result in an accreditation deficiency leading to a probationary status.

Fixed Assets Detail Ledgers are used to record detailed information about various assets, and are posted to the Fixed Assets Subsidiary Ledger. Fixed Assets Detail Ledgers contain a description of the asset, including any identifying markings, cost or estimated fair value at acquisition, the date purchased, location and identifying numbers. ***All deletions of fixed assets, regardless of method, shall be entered in the minutes of the school board.***

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CHAPTER I - DEFINITIONS & PROCEDURES

Property Manager shall mean any person the school district reports in writing to the State Property Office who has designated responsibility to maintain an inventory control system pursuant to requirements prescribed by the Office of the State Auditor as its inventory control clerk.

Duties of the Property Manager

- (1) Maintains a master fixed assets inventory ledger.
- (2) Maintains property and equipment (general fixed assets) records by posting additions and deletions.
- (3) Periodically audits and verifies inventory records and equipment (general fixed assets).
- (4) Reports findings to the school board .

State Property Office shall mean the Department of Property, which is a department of the Office of the State Auditor located in Jackson, Mississippi. Its function is to enhance the credibility of information being reported to the State Auditor.

Form F is a summary statement that reports the beginning balance, additions, deletions and ending balance of the seven major fixed assets groups -- mobile equipment, furniture and equipment, land, buildings, leased property, construction in progress and improvements other than buildings.

Location Register - It is recommended that each school district generate a register showing each location used by the school district with the abbreviation used.

Fixed Asset Classification - Governmental accounting pronouncements and the Office of the State Auditor recommend the following accounting classifications for fixed assets:

- **Land**
- **Buildings**
- **Transportation Equipment**
- **Other Motor Equipment**
- **Other Equipment**
- **Construction-in-Progress**
- **Leased Property Under Capital Leases**

These classifications are used to report fixed assets, and prescribed records are designed to provide this information. A discussion of each of these classifications follows:

Land - All land owned by the school district is recorded at historical cost. If land is donated, it is recorded at fair market value at the time of donation. Cost includes expenditures in connection with the purchase, including:

- **Purchase price**
- **Appraisal and negotiation fees**
- **Title search fees**
- **Surveying fees**
- **Cost of consents**
- **Payment of damage claims**
- **Clearing land for use**
- **Demolishing or removing structures**
- **Filing costs**

All land owned by the school district is to be included in this classification regardless of its value. When land is sold, the cost should be deleted from the General Fixed Assets account group.

Buildings includes all permanent, portable, and temporary building structures regardless of value. Buildings are recorded at acquisition cost, which includes:

- **Purchase price or cost of construction**
- **Permanently installed fixtures**
- **Professional fees (architect and/or engineering fees, etc.)**
- **Cost of permits and licenses connected with acquisition**
- **Payment of damage claims connected with acquisition**
- **Insurance premiums connected with acquisition**
- **Other acquisition costs**

Donated buildings should be recorded at fair market value at the time of donation. Extensions of existing buildings or new and separate units added to a building complex are capital outlay and should be added to the value of the existing building. Renovations, repairs and alterations should not be added to the value of the existing building, unless they materially extend the value or life of the building.

The cost of buildings should be reduced by the sale or salvage of materials initially capitalized as part of the cost. These would include discounts, allowances and rebates secured, and amounts recovered_ through the surrender of liability and/or casualty insurance.

Chapter I - Definitions & Procedures

Transportation Equipment all school buses and district owned vehicles used for the purpose of student transportation.

Donated Transportation Equipment is recorded at fair market value when acquired. All Transportation Equipment acquired from Surplus Property is included at fair market value.

Other Motor Equipment are district owned vehicles used for purposes other than student transportation.

Donated Motor Equipment is recorded at fair market value when acquired.

Other Equipment generally includes machinery, tools, furniture, furnishings and other assets with a value of \$500 or more and an expected useful life of at least one year. This classification will also include *walkable items whose value is less than \$500*.

Donated items are recorded at fair market value when acquired. All property acquired from Surplus Property is included at fair market value.

Construction-in-Progress records construction costs of projects incurring costs, but not complete. The cost is accumulated the same as Buildings cost. When the project is complete, the amount in Construction-in-Progress is moved to the Building account code.

Leased Property Under Capital Leases are assets reflecting the **original purchase** price of property under capital lease.

All property acquired under a lease-purchase agreement is recorded in this classification. When the lease agreement has been fulfilled and all payments made, the property is removed from Leased Property Under Capital Leases and placed in the proper classification.

The contract and amortization schedule for the capital lease shall be obtained (the lessor can provide this) and entered in the minutes of the school board. Capital leases must be included in the General Long-Term Debt Account Group.

Notarized Affidavit is a written statement notarized by a notary public detailing the loss of equipment.

Stolen Property shall be reported to the Sheriff's Office. Items identified need to be entered in the National Crime Information Center (NCIC). Disposition of stolen property shall be reported on the board minutes.

Request for disposal of property should be submitted to the property manager before the items are discarded. This will insure proper documentation is available for school boards to make an informed actions regarding fixed assets. Disposal and deletion of fixed assets *must* be authorized by the school district board.

Lost Property shall be reported to the property manager and must be accompanied by a *notarized affidavit* signed by the responsible party assigned the property. Disposition of lost property shall be reported on the board minutes.

Assignment of Property - The property manager should have signatures for property assigned to departments, divisions or personnel.

Permanent Transfers of assets to other departments or individuals should indicate the identification of the asset, who is assigned the asset and who is accepting responsibility for the asset. Transfer information should be submitted to the district property manager to update the property data base.

Hand Receipts - The property manager should be notified when property is temporarily loaned or transferred to a person other than the party who is responsible for the safekeeping of said property. Signature must be obtained by the party assuming temporary responsibility.

CHAPTER II - FIXED ASSETS POLICY

Cost Threshold - All school districts are required to have and maintain complete and current lists of each property item with a cost to the school district of \$500 or more. If an item is donated, the school district shall include items on its property inventory with a fair market value (at the time the donation is received) of \$500 or more.

Required Inventory Items - The following property items shall be included on a school district inventory regardless of the price paid by the school district to acquire the item or the fair market value of the item:

- **Overhead Projectors**
- **Radio equipment**
- **Televisions**
- **Video cassette recorders**
- **Cellular phones**

Other items which merit strong consideration for inventory are:

- **Computer equipment and Printers**
- **Typewriters**
- **Cameras and camera equipment**
- **Calculators**
- **Appliances: refrigerators, stoves washers, dryers, etc.**
- **Tape recorders**
- **Lawn maintenance equipment**
- **Chain Saws**
- **Air compressors, welders, generators and similar type items**

Inventory Exemptions - For the purposes of these Rules, "property" is defined as all furniture, vehicles, equipment and other personal property having a useful life expectancy of at least one year and with a cost of \$500 or more. "Property" does not include: carpeting, draperies, installed floor-to-ceiling partitions, window shades or blinds, mattresses and box springs, water heaters, installed drinking fountains, museum accessions, library books, films or archival collections.

Purchases through Surplus Property Division - Items acquired through surplus property shall be added to a school district inventory at fair market value; that is, surplus property items are added at a fair market value.

Valuation of Property - In the event a school district is required to include an item on its property records using the item's fair market value, the school district will be required to maintain adequate documentation to justify how the fair market value was obtained.

Data Elements - consist of identifying characteristics for recording fixed assets. The school district must use the following data elements for recording fixed assets:

- **Major Asset class**
- **Acquisition date**
- **Location code (refer to SDE codes)**
- **Inventory tag number**
- **Description of item, including serial number**
- **Acquisition cost**
- **Funding source**
- **Check/purchase order number**

The school district may include other elements as needed.

Physical Tagging of Fixed Assets - Physical tagging is one of the most important aspects of fixed assets control. There are many commercial methods of attaching property numbers which should be investigated by the school district. Different tagging procedures should be used depending on the type of equipment to be tagged.

- (a) Select the next sequential fixed asset property number for the appropriate category of asset to be tagged. Enter the number on the fixed asset ledger. Provide the necessary information concerning each item to be inventoried.
- (b) Attach the identification tag or stencil the identification number on each item of equipment. The following are guidelines for tagging items of equipment:

<u>Illustrative Items of Equipment</u>	<u>Suggested Location of Tag</u>
Adding machines, calculators and similar office equipment	Front of typewriters machine

<u>Illustrative Items of Equipment</u>	<u>Suggested Location of Tag</u>
Air compressors, welders, generators, etc.	Near manufacturer's I.D. tag
Air conditioners, freezers, refrigerators, vending machines, etc.	Right side of upper cover

Chapter II - Fixed Assets Policy

Copy machines, printing equipment, computers, etc.	Front of machine
Files, safes and other storage equipment	Top right front cover
Automobiles, trucks and other automotive equipment	Stencil or print number on inside of door

- (c) Upon completion of the inventory, recheck to be sure asset property numbers were assigned to each item included in the inventory.

Labels for Items Not on Inventory - School districts should label property items not included on their inventory lists with tags "**Property of (Name of School).**" These tags should be different in color than those used to indicate inventory number.

Property Numbers for Fixed Assets - Assets must be identified with a unique number signifying ownership and allowing for positive identification. Numbering assets is an important internal control.

Assets may be marked with this number in several acceptable ways. An adhesive metal tag is often used, as well as stenciling or painting. Whatever method is used, the mark must be permanent and durable. Obviously, only equipment items must be physically tagged with numbers. Land and buildings will not be physically tagged, but, for internal control purposes, are assigned sequential numbers.

Items deleted from property inventory lists must have their school district inventory numbers removed from the items. Items required by the Rule to be included on property inventory lists will continue to be labeled with numbered tags or other permanently affixed numbering such as enamel paint.

Acquisition Costs of Fixed Assets - The acquisition cost of equipment includes all expenditures in connection with its procurement, including the following:

- **Purchase price (less any trade-in)**
- **Transportation charges**
- **Installation cost**
- **Other expenditures required to place the asset in its intended state of operation**

Equipment with a value of \$500 (and *walkable* items whose value is less than \$500) and a useful life expectancy of at least one year should be capitalized.

Annual Inventory

At the end of each fiscal year, the Property Manager or other responsible official is to conduct an inventory of fixed assets.

This is necessary to verify the existence and condition of fixed assets and to reconcile fixed assets records. An inventory may be conducted at other times in addition to the annual year-end inventory, if needed.

Procedures for conducting an inventory are as follows:

1. Each department head is furnished with an inventory for that specific department.
2. Each department head checks off each item of equipment in his department that has been verified.
3. The department head returns the completed forms to the Property Manager or person responsible for the inventory.
4. The inventory is then reconciled to the existing inventory records and any differences are investigated. Necessary adjustments are made to the inventory records.
5. The Fixed Assets Subsidiary Ledger is prepared from the adjusted records.

If an electronic data processing system is used by a school district, a master inventory print-out should be generated. Each department or location should be audited for equipment designated to the department or location. The inventory is then reconciled and exceptions are corrected or deleted using proper procedures.

In a separate report to the school board, the property manager shall list additions to or deletions from the annual inventory report and shall also list items unaccounted for from the previous annual inventory report.

If the inventory is the initial inventory or if there are no existing inventory records, procedures must be expanded to ensure the inventory is complete. An implicit Price Deflator is provided on following pages to establish the cost of items for which there are no purchase records. If other measures are used to determine fair market value justification for the measure should be available for review.

Summary of Fixed Assets- It is suggested that Form F be completed and maintained on a month-to-month basis; **Form F** should be accompanied by a monthly acquisition statement (Ledger) and a disposal, sale or trade-in statement (Ledger); the addition or deletion of fixed assets should have attached a copy of the board minutes authorizing the actions.

CHAPTER III - LAWS GOVERNING PROPERTY AND PROCUREMENT

Section 7-7-211 - Powers and Duties of the State Auditor.

The department shall have the power and it shall be its duty:

(a) To identify and define for all public offices of the state and its subdivisions generally accepted accounting principles as promulgated by nationally recognized professional organizations and to consult with the State Fiscal Officer in the prescription and implementation of accounting rules and regulations;

(b) To prescribe, for all public offices of regional and local subdivisions of the state, systems of accounting, budgeting and reporting financial facts relating to said offices in conformity with legal requirements and with generally accepted accounting principles as promulgated by nationally recognized professional organizations; to assist such subdivisions in need of assistance in the installation of such systems; to revise such systems when deemed necessary, and to report to the Legislature at periodic times the extent to which each office is maintaining such systems, along with such recommendations to the Legislature for improvement as seem desirable;

(e) To post-audit and, when deemed necessary, pre-audit and investigate separately the financial affairs of (i) the offices, boards and commissions of county governments and any departments and institutions thereof and therein; (ii) public school districts, departments of education and junior college districts; and (iii) any other local offices or agencies which share revenues derived from taxes or fees imposed by the State Legislature or receive grants from revenues collected by governmental divisions of the state; the cost of such audits, investigations or other services to be paid as follows: Such part shall be paid by the state from appropriations made by the Legislature for the operation of the State Department of Audit as may exceed the sum of One Hundred Dollars (\$100.00) per day for the services of each staff person engaged in performing the audit or other service, which sum shall be paid by the county, district, department, institution or other agency audited out of its general fund or any other available funds from which such payment is not prohibited by law;

(g) To make written demand, when necessary, for the recovery of any amounts representing public funds improperly withheld, misappropriated and/or otherwise illegally expended by an officer, employee or administrative body of any state, county or other public office, and/or for the recovery of the value of any public property disposed of in an unlawful manner by a public

officer, employee or administrative body, such demands to be made (i) upon the person or persons liable for such amounts and upon the surety on official bond thereof, and/or (ii) upon any individual, partnership, corporation or association to whom the illegal expenditure was made or with whom the unlawful disposition of public property was made, if such individual, partnership, corporation or association knew or had reason to know through the exercising of reasonable diligence that the expenditure was illegal or the disposition unlawful. Such demand shall be premised on competent evidence, which shall include at least one (1) of the following: (i) sworn statements, (ii) written documentation, (iii) physical evidence, or (iv) reports and findings of government or other law enforcement agencies. Other provisions notwithstanding, a demand letter issued pursuant to this subsection shall remain confidential by the State Auditor until the individual against whom the demand letter is being filed has been served with a copy of such demand letter. If, however, such individual cannot be notified within fifteen (15) days using reasonable means and due diligence, such notification shall be made to the individual's bonding company, if he or she is bonded. Each such demand shall be paid into the proper treasury of the state, county or other public body through the office of the department in the amount demanded within thirty (30) days from the date thereof, together with interest thereon in the sum of one percent (1%) per month from the date such amount or amounts were improperly withheld, misappropriated and/or otherwise illegally expended. In the event, however, such person or persons shall refuse, neglect or otherwise fail to pay the amount demanded and the interest due thereon within the allotted thirty (30) days, the State Auditor shall have the authority and it shall be his duty to institute suit, and the Attorney General shall prosecute the same in any court of the state to the end that there shall be recovered the total of such amounts from the person or persons and surety on official bond named therein; and the amounts so recovered shall be paid into the proper treasury of the state, county or other public body through the State Auditor;

(h) To investigate any alleged or suspected violation of the laws of the state by any officer or employee of the state, county or other public office in the purchase, sale or the use of any supplies, services, equipment or other property belonging thereto; and in such investigation to do any and all things necessary to procure evidence sufficient either to prove or disprove the existence of such alleged or suspected violations.

The Department of Investigation of the State Department of Audit may investigate, for the purpose of prosecution, any suspected criminal violations of this

Chapter III - Laws Governing Property and Procurement

chapter. For the purpose of administration and enforcement of this chapter, the enforcement employees of the Department of Investigation of the State Department of Audit have the powers of a peace officer of this state only over those persons under indictment or at the direction of another duly authorized law enforcement agency having jurisdiction over the case. All enforcement employees of the Department of Investigation of the State Department of Audit hired on or after July 1, 1993, shall be required to complete the Law Enforcement Officers Training Program and shall meet the standards of the program.

(l) The State Auditor shall have the authority to establish training courses and programs for the personnel of the various state and local governmental entities under the jurisdiction of the office of the State Auditor. The training courses and programs shall include, but not be limited to, topics on internal control of funds, property and equipment control and inventory, governmental accounting and financial reporting, and internal auditing. The State Auditor is authorized to charge a fee from the participants of these courses and programs, which fee shall be deposited into the Department of Audit Special Fund. State and local governmental entities are authorized to pay such fee and any travel expenses out of their general funds or any other available funds from which such payment is not prohibited by law.

Section 25-1-87 - Marking Publicly-owned or Leased Vehicle; Exceptions; Effect of Noncompliance.

All motor vehicles owned or leased by the State of Mississippi or any agency, department or political subdivision thereof, which shall include counties and municipalities, when such agency or department or political subdivision, which shall include counties and municipalities, is supported wholly or in part by public taxes or by appropriations from public funds, shall have painted on both sides in letters at least three (3) inches in height, and on the rear in letters not less than one and one-half (1 ½) inches in height, the name of the state agency or department, or political subdivision, which shall include counties and municipalities, in a color which is in contrast with the color of the vehicle; provided however, that a permanent decal may be used in lieu of paint, and provided further, that any municipality may affix a permanent decal or design at least twelve (12) inches in height and twelve (12) inches in width on both sides of the vehicle with the name of the municipality within or across the permanent decal or design and the permanent design or decal shall be in a color or colors which are in contrast with the color of the vehicle. No privilege license tag shall be issued for such vehicle until the name has been painted thereon or a permanent design or decal affixed thereto as required by this section. A permanent decal may be used in lieu of paint. ****

Section 25-1-91 - Penalty Regarding State-Owned Automobiles.

If any person shall knowingly and wilfully violate any of the provisions of sections 25-1-77 or 25-1-93, such person shall be guilty of a misdemeanor and, upon conviction, shall be punished by a fine of not more than two hundred fifty dollars and, in addition, shall be removed from the office or position which he holds.

Section 37-37-1 - Uniform System of Accounts for School Districts.

The department of audit of the state auditor of public accounts is hereby authorized and directed to prescribe and formulate for use by all school districts of this state, including municipal separate school districts, adequate accounting systems and other essential financial records which shall be uniform for all of the school districts of this state. Such uniform system shall include a method of accounting for and keeping records of all funds received, handled, and disbursed by such school district, whether derived from taxation or otherwise, including funds derived from donations, athletic events, and other special activities of the school district. The uniform system of accounts so prescribed and formulated by the department of audit shall be distributed and disseminated to all of the school districts of this state and it shall be mandatory that the boards of trustees of all such school districts install, utilize, and follow said uniform systems of accounts in keeping the financial records of the school district.

Electronic data processing systems, usually referred to as **EDP** or computer systems, are the prevalent form of information management in Mississippi public school districts. Systems provided in this section are designed for manually maintained records. However, formats and procedures necessary for manual operation are not always necessary or relevant to an EDP system which requires its own procedures.

Because of the variant nature of these methods of recording data, different requirements are set forth for EDP systems. An EDP system typically requires information to be entered one time and then manipulates this information into any desired format. **It is not necessary** for an EDP system to reproduce the exact formats presented in this manual. **HOWEVER, THE SAME INFORMATION MUST BE PRESENTED IN A LOGICAL FORMAT.** It is critical that an EDP system present the same information required in this section. Although formats for EDP systems are not herein prescribed, they must be logical and correct.

Every school district using an EDP system should be aware of the necessity for adequate internal controls. Computers and their programs are subject to manipulation by knowledgeable persons. These systems should have effective controls such as passwords access, batch or hash totals, and limited access to tapes and storage files. Every EDP system should include a written disaster recovery plan which includes access to compatible hardware and software, and should include **offsite** storage of backup computer files. **Offsite** means in a protected area of a **separate** building. Schools, libraries and hospitals are usually willing to participate in a reciprocal offsite storage plan. A bank safety deposit box is also an alternative.

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CHAPTER V - EXHIBITS

The following exhibits are used by the Department of Property.

SUMMARY STATEMENT OF FIXED ASSETS

Form F

STATE OF MISSISSIPPI

SCHOOL DISTRICT _____

Inventory Position as of _____ 20____

	Beginning Balance _____	Additions _____	Deletions _____	Ending Balance _____
	20__	20__	20__	20__
Mobile Equipment				
Furniture and Equipment				
Land				
Buildings				
Improvements Other Than Buildings				
Construction in Progress				
Leased Property under Capital Leases				
TOTALS				

Prepared By _____

Official Title _____

* *Additions and deletions records should be accompanied by board minutes authorizing fixed asset adjustments.*

LOST OR STOLEN PROPERTY AFFIDAVIT

SCHOOL DISTRICT

ADDRESS

ADDRESS

Location of Property: _____ Date: _____

<u>Description</u>	<u>Inventory Number</u>	<u>Report Number</u>	<u>Date Purchased</u>	<u>Cost or Value</u>
--------------------	-------------------------	----------------------	-----------------------	----------------------

Detailed Explanation of Loss: (In case of theft, robbery or mysterious disappearance, show the name of the Sheriff's Office notified and the date the loss was discovered. If such loss was not reported to a Sheriff's Office at the time of the discovery, give a complete explanation of such failure.)

WE HEREBY STATE UNDER OATH THAT THE ABOVE FACTS ARE TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE.

Board President Date

Property Manager Date

Employee Responsible for Property Date

THIS DATE PERSONALLY APPEARED BEFORE ME, the undersigned authority, in and for _____ County, in the State of Mississippi, the above named individuals, who, being first duly sworn, state on their oaths that the above facts are true and correct to the best of their knowledge.

GIVEN UNDER MY HAND AND OFFICIAL SEAL, this the _____ day of _____, 19 ____.

Notary Public

SCHOOL DISTRICT

**Assignment of Fixed Assets
(Hand Receipt)**

TO: PROPERTY MANAGER

FROM: _____
(EMPLOYEE'S NAME)

DATE: _____

This is to verify that I have the equipment listed below and I am using it to conduct official school district business.

<u>Description of Equipment</u>	<u>Serial Number</u> <u>Number</u>	<u>Fixed Assets</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(Employee's Signature)

**REQUEST FOR
PERMANENT TRANSFER**

TO: PROPERTY MANAGER

FROM: _____
(Employee's name)

DATE: _____

It is requested that the following items for which I am currently responsible be transferred to:

(Employee's name)

(Department/Division)

<u>Description of item</u>	<u>Serial number</u>	<u>Inventory number</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Transfer authorized by _____ Date _____
(Property Manager)

I accept responsibility for the above inventory items - _____
(Employee receiving inventory)

HOW TO USE THE ATTACHED IMPLICIT PRICE DEFLATOR TABLES

1. Table 4 is for reference and documentation purposes only. It reflects the values obtained from the U.S. Department of Commerce and the values for which estimates were made due to the unavailability of the actual values as of November 27, 1995.
2. Tables 1 through 3 reflect the index numbers (i.e., percentages) to be used to deflate a current value to a previous period. Table 1 uses the 2nd quarter of 1996 as 100, while Table 2 and Table 3 use the 1st quarter of 1996 and the 4th quarter of 1995, respectively, as 100.
3. To use the tables perform the following steps:
 - A. Select the appropriate table (1,2 or 3) based on the period for which the current value was determined. For example, if the estimated historical cost of an item is to be calculated using the current value as of the 4th quarter of 1995, you would select Table 3. Table 2 would be used if the current value is as of the 1st quarter of 1996, and Table 1 would be used if the current value is as of the 2nd quarter of 1996.
 - B. Using the appropriate table, find the applicable deflator value (percentage) for the period in which the item being valued was acquired. For example, if you are estimating the historical cost of an item acquired in the 1st quarter of 1990 using a current value of \$5,000 as of the 2nd quarter of 1996, you would go to Table 1 and find the deflator value under the 1st quarter column and in the 1990 row (i.e., 85.9). If you are unsure about the quarter in which the item was acquired, simply use the annual column value for the applicable year or your best estimate of the applicable year.
 - C. Multiply the current value by the deflator value (percentage) obtained from the applicable column and row in the appropriate table. In the example in B above, you would multiply \$5,000 by 85.9% and would get an estimated historical cost of \$4,295.
4. The following examples may help you feel more comfortable in using the tables and performing the related steps:

Ex. #	Qtr. Val.	Qtr. Acq.	Current Value	Table to Use	Deflator Value (%)	Est. Hist. Cost
1	2/96	1/90	\$5,000	1	85.9	\$4,295
2	1/96	1/89	\$3,750	2	82.7	\$3,101
3	4/95	3/92	\$1,100	3	94.1	\$1,035
4	2/96	?/88	\$ 900	1	80.0	\$ 720
5	1/96	2/91	\$1,350	2	90.6	\$1,223

IMPLICIT PRICE DEFLATOR

Index Numbers, 1996 = 100

Quarter Year: 2nd

	I	II	III	IV	ANNUAL
1996	99.6	100.0			
1995	98.3	98.7	98.8	99.2	98.8
1994	96.3	97.0	97.5	97.8	97.1
1993	94.7	95.1	95.3	95.6	95.1
1992	92.4	93.0	93.3	93.9	93.1
1991	89.7	90.3	90.9	91.5	90.6
1990	85.9	86.8	87.7	88.6	87.3
1989	82.4	83.3	84.1	84.8	83.6
1988	78.7	79.5	80.5	81.3	80.0
1987	76.1	76.7	77.3	78.0	77.0
1986	74.0	74.3	74.9	75.5	74.7
1985	71.9	72.4	72.9	73.6	72.7
1984	69.1	69.8	70.6	71.0	70.1
1983	66.3	66.7	67.4	68.1	67.2
1982	63.4	64.3	64.9	65.5	64.6
1981	58.9	60.0	61.4	62.7	60.8
1980	53.3	54.5	55.9	57.3	55.2
1979	48.9	49.9	51.1	52.1	50.5
1978	44.8	46.0	46.9	47.9	46.5
1977	41.8	42.7	43.5	44.2	43.1
1976	39.4	39.9	40.5	41.3	40.3
1975	37.0	37.5	38.3	38.9	37.9
1974	33.4	34.1	35.1	35.9	34.6
1973	30.9	31.4	32.0	32.8	31.8
1972	29.4	29.7	30.0	30.5	29.9
1971	28.0	28.5	28.8	29.0	28.6
1970	26.6	27.0	27.2	27.5	27.1
1969	25.2	25.6	26.0	26.2	25.7
1968	24.0	24.3	24.7	25.0	24.5
1967	23.1	23.2	23.4	23.7	23.3
1966	22.3	22.6	22.7	23.0	22.7
1965	21.7	21.8	22.0	22.1	21.9
1964	21.2	21.3	21.3	21.5	21.3
1963	20.9	20.9	21.0	21.1	21.0
1962	20.6	20.6	20.7	20.8	20.7
1961	20.1	20.2	20.3	20.4	20.3
1960	20.0	20.0	20.1	20.0	20.0
1959	19.6	19.7	19.8	19.9	19.7

IMPLICIT PRICE DEFLATOR

Index Numbers, 1996 = 100

Quarter Year: 1st

	I	II	III	IV	ANNUAL
1996	100.0				
1995	98.7	99.1	99.2	99.5	99.1
1994	96.7	97.4	97.8	98.1	97.5
1993	95.1	95.4	95.7	96.0	95.5
1992	92.7	93.3	93.7	94.3	93.5
1991	90.0	90.6	91.3	91.9	91.0
1990	86.2	87.2	88.0	88.9	87.6
1989	82.7	83.6	84.4	85.2	83.9
1988	79.0	79.8	80.8	81.6	80.4
1987	76.4	77.0	77.6	78.3	77.3
1986	74.2	74.6	75.2	75.8	74.9
1985	72.2	72.7	73.2	73.9	73.0
1984	69.4	70.1	70.8	71.3	70.4
1983	66.5	67.0	67.7	68.4	67.4
1982	63.7	64.5	65.2	65.7	64.8
1981	59.2	60.2	61.6	63.0	61.0
1980	53.5	54.8	56.1	57.5	55.5
1979	49.1	50.1	51.3	52.3	50.7
1978	45.0	46.2	47.1	48.1	46.6
1977	42.0	42.8	43.6	44.4	43.2
1976	39.6	40.1	40.7	41.5	40.4
1975	37.1	37.7	38.4	39.1	38.1
1974	33.5	34.2	35.2	36.0	34.7
1973	31.0	31.6	32.2	32.9	31.9
1972	29.5	29.9	30.2	30.6	30.0
1971	28.2	28.6	28.9	29.2	28.7
1970	26.7	27.1	27.3	27.6	27.2
1969	25.3	25.7	26.1	26.3	25.8
1968	24.1	24.4	24.7	25.1	24.6
1967	23.2	23.3	23.5	23.8	23.4
1966	22.4	22.7	22.8	23.1	22.7
1965	21.8	21.9	22.0	22.2	22.0
1964	21.3	21.3	21.4	21.6	21.4
1963	21.0	21.0	21.0	21.2	21.0
1962	20.6	20.7	20.8	20.9	20.8
1961	20.2	20.3	20.4	20.5	20.3
1960	20.1	20.1	20.2	20.1	20.1
1959	19.6	19.8	19.9	20.0	19.8

IMPLICIT PRICE DEFLATOR

Index Numbers, 1995 = 100

Quarter Year: 4th

	I	II	III	IV	ANNUAL
1995	99.1	99.5	99.7	100.0	99.6
1994	97.1	97.8	98.3	98.6	98.0
1993	95.5	95.9	96.1	96.4	96.0
1992	93.2	93.8	94.1	94.7	93.9
1991	90.4	91.1	91.7	92.3	91.4
1990	86.6	87.6	88.4	89.4	88.0
1989	83.1	84.0	84.8	85.5	84.3
1988	79.3	80.2	81.2	82.0	80.7
1987	76.8	77.3	77.9	78.6	77.7
1986	74.6	75.0	75.5	76.1	75.3
1985	72.5	73.0	73.5	74.2	73.3
1984	69.7	70.4	71.2	71.6	70.7
1983	66.8	67.3	68.0	68.7	67.8
1982	63.9	64.8	65.5	66.0	65.1
1981	59.4	60.5	61.9	63.2	61.3
1980	53.8	55.0	56.3	57.8	55.7
1979	49.3	50.3	51.5	52.5	50.9
1978	45.2	46.4	47.3	48.3	46.9
1977	42.2	43.0	43.8	44.6	43.4
1976	39.8	40.2	40.9	41.6	40.6
1975	37.3	37.8	38.6	39.2	38.2
1974	33.6	34.3	35.4	36.2	34.9
1973	31.2	31.7	32.3	33.1	32.1
1972	29.7	30.0	30.3	30.8	30.1
1971	28.3	28.7	29.1	29.3	28.8
1970	26.8	27.3	27.4	27.7	27.4
1969	25.4	25.8	26.2	26.4	26.0
1968	24.2	24.6	24.9	25.2	24.7
1967	23.3	23.4	23.6	23.9	23.5
1966	22.5	22.8	22.9	23.2	22.8
1965	21.9	22.0	22.1	22.3	22.1
1964	21.4	21.4	21.5	21.7	21.5
1963	21.1	21.1	21.1	21.3	21.1
1962	20.7	20.8	20.9	21.0	20.9
1961	20.3	20.4	20.5	20.6	20.4
1960	20.2	20.2	20.3	20.2	20.2
1959	19.7	19.9	20.0	20.0	19.9

IMPLICIT PRICE DEFLATOR

Index Numbers, 1987 = 100

Quarter Year:

	I	II	III	IV	ANNUAL
1996	*	*			
1995	129.3	129.8			
	127.6	128.1	128.3	* 128.7	* 128.2
1994	125.0	125.9	126.5	126.9	126.1
1993	122.9	123.4	123.7	124.1	123.5
1992	119.9	120.7	121.1	121.9	120.9
1991	116.4	117.2	118.0	118.8	117.6
1990	111.5	112.7	113.8	115.0	113.3
1989	106.9	108.1	109.1	110.1	108.5
1988	102.1	103.2	104.5	105.5	103.9
1987	98.8	99.5	100.3	101.2	100.0
1986	96.0	96.5	97.2	98.0	96.9
1985	93.3	94.0	94.6	95.5	94.4
1984	89.7	90.6	91.6	92.2	91.0
1983	86.0	86.6	87.5	88.4	87.2
1982	82.3	83.4	84.3	85.0	83.8
1981	76.5	77.9	79.7	81.4	78.9
1980	69.2	70.8	72.5	74.4	71.7
1979	63.5	64.8	66.3	67.6	65.5
1978	58.2	59.7	60.9	62.2	60.3
1977	54.3	55.4	56.4	57.4	55.9
1976	51.2	51.8	52.6	53.6	52.3
1975	48.0	48.7	49.7	50.5	49.2
1974	43.3	44.2	45.5	46.6	44.9
1973	40.1	40.8	41.6	42.6	41.3
1972	38.2	38.6	39.0	39.6	38.8
1971	36.4	37.0	37.4	37.7	37.1
1970	34.5	35.1	35.3	35.7	35.2
1969	32.7	33.2	33.7	34.0	33.4
1968	31.2	31.6	32.0	32.4	31.8
1967	30.0	30.1	30.4	30.8	30.3
1966	29.0	29.3	29.5	29.9	29.4
1965	28.2	28.3	28.5	28.7	28.4
1964	27.5	27.6	27.7	27.9	27.7
1963	27.1	27.1	27.2	27.4	27.2
1962	26.7	26.8	26.9	27.0	26.9
1961	26.1	26.2	26.4	26.5	26.3
1960	26.0	26.0	26.1	26.0	26.0
1959	25.4	25.6	25.7	25.8	25.6

* Values Estimated by personnel of the Office of the State Auditor of Miss. Other values were obtained from the U.S. Dept. Of Commerce, Bureau of Economic Analysis on 11/27/95.

IMPLICIT PRICE DEFLATOR

Implicit Price Deflator, continued
Index Numbers, 1987 = 100

	I	II	III	IV	ANNUAL
1955					22.9
1954					22.2
1953					22.0
1952					21.5
1951					21.3
1950					20.2
1949					19.9
1948					20.0
1947					18.7
1946					16.7
1945					13.3
1944					12.6
1943					12.5
1942					12.3
1941					11.7
1940					11.0
1939					10.8
1938					10.9
1937					11.2
1936					10.6
1935					10.6
1934					10.3
1933					9.5
1932					9.7
1931					11.0
1930					12.1
1929					12.6

Source: United States Department of Commerce, Bureau of Economic Analysis.

SECTION H PRESCRIBED CODING SYSTEM

All school districts shall utilize the prescribed coding system as detailed in Sections H, I, J, K, L and M of this manual. This coding system must be uniformly complied with in order to met objectives of the Office of the State Auditor as well as that of the Mississippi Department of Education. This coding system will also provide financial comparability among school districts.

The overall account structure is designed to be efficient and effective and provide for a basic management tool for the individual school districts. It creates a common language for use in controlling, recording, accumulating and reporting the financial activities of the school district.

The prescribed coding system, consists of a minimum of sixteen (16) digits and a maximum of nineteen (19) digits. The digits should be in the format as illustrated below:

	XXXX	XXX	XXXX	XXX	XXX	XX
Fund or Account Group Code	XXXX					
General Ledger Code		XXX				
Function Code			XXXX			
Program Code (*)				XXX		
Object Code					XXX	
Operational Unit Code (**)						XX

(*) The use of program codes is optional.

(**) The use of operational unit codes is mandatory for Expenditure Function Codes #1000 through #2490 and for all expenditures for Title I. The use of operational unit codes is optional for all other expenditures. (See Note #6 at the end of this section)

THE ONLY EXCEPTIONS TO THE PRESCRIBED CODES IN SECTIONS' I, J, K AND M, AS REPORTED IN THIS MANUAL, ARE AS FOLLOWS:

SECTION I

No additions or expansions of any Section I codes are allowed.

SECTION J

No additions are allowed. Expansions of any Section J codes would be per the discretion of the individual school district. For reporting purposes, all expanded Section J codes **must** be collapsed back into the code expanded from.

For example:

101 Cash and Other Deposits

The school district decides to expand this code to the following:

101	Cash and Other Deposits
102	Petty Cash
103	Cash for Athletics
104	Cash for School Lunch Program

At the end of the fiscal year and before any reports are prepared the school district must collapse these expanded codes back into code 101. If they are **NOT** collapsed, the reports generated for MSIS will be rejected.

Expansions of Section J codes would require the school district's records to generate sub-totals for each expanded Section J codes and an overall total of the code expanded from. The school district's records must have the capability of generating an individual transaction history file for each Section J code used by the school district, whether expanded or not.

SECTION K

No additions or expansions of any Section K codes are allowed.

SECTION M

No additions are allowed. Expansions of any Section M codes would be per the discretion of the individual school district. For reporting purposes, all expanded Section M codes **must** be collapsed back into the code expanded from.

For example:

1120 Elementary Programs

The school district decides to expand this code to the following:

1121	Middle Elementary Programs
1122	East Elementary Programs
1123	South Elementary Programs
1124	North Elementary Programs
1125	West Elementary Programs

At the end of the fiscal year and before any reports are prepared the school district must collapse these expanded codes back into code 1120. If they are **NOT** collapsed, the reports generated for MSIS will be rejected.

Expansions of Section M codes would require the school district's records to generate sub-totals for each expanded Section M codes and an overall total of the code expanded from. The school district's records must have the capability of generating an individual transaction history file for each Section J code used by the school district, whether expanded or not.

1. **FUND AND ACCOUNT GROUP CODE:**

The first four digits will identify the fund or account group for which the transaction will be processed and recorded in. The individual fund and account group codes are detailed in Section I of this manual.

2. **GENERAL LEDGER CODES:**

The three digit general ledger codes identify the balance sheet accounts and the operation accounts for which the transaction will be processed and recorded in. The following listing illustrates the different ranges for the balance sheet and operation accounts codes.

Balance Sheet Accounts:

- 100's - Assets and Other Debits
- 200's - General Fixed Assets
- 300's - Budgetary - Revenues
- 400's - Liabilities - Current
- 500's - Liabilities - Long-term
- 600's - Budgetary - Appropriations/Encumbrances
- 700's - Fund Equity and Other Credits

The individual balance sheet account codes are detailed in Section J of this manual.

Operation Accounts:

- 800 - Revenues
- 900 - Expenditure/Expenses

[NOTE: The general ledger operation account codes precede the following four digit function codes for revenues and expenditures/expenses' transaction.]

3. **FUNCTION CODES:**

The four digit function codes identify revenue or expenditure/expense transactions. The revenue function codes are detailed in Section K of this manual. The expenditure/expense function codes are detailed in Section L of this manual. The following listing summarizes the major section ranges for revenues and expenditures/expense.

Revenue:

- 1000's- Local Sources
- 2000's - Intermediate Sources
- 3000's - State Sources
- 4000's - Federal Sources
- 5000's - Sixteenth Section Sources

- 6000's - Other Financing Sources
- 7000's - Direct Increases in Fund Equity

[NOTE: Please note that each revenue function code would be preceded by an 800 general ledger code as directed in section 2 above.]

Expenditures/Expenses:

- 1000's - Instruction
- 2000's - Support Services
- 3000's - Operation of Noninstructional Services
- 4000's - Sixteenth Section
- 5000's - Facilities Acquisition and Construction Services
- 6000's - Debt Service
- 7000's - Other Financing Uses
- 8000's - Direct Decreases in Fund Equity

[NOTE. Please note that each expenditure/ expense function code would be preceded by a 900 general ledger code as directed in section 2 above.]

4. PROGRAM CODES:

The three digit program codes are used to identify an organizational unit or activity for which financial information is to be accumulated. The use of the program code is optional. The school district will be responsible for establishing its own program codes, if utilized.

5. OBJECT CODES:

Revenue Object Codes:

The three digit revenue object codes are provided as an optional mean of implementing GASB 34 reporting requirements. The following optional revenue object code ranges should be used if your district decides there is a need to further detail the individual revenue function codes. These revenue object codes may expedite and enhance the fiscal year-end government wide reporting preparation.

- 100's Charges for Services
- 200's Operating Grants and Contributions
- 300's Capital Grants and Contributions
- 400's General Revenues

The revenue object codes are detailed and explained in Section K of this manual.

Expenditure/Expense Object Codes:

The following prescribed three digit expenditure/expense object codes further details' each expenditure/expense transaction.

100's	Personal Services - Salaries
200's	Personal Services - Employee Benefits
300's	Purchased Professional and Technical Services
400's	Purchased Property Services
500's	Other Purchased Services
600's	Supplies
700's	Property
800's	Other Objects
900's	Other Uses of Funds

The expenditure/expense object codes are detailed in Section M of this manual.

6. OPERATIONAL UNIT CODES:

The two digit operational unit codes identify the specific school or cost centers of the school district.

The operational unit codes to be used are the school numbers assigned by the Mississippi Department of Education for ADA and personnel reporting. The use of operational unit codes is **mandatory** for:

- a. Expenditures of every fund of the school district that are coded to expenditure function codes 1000 through 2490 for funds 1000 to 3999;
- b. All Title I expenditures, regardless of there expenditure function code.

The use of operational unit codes is **optional** for all other expenditures.

SECTION I FUND AND ACCOUNT GROUP CODES

The following four digit fund and account group codes will identify the fund types, individual funds or account groups that are to be used by all school districts of the State of Mississippi. The individual fund and account group code numbers assigned should not be changed or altered. Only funds assigned a range of code numbers will allowances be made for the school district to add individual funds to meet that school district's needs.

<u>Code</u>	<u>Fund Type</u>	<u>Individual Funds</u>
--------------------	-------------------------	--------------------------------

GOVERNMENTAL FUND TYPES:

GENERAL FUND

1120		District Maintenance Fund
1130		Special Education Fund
1140		Alternative School Fund
1151	through 1899	General Activity Funds
1901	through 1999	User Defined General Funds

SPECIAL REVENUE FUNDS

Special Statute Funds

2001		Uniform Millage Assistance Grant Program Fund <i>(Note 1)</i>
2002		Education Reform Act Fund
2003		Asbestos Inspection Fund
2004		Asbestos Removal Fund
2010		Interim Capital Expenditures Fund
2040		Level 1 Accreditation Grant Fund
2060		Title III - Goals 2000, Educate America Act Fund
2070		Technology in the Classroom Fund
2080		Technology Literacy Challenge Fund
2090		Extended School Year

Child Nutrition Funds

2110		School Food Service Fund <i>(Note 2)</i>
2111		Child and Adult Care Food Program Fund <i>(Note 2)</i>
2129		Summer Food Service Fund - 1999 Calendar Year <i>(Note 3)</i>
2120		Summer Food Service Fund - 2000 Calendar Year <i>(Note 3)</i>
2121		Summer Food Service Fund - 2001 Calendar Year <i>(Note 3)</i>
2122		Summer Food Service Fund - 2002 Calendar Year <i>(Note 3)</i>
2123		Summer Food Service Fund - 2003 Calendar Year <i>(Note 3)</i>
2124		Summer Food Service Fund - 2004 Calendar Year <i>(Note 3)</i>
2125		Summer Food Service Fund - 2005 Calendar Year <i>(Note 3)</i>
2191	through 2199	Other Child Nutrition Program Funds

Title I Funds

2210		Title I - Low Grant Funds (Regular & Carryover)
2220		Title I - Even Start Funds (Regular & Carryover)
2230		Title I - Handicapped Fund (Regular & Carryover)
2240		Title I - Program Improvement Fund
2250		Title I - Capital Expense Private Schools Fund
2255		Title I - Coop Funds for Private Schools
2260		Title I - Migrant Fund
2261		Title I - Migrant Fund - Direct Services
2290		Consolidated Administrative Cost Fund

Title VI Funds

2310		Title VI Funds (Regular & Carryover)
2320		Title VI - Class Size Reduction Initiative Fund

Education Enhancement Funds

2410	EEF - Buildings and Buses Fund
2420	EEF - Textbooks and Other Educational Materials Fund (<i>Note 4</i>)
2430	EEF - Transportation Operations and Maintenance Fund
2440	EEF - Classroom Supplies and Instructional Materials Fund

Title II Funds

2510	Title II - Eisenhower Math/Science, Regular Grant Funds
2520	Title II - Eisenhower Math/Science, Exemplary Grant Funds

EHA, Part B Grant Funds

2617	EHA, Part B 1997 FY Grant Fund
2618	EHA, Part B 1998 FY Grant Fund
2619	EHA, Part B 1999 FY Grant Fund
2610	EHA, Part B 2000 FY Grant Fund (<i>Note 5</i>)
2627	EHA, Preschool 1997 FY Grant Fund
2628	EHA, Preschool 1998 FY Grant Fund
2629	EHA, Preschool 1999 FY Grant Fund
2620	EHA, Preschool 2000 FY Grant Fund (<i>Note 5</i>)
2630	School Renovation and Repair Fund

Vocational Education Funds

2711		Vocational Education - Basic Fund (Local, State & Fed.)
2714		Vocational Education - III E - Tech/Prep Fund
2721		Vocational Rehabilitation - Work Experience Program Fund
2731		JTPA - II A Fund
2732		JTPA - II B Fund
2733		JTPA - II C Fund
2734		JTPA - 8% Fund
2735		JTPA - 5% Fund

Title IV Funds and Other Special Revenue Funds

2810		Title IV Funds
2820		Unemployment Compensation Revolving Fund
2830		Forestry Escrow Fund
2840	through 2899	Sixteenth Section Interest Funds
2901	through 2999	Other Special Revenue Funds

CAPITAL PROJECTS FUNDS

3011	through 3019	Public School Building Funds (State Funds)
3021	through 3099	Building Project Funds (Local Funds)
3901	through 3999	Other Capital Projects Funds

DEBT SERVICE FUNDS

[NOTE: Individual funds should be established for each individual debt issuance.]

4011	through	4019	Shortfall Notes Retirement Funds
4021	through	4029	Three Mill Notes Retirement Funds
4031	through	4039	Bond Issues Retirement Funds
4041	through	4049	MAEP Retirement Funds
4091	through	4999	Other Debt Retirement Funds

PERMANENT FUNDS

7211	through	7289	Sixteenth Section Principal Funds
7291	through	7299	Other Non-expendable Trust Funds (<i>Note 6</i>)

PROPRIETARY FUND TYPES:**ENTERPRISE FUNDS**

5011	through	5099	Enterprise Funds
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INTERNAL SERVICE FUNDS

6011	through	6099	Internal Service Funds
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FIDUCIARY FUND TYPES:**AGENCY FUNDS**

7320	through	7380	Club Funds
7310			Payroll Clearing Fund
7500			Accounts Payable Clearing Fund

PRIVATE PURPOSE TRUST FUNDS

7401	through	7450	Other Private Purpose Funds (<i>Note 7</i>)
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ACCOUNT GROUPS:

8000	GENERAL FIXED ASSETS ACCOUNT GROUP
9000	GENERAL LONG-TERM DEBT ACCOUNT GROUP

Note 1: The Uniform Millage Assistance Grant Program Fund is to be used to account for both the Regular Equity Funding portion (revenue code #3260) and the Education Enhancement Fund portion (revenue code #3210) of the revenues received under the Uniform Millage Assistance Grant Program.

Note 2: The school food service fund is to be used to account for food distribution (CFDA #10.550), the school breakfast program (CFDA #10.553), the national school lunch program (CFDA #10.555). Fund # 2111 should be used to account for the child and adult care food program (CFDA # 10.558).

Note 3: A separate fund must be used to account for the summer food service program (CFDA #10.559). It cannot be accounted for as part of the school food service fund.

Note 4: The EEF - textbooks and other educational materials' fund is to be used to account for both the Education Enhancement Fund (revenue function code #3210) and the textbook funds (revenue function code #3215).

Note 5: All yearly revenues from the noted federal sources will be reported within this fund number from this revised printing forward.

Note 6: Funds established to report resources legally restricted so that only the earnings they generate, and not the resources themselves, may be used. This would include endowments where only the interest earned from the principal amount given would be expended.

Note 7: Funds established to report resources held for others in a trust capacity. This would include endowments held for scholarships where the total amount will be expended.

SECTION J BALANCE SHEET CODING

The balance sheet is a basic financial statement that reports assets and other debits, liabilities and fund equity and other credits. It is prepared at the end of a fiscal year (June 30) and shows a school district's resources and claims against those resources. The balance sheet can be presented on combined, combining or an individual fund basis. For financial reporting purposes, the school district will prepare a combined balance sheet.

The combined balance sheet will be divided into three categories consisting of assets and other debits, liabilities and fund equity and other credits. Only the current expendable financial resources and the related liabilities should be included in the balance sheet for Governmental and Fiduciary Fund Types. The fixed assets and long-term liabilities will be reported in the General Fixed Assets Account Group and the General Long-term Debt Account Group, respectively. The balance sheet for Proprietary Fund Types will contain classifications similar to those for a business enterprise (current assets, fixed assets, current liabilities, long-term liabilities, retained earnings, etc.). The fund equity segregation indicates the amount of resources "reserved" and the amount "designated." A reserved fund balance is legally restricted or segregated for future use, while a designated fund balance shows the school district's tentative plans for future resource use. The remaining unreserved, undesignated fund balance is the amount uncommitted and available for any legally authorized use.

No additional codes are allowed for reporting purposes. Expansions of any Section J codes would be per the discretion of the individual school district. For reporting purposes, all expanded Section J codes **must** be collapsed back into the code expanded from.

For example:

101 Cash and Other Deposits

The school district decides to expand this code to the following:

101	Cash and Other Deposits
102	Petty Cash
103	Cash for Athletics
104	Cash for School Lunch Program

At the end of the fiscal year and before any reports are prepared the school district must collapse these expanded codes back into code 101. If they are **NOT** collapsed, the reports generated for MSIS will be rejected.

Expansions of Section J codes would require the school district's records to generate subtotals for each expanded Section J code and an overall total of the code expanded from. The school district's records must have the capability of generating an individual transaction history file for each listed Section J code, whether expanded or not.

BALANCE SHEET ACCOUNT CODES:

<u>Code</u>	<u>Account</u>
--------------------	-----------------------

ASSETS AND OTHER DEBITS:**ASSETS**

101	Cash and Other Deposits
105	Cash With Fiscal Agents
111	Investments
121	Due From Local Sources
122	Due From State Sources
123	Due From Federal Sources
124	Accrued Interest Receivable
125	Other Receivables
126	Bond Proceeds Receivable
127	Sixteenth Section Loans Receivable
128	Sixteenth Section Lease Receivable
130	Allowance for Doubtful Accounts
131	Due From Other Funds
132	Advances to Other Funds
134	Mississippi School Boards Association Cash Flow Management Program Assets
141	Inventory of Supplies
142	Inventory of Stores for Resale
143	Inventory of Food
144	Inventory of Donated Commodities
151	Prepaid Items

OTHER DEBITS

152	Amount to Be Provided for Retirement of General Long-term Debt
154	Amount Available in Debt Service Fund

GENERAL FIXED ASSETS

- 201 Land
- 211 Buildings
- 212 Building Improvements
- 221 Improvements Other Than Buildings
- 231 Mobile Equipment
- 241 Furniture and Equipment
- 251 Leased Property Under Capital Leases
- 261 Construction in Progress
- 290 Accumulated Depreciation

BUDGETING ACCOUNTS

- 301 Estimated Revenues

LIABILITIES:

- 401 Claims Payable
- 402 Judgments Payable
- 411 Construction Contracts Payable
- 412 Retained Percentage Payable
- 421 Performance Bonds Payable
- 431 Accrued Payroll
- 432 Salary Benefits Payable
- 433 Salary Withholdings Payable
- 436 Due to Student Clubs
- 441 Due to Other Funds
- 442 Advances From Other Funds
- 451 Deferred Revenue
- 461 Other Payables
- 480 Revenue Anticipation Notes Payable

LONG-TERM DEBT

- 501 General Obligation Bonds Payable
- 502 Certificates of Participation Payable
- 503 Three Mill - Ten Year Notes Payable
- 504 Transportation Notes Payable
- 505 Sixteenth Section Principal Loans Payable
- 506 Shortfall Notes Payable
- 507 Obligations Under Capital Leases
- 508 Installment Purchases Loans Payable
- 509 Other Loans Payable
- 510 Limited Obligation Bonds Payable
- 512 Obligations Under Energy Efficiency Leases
- 513 Qualified Zone Academy Bonds (Loans) Payable
- 551 Compensated Absences Payable

BUDGETARY ACCOUNTS

- 601 Appropriations
- 602 Encumbrances

FUND EQUITY AND OTHER CREDITS:

OTHER CREDITS

- 701 Investment in General Fixed Assets

FUND EQUITY

711	Retained Earnings/Unreserved
721	Reserved for Investments
722	Reserved for Unemployment Benefits
723	Reserved for Forestry Improvements
724	Reserved for Advances
725	Reserved for Capital Improvements
726	Reserved for Endowments
727	Reserved for Debt Service
728	Reserved for Encumbrances
729	Reserved for Inventory
730	Reserved for Prepaid Items
731	Reserved for Ad Valorem
732	Reserved for Other Commitments
733	Reserved for Arbitrage Commitments
741	Unreserved/Designated
751	Unreserved/Undesignated
752	Budgetary - Estimated Revenues
753	Budgetary/Reserved for Encumbrances

Code **Descriptions and Definitions**

101	<u>Cash and Other Deposits</u> - Non-interest and interest-bearing demand accounts and time certificates of deposit with a bank or savings and loan institution. This account will also include cash on hand, petty cash and change cash.
105	<u>Cash With Fiscal Agents</u> - Deposits with fiscal agents, such as commercial banks, for paying matured bonds and interest. This account would also include all funds transferred to the a trust account that will be held for payment of debt at a future date. [NOTE: Does not include funds transferred for a defeasance of debt.]
111	<u>Investments</u> - Securities (except bank demand deposits and certificates of deposit) held for the production of revenues in the form of interest or dividends.
121	<u>Due From Local Sources</u> - An asset account reflecting amounts due to the Local Educational Agency (LEA), except interest, that are classified as local sources in the revenue accounts.
122	<u>Due From State Sources</u> - An asset account reflecting amounts due to the LEA that are classified as state sources in the revenue accounts.
123	<u>Due From Federal Sources</u> - An asset account reflecting amounts due to the LEA that are classified as federal sources in the revenue accounts.
124	<u>Accrued Interest Receivable</u> - An asset account reflecting the amount of interest earned on cash and other deposit accounts and/or investment accounts not received by the LEA.
125	<u>Other Receivables</u> - An asset account reflecting amounts due to the LEA, but not received, that are not required to be recorded in another account.
126	<u>Bond Proceeds Receivable</u> - An asset account reflecting the amount of bonded debt proceeds available but not received by the LEA.
127	<u>Sixteenth Section Loans Receivable</u> - An asset account reflecting the amount owed to the sixteenth section principal fund for loans made to the LEA.
130	<u>Allowance for Doubtful Accounts</u> - A valuation account used to indicate the portion of receivables which is estimated to be uncollectible.
131	<u>Due From Other Funds</u> - An asset account reflecting amounts owed to one fund by another fund within the LEA. This account includes only short-term obligations.
132	<u>Advances to Other Funds</u> - An asset account reflecting amounts owed to one fund by another within the LEA. This account includes only long-term obligations. [NOTE: Long-Term means due passed 12 months.]
134	<u>Mississippi School Boards Association Cash Flow Management Program Assets</u> - An asset account used for amounts held on behalf of the school district as a participant in the MSBA cash flow management program.
141	<u>Inventory of Supplies</u> - An asset account which reflects the cost of supplies on hand for use in operations.
142	<u>Inventory of Stores for Resale</u> - An asset account which reflects the cost of goods held for resale rather than use in operations.
143	<u>Inventory of Food</u> - An asset account which reflects the cost of purchased food on hand for use in the food service operations.

Code **Descriptions and Definitions**

144	<u>Inventory of Donated Commodities</u> - An asset account which reflects the cost of food donated by the federal government and distributed by the Mississippi Department of Education.
151	<u>Prepaid Items</u> - An asset account reflecting charges entered in the accounts for benefits not yet received. <i>[NOTE: Examples of prepaid items are prepaid rent, prepaid interest and unexpired insurance premiums.]</i>
152	<u>Amount to Be Provided for Retirement of General Long-term Debt</u> - An "other debit" account in the General Long-term Debt Account Group which represents the amount to be provided from tax levies or other revenue sources to liquidate general long-term debt liabilities.
154	<u>Amount Available in Debt Service Fund</u> - An account in the General Long-term Debt Account Group that represents available funds held by the LEA for the retirement of general long-term debt liabilities.
201	<u>Land</u> - A fixed asset account that reflects the acquisition cost of land owned by the LEA.
211	<u>Buildings</u> - A fixed asset account reflecting the acquisition and major improvement cost of permanent structures, such as school buildings, administrative buildings, athletic field houses, gymnasiums, and portable classrooms, owned by the LEA.
212	<u>Building Improvements</u> - A fixed asset account reflecting the acquisition of major heating and cooling units, major renovation projects such as the removal and replacement of a roof. This asset would have a estimated useful life of 20 years but not 40 as would be for buildings.
221	<u>Improvements Other Than Buildings</u> - A fixed asset account reflecting the acquisition cost of athletic fields, lighting, bleachers, and other similar improvements that cannot be directly associated with a particular building.
231	<u>Mobile Equipment</u> - A fixed asset account reflecting the acquisition cost of all school buses, automobiles, trucks and vans. This account will also include all large lawn maintenance equipment, tractors, etc.
241	<u>Furniture and Equipment</u> - A fixed asset account reflecting the acquisition cost of furniture and equipment owned by the LEA.
251	<u>Leased Property Under Capital Leases</u> - A fixed asset account reflecting the original acquisition cost of property purchased capital lease contracts.
261	<u>Construction in Progress</u> - A fixed asset account reflecting accumulated capitalized cost of construction projects not completed at fiscal year end.
290	<u>Accumulated Depreciation</u> - A contra-asset account used to record the accumulation of periodic credits made to record the expiration of the estimated service life of fixed assets.
301	<u>Estimated Revenues</u> - The amount of revenues estimated to be received or to become receivable during the fiscal period. At the end of the fiscal period, the account is closed out and does not appear on the balance sheet. This account would appear in interim financial statements.
401	<u>Claims Payable</u> - A liability account reflecting obligations for goods and services received by the LEA for which payment has not been made.

Code **Descriptions and Definitions**

402	<u>Judgments Payable</u> - A liability account reflecting amounts owed as a result of court decisions, including condemnation awards for private property taken for public use.
411	<u>Construction Contracts Payable</u> - A liability account reflecting amounts due on contracts for construction of buildings and other improvements.
412	<u>Retained Percentage Payable</u> - A liability account reflecting amounts due on construction contracts for that portion of the work which has been completed but on which part of the liability has not been paid pending final inspection or lapse of a specified time period, or both. The unpaid amount is usually a stated percentage of the contract price.
421	<u>Performance Bonds Payable</u> - A liability account reflecting amounts due to outside entities for bonds deposited that are due upon vendor performance.
431	<u>Accrued Payroll</u> - A liability account reflecting the net amounts due to employees.
432	<u>Salary Benefits Payable</u> - A liability account reflecting the employer matching amounts of benefits due to state agencies, federal agencies and other outside entities.
433	<u>Salary Withholdings Payable</u> - A liability account reflecting employee salary and wage withholdings due to state agencies, federal agencies and other outside entities.
436	<u>Due to Student Clubs</u> - A liability account reflecting amounts due to student clubs.
441	<u>Due to Other Funds</u> - A liability account reflecting amounts owed by one fund to another fund in the same government for goods sold or services rendered. These amounts include only short-term obligations on open account and not noncurrent portions of long-term loans.
442	<u>Advances From Other Funds</u> - A liability account used to record noncurrent portions of long-term debt owed by one fund to another fund in the same government.
451	<u>Deferred Revenue</u> - A liability account used to record revenue amounts for which the asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.
461	<u>Other Payables</u> - A liability account reflecting amounts owed by the LEA not required to be recorded in another liability account.
480	<u>Revenue Anticipation Notes Payable</u> - A liability account used to record amounts owed by the LEA for revenue anticipation notes payable.
501	<u>General Obligation Bonds Payable</u> - A liability account used to record amounts owed by the LEA for outstanding general obligation bonds.
502	<u>Certificates of Participation Payable</u> - A liability account used to record amounts owed by the LEA for outstanding certificates of participation.
503	<u>Three Mill - Ten Year Notes Payable</u> - A liability account used to record amounts owed by the LEA for outstanding three mill - ten year notes.
504	<u>Transportation Loans Payable</u> - A liability account used to record amounts owed by the LEA for transportation equipment loans.
505	<u>Sixteenth Section Principal Loans Payable</u> - A liability account used to record amounts owed by the LEA for loans made from sixteenth section principal funds.

Code **Descriptions and Definitions**

506	<u>Shortfall Notes Payable</u> - A liability account used by the LEA to record amounts owed for shortfall debt borrowing .
507	<u>Obligations Under Capital Leases</u> - A liability account used to record amounts owed by the LEA for the total unpaid principal portion of capital lease-purchase agreements.
508	<u>Installment Purchases Loans Payable</u> - A liability account used to record amounts owed by the LEA for the total unpaid principal portion of installment purchase loan agreements.
509	<u>Other Loans Payable</u> - A liability account used to record amounts owed by the LEA for loans not required to be coded in another account.
510	<u>Limited Obligation Bonds Payable</u> - A liability account used to record amounts owed by the LEA for outstanding bonds whereby the repayment of such bonds are from a pledge of resources from another governmental agency.
512	<u>Obligations Under Energy Efficiency Leases</u> - A liability account used to record amounts owed by the LEA for the total unpaid principal portion of an energy efficiency lease agreement entered into under the authority of Section 31-7-14, Mississippi Code Annotated (1972).
513	<u>Qualified Zone Academy Bonds(Loans) Payable</u> - A liability account used to record debt issuances that qualify as a "qualified zone academy bond" as defined by Section 226 of the Taxpayer Relief Act of 1997(Public Law 105-34).
551	<u>Compensated Absences Payable</u> - A liability account used to record the amount expected to be paid to the LEA's employees for accumulated leave earned by those employees.
601	<u>Appropriations</u> - A budgetary account established to record spending authorizations granted by the school board or legislative body to make expenditures for specific purposes. This account appears in a balance sheet prepared during the fiscal period. It is closed out and does not appear in the balance sheet prepared at the close of the fiscal period.
602	<u>Encumbrances</u> - This account represents commitments related to unperformed contracts (outstanding purchase orders) for goods and services or salary commitments chargeable to an appropriation and for which part of the appropriation is reserved. In an interim balance sheet, encumbrances are deducted, along with the expenditures from the appropriations account, to arrive at the unencumbered balance.
701	<u>Investment in General Fixed Assets</u> - An account in the General Fixed Assets Account Group which represents the government's equity in general fixed assets.
711	<u>Retained Earnings/Unreserved</u> - An equity account reflecting the accumulated earnings of an Enterprise or Internal Service Fund.
721	<u>Reserved for Investments</u> - An account that represents the portion of the fund balance of the sixteenth section principal fund which is legally restricted for investment purposes.
722	<u>Reserved for Unemployment Benefits</u> - An account that represents the fund balance of the unemployment compensation revolving fund which is legally restricted for the payment of unemployment benefits.
723	<u>Reserved for Forestry Improvements</u> - An account that represents the fund balance of the sixteenth section forestry escrow fund which is legally restricted for improvements to sixteenth section forest lands.

Code **Descriptions and Definitions**

724	<u>Reserved for Advances</u> - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.
725	<u>Reserved for Capital Improvements</u> - An account that represents the portion of the fund balance that is legally restricted for capital improvements.
726	<u>Reserved for Endowments</u> - An account that represents the portion of the fund balance of scholarship and similar Nonexpendable Trust Funds which is legally restricted for endowment purposes.
727	<u>Reserved for Debt Service</u> - An account that represents the fund balance for Debt Service Fund resources which are legally restricted for the payment of General Long-term Debt principal and interest amounts maturing in future years.
728	<u>Reserved for Encumbrances</u> - An account that represents a portion of the fund balance reserved for commitments related to unperformed contracts.
729	<u>Reserved for Inventory</u> - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.
730	<u>Reserved for Prepaid Items</u> - An account that represents a portion of the fund balance which indicates that prepaid items do not represent available spendable resources even though they are a component of net current assets.
731	<u>Reserved for Ad Valorem</u> - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.
732	<u>Reserved for Other Commitments</u> - An account that represents the portion of the fund balance that is legally restricted for non-capitalized construction contracts entered into by the district.
733	<u>Reserved for Arbitrage Commitments</u> - An account that represents the portion of the fund balance that is legally restricted for arbitrage commitments.
741	<u>Unreserved/Designated</u> - An account that represents the portion of the unreserved fund balance designated by management for specific future uses.
751	<u>Unreserved/Undesignated</u> - An account that represents the portion of the fund balance that is not reserved and not designated.
752	<u>Budgetary</u> - An account used to maintain budgetary balancing when estimated revenues are not equal to appropriations.
753	<u>Budgetary/Reserved for Encumbrances</u> - An account used to maintain budgetary balancing for outstanding encumbrances.

SECTION K **REVENUE CODING**

Basis of Accounting:

An entity's accounting basis determines when transactions and economic events are reflected in its financial records. Measurement focus and basis of accounting for reporting purposes will be discussed in Section N of the manual.

Modified Accrual Basis:

Revenues are defined as an increase in the governmental unit's current financial resources. Revenues 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 revenue is subject to reasonable estimation. Revenues are available when the revenue is 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.

Accrual Basis:

Revenues are recognized when the earning process is complete or virtually complete and an exchange has taken place. Accrual accounting attempts to record the financial effects on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the enterprise. Accrual accounting is concerned with the process by which cash expended on resources and activities is returned as more (or perhaps less) cash to the enterprise, not just with the beginning and end of the process.

The essential elements of the accrual accounting method include:

1. The deferral of expenditures and the subsequent amortization of the deferred costs (prepaid expenses, supplies, etc.),
2. The deferral of revenues until they are earned (property taxes received in advance).
3. The capitalization of certain expenditures and the subsequent depreciation of the capitalized costs (depreciation of cost of machinery), and
4. The accrual of revenues that have been earned and expenses that have been incurred.

Recognizing revenue under both methods of accounting normally results in recording certain receivables (assets). These receivables consist of the uncollected but realized portions of the related revenue recognized for the current period.

A liability account (deferred revenue) results for certain cash and asset transactions when they are measurable but not yet earned. Cash received in advance are reported as deferred revenue (liability account) in these cases. The revenue is recognized when these type transactions have met both the measurable and earned criterion.

No additions or expansions of any Section K codes are allowed.

Code: Description:**Local Sources****Tax Revenues:**

1120	Ad Valorem Taxes From Local Governmental Units Other Than the LEA
1190	Other Taxes

Revenue From Local Governmental Units Other Than LEAs:

1210	Revenue in Lieu of Taxes
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Tuition:

1310	Tuition From Individuals
1320	Tuition From Other LEAs Within the State
1330	Tuition From Other LEAs Outside the State
1340	Tuition From Other Sources

Transportation Fees:

1410	Transportation Fees From Individuals
1420	Transportation Fees From Other LEAs Within the State
1430	Transportation Fees From Other LEAs Outside the State
1440	Transportation Fees From Other Sources

Earnings on Investments: *[NOTE: Does not include Sixteenth Section Fund revenue.]*

1510	Interest on Investments
1520	Interest on Cash and Other Deposits
1530	Net Increase(Decrease) in FMV of Investments
1540	Gains or Losses on Sale of Investments

Code: Description:**Child Nutrition:**

	Reimbursable Programs - Daily Sales:
1611	Daily Sales - School Lunch Program
1612	Daily Sales - School Breakfast Program
1613	Daily Sales - Special Milk Program
	Non-reimbursable Programs - Daily Sales:
1621	Daily Sales - Adult
1622	Daily Sales - Extra Food Sales
1630	Special Functions
1640	Inspection Fees for FDC Homes

Student Activities:

1711 through 1719	Admissions
1721 through 1729	Bookstore Sales
1731 through 1739	Fees (extracurricular)
1791 through 1799	Other Student Activity Revenue
1800 through 1850	Revenue From Community Services Activities

Other Revenue From Local Sources:

1910	Rentals
1920	Contributions and Donations From Private Sources
1930	Gains or Losses on Sale of Fixed Assets
1940 through 1949	Instructional Fees and Sales to Students
1950	Services Provided Other LEAs
1970	Services Provided Other Funds
1980	Refund of Prior Year's Expenditures
1991	Revenue From Gaming
1999	Miscellaneous

Code: Description:**Intermediate Sources**

2000 Revenue from Intermediate Sources

State Sources**Unrestricted Grants-in-aid:**

3110 Homestead Exemption Reimbursement
3120 Severance Tax
3130 Chickasaw Funds
3140 Driver Education Funds
3150 Minimum Program and Per Capita
3160 School Ad Valorem Tax Reduction Fund
3190 Other Unrestricted Grants-in-aid

Restricted Grants-in-aid:

3210 Education Enhancement Fund
3211 MAEP Funds
3212 Technology in the Classroom
3215 Textbook Funds
3220 Vocational and Technical Education
3230 Public School Building Fund
3240 Adult Education
3250 Child Nutrition
3260 Uniform Millage Assistance
3270 Educable Children
3280 Education Reform Act
3290 Other Restricted Grants-in-aid

Code: Description:

Revenue in Lieu of Taxes:

- 3810 Rail Cars
- 3820 Heavy Trucks
- 3830 Rental Cars

Revenue for/on Behalf of the LEA

- 3900 Revenue for/on Behalf of the LEA

Federal Sources

Unrestricted Grants-in-aid Direct From the Federal Government:

- 4110 Wildlife Refuge
- 4120 E-Rate
- 4130 Impact Aid - Maintenance and Operation
- 4190 Other unrestricted grants-in-aid

Unrestricted Grants-in-aid From the Federal Government Received Through the State

- 4210 Flood Control
- 4220 Mineral Leases
- 4230 CHIPS Program
- 4290 Other unrestricted grants-in-aid

Restricted Grants-in-aid Direct From the Federal Government:

- 4310 Impact Aid - Construction (P.L. 81-815)
- 4390 Other restricted grants-in-aid

Code: Description:**Restricted Grants-in-aid From the Federal Government Received Through the State or Other Pass-through Grantors:**

4401	Title III - Goals 2000
4405	Title I
4406	Migrant Education
4410	Title VI
4415	Social Services
4420	Special Education
4430	Adult Education
4435	Vocational Education
4437	Tech-Prep Education
4440	Title IV
4445	Technology Literacy Challenge
4451	USDA Reimbursement - School Breakfast Program
4452	USDA Reimbursement - National School Lunch Program
4453	USDA Reimbursement - Summer Food Service Program
4454	Donated Commodities
4455	Extended Day Reimbursement
4456	FDC Homes Pass-through Funds
4457	FDC Homes Administrative Funds
4460	Title II
4470	Job Training Partnership Act (JTPA)
4472	School to Careers
4475	21 st Century
4476	Class Size Reduction
4480 through 4499	Other restricted grants-in-aid

Code: Description:

Revenue in Lieu of Taxes:

- 4510 TVA
- 4520 National Forest
- 4590 Other revenue received in lieu of taxes

Revenue for/on Behalf of the LEA:

- 4900 Revenue for/on Behalf of the LEA

Sixteenth Section Sources

Rents and Leases:

- 5110 Surface Leases
- 5120 Mineral Leases
- 5130 Hunting Leases

Sale of Timber and Forest Products:

- 5200 Sale of Timber and Forest Products

Sales of Other Assets:

- 5310 Oil and Gas Royalties
- 5320 Sale of Other Nonrenewable Resources
- 5330 Easements and Rights-of-way
- 5340 Other Sales

Pro rata Revenue From Other Districts:

- 5400 Pro rata Revenue From Other Districts

Code: Description:

Permanent Damages to Trust Lands:

5500 Permanent Damages to Trust Lands

Earnings on Sixteenth Section Investments:

5600 Earnings on Sixteenth Section Investments

5630 Net Increase(decrease) in FMV of Investments

Cost-sharing Payments:

5700 Cost-sharing Payments

Other Sixteenth Section Revenues:

5900 Other Revenues

Other Financing Sources

Proceeds of debt issuances:

6100 Proceeds of General Obligation Bonds

6150 Proceeds of Refunding Bonds

6200 Proceeds of Loan(s)

6300 Inception of Capital Lease(s)

Insurance Loss Recoveries:

6400 Insurance Loss Recoveries

Proceeds from asset sales:

6500 Sale of Transportation Equipment

6600 Sale of Other Property

Code: Description:

Transfers In:

6710 Indirect Costs

6720 Other Transfers In

Payment to Escrow Agents:

6800 Payments to Escrow Agents

Miscellaneous other financing sources:

6900 Miscellaneous other financing sources

Direct Increases in Fund Equity

7100 Prior Period Adjustments

7200 Increase in Reserve for Inventory

7300 Residual Equity Transfers In

Code Numbers: **Function Descriptions and Definitions:**

Local Sources	
	<u>Tax Revenues:</u> Compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit.
1120	<u>Ad Valorem Taxes Levied by Another Governmental Unit</u> - Taxes levied for school purposes by a local governmental unit other than the LEA. The LEA is not the final authority, within legal limits, in determining the amount to be raised. For example, after an LEA has determined that a certain amount of revenue is necessary, another governmental unit may exercise discretionary power in reducing or increasing the amount.
1190	<u>Other Taxes</u> - Other forms of taxes levied such as licenses and permits. Separate accounts may be maintained for each specific type of tax.
	<u>Revenue From Local Governmental Units Other Than LEAs:</u> Revenue from the appropriations of another local governmental unit. The LEA is not the final authority, within legal limits, in determining the amount of money to be received, and the money is raised by taxes or other means which are not earmarked for school purposes. This account classification could include revenue from townships, municipalities, counties, etc. In a city school system, the municipality would be considered a local governmental unit. In this instance, revenue from the county would be considered revenue from an intermediate source and coded in the 2000 revenue code.
1210	<u>Revenue in Lieu of Taxes</u> - Payments made out of general revenues by a local governmental unit to the LEA in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation by the LEA on the same basis as privately owned property. Such revenue would include payments made for privately owned property which is not subject to taxation on the same basis as other privately owned property due to action by the local governmental unit.
	<u>Tuition:</u> Revenue from individuals, welfare agencies, private sources and other LEAs for education provided by the LEA.
1310	Tuition From Individuals
1320	Tuition From Other LEAs Within the State
1330	Tuition From Other LEAs Outside the State
1340	Tuition From Other Sources
	<u>Transportation Fees:</u> Revenue from individuals, welfare agencies, private sources and other LEAs for transporting students to and from school and school activities.
1410	Transportation Fees From Individuals
1420	Transportation Fees From Other LEAs Within the State
1430	Transportation Fees From Other LEAs Outside the State
1440	Transportation Fees From Other Sources

Code Numbers: **Function Descriptions and Definitions:**

	1980	<u>Refund of Prior Year's Expenditures</u> - Include here if expenditure occurred last year and the refund this year. If refund and expenditure occurred in current year, reduce this year's expenditures as prescribed by GAAP.
	1991	<u>Revenue From Gaming</u> - Revenue received as distribution of fees and/or taxes collected under local and private bills regarding cruise vessels (casinos).
	1999	<u>Miscellaneous</u> - Miscellaneous revenue not classified elsewhere.

Intermediate Sources

	2000	<u>Revenue from Intermediate Sources</u> - Revenue received from local governmental entity(ies) other than funds received from tax levies
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State Sources

		<u>Unrestricted Grants-in-aid:</u> Revenues received from the state that have not been restricted as to their use.
	3110	<u>Homestead Exemption Reimbursement</u> - Reimbursement from the State in lieu of taxes on assessed property that has been exempted from local ad valorem taxes
	3120	<u>Severance Tax</u> - State funds allotted to individual school districts' from taxes assessed on the sale of timber, oil and gas commodities.
	3130	<u>Chickasaw Funds</u> - State funds allotted to individual school district's that do not have sixteenth section revenues.
	3140	<u>Driver Education Funds</u> - State funds reimbursed to school district's for participating in a driver education program.
	3150	<u>Minimum Program and Per Capita</u> - State funds allotted to the school district's based on Average Daily Attendance(ADA) records.
	3160	<u>School Ad Valorem Tax Reduction Fund</u> - State funds allotted to the school districts to alleviate part of the taxes levied at the local level.
	3190	<u>Other Unrestricted Grants-in-aid</u> - Other state unrestricted grants not given a specific revenue code.

Code Numbers: **Function Descriptions and Definitions:**

Sixteenth Section Sources	
	Revenues derived from the use of sixteenth section lands held in trust by the school district and from the investment of sixteenth section funds.
	<u>Rents and Leases:</u> Revenues from the rental of sixteenth section lands for residential, farm or commercial use. [NOTE: Leases would suggest a yearly payment for the use of the property.)
5110	<u>Surface Leases</u>
5120	<u>Mineral Leases</u>
5130	<u>Hunting Leases</u>
	<u>Sale of Timber and Forest Products:</u> Revenues from the sale of timber and forest products located on sixteenth section lands. [NOTE: <i>Forfeited performance bonds would be included here.</i>]
5200	<u>Sale of Timber and Forest Products</u>
	<u>Sales of Other Assets:</u> Revenues from sales of assets other than forest products.
5310	<u>Oil and Gas Royalties</u> - Revenues from producing oil or gas wells located on sixteenth section lands.
5320	<u>Sale of Other Nonrenewable Resources</u> - Revenues from the sale of resources that are not reproduced in a reasonable amount of time such as gravel. Oil and gas royalties are included in 5310.
5330	<u>Easements and Rights-of-way</u> - Revenues from the use of a portion of sixteenth section lands by individuals, groups or companies for the benefit of that individual, group or company.
5340	<u>Other Sales</u> - Revenues from the sale of assets not classified elsewhere (e.g., sales of lieu lands and sales of buildings).
	<u>Pro rata Revenue From Other Districts:</u>
5400	<u>Pro rata Revenue From Other Districts</u> - Revenues from sixteenth section lands which are shared between two or more school districts. The monies are prorated based on the ratio of one school district's students to the total students in that section.
	<u>Permanent Damages to Trust Lands:</u>
5500	<u>Permanent Damages to Trust Lands</u> - Revenues from permanent damages to sixteenth section trust lands.

Code Numbers: Function Descriptions and Definitions:

	<u>Proceeds from asset sales:</u>
6500	<u>Sale of Transportation Equipment</u> - Revenues realized from the sale of transportation equipment including vehicles used to service transportation equipment.
6600	<u>Sale of Other Property</u> - Revenues realized from the sale of property other than transportation equipment.
	<u>Transfers In:</u> Recurring or routine transactions which withdraw money from one fund and place it in another without recourse. Interfund loans are not recorded here, but are handled through the balance sheet accounts 131 and 441 in the funds affected.
6710	<u>Indirect Costs</u> - Transfers from one fund (usually a Special Revenue Fund) to another fund (usually the district maintenance fund) as payment for costs incurred by the receiving fund that have been prorated to the paying fund.
6720	<u>Other Transfers In</u> - Operating transfers in which do not involve indirect costs.
	<u>Payment to Escrow Agents:</u>
6800	<u>Payments to Escrow Agents</u> - Funds paid by the school district to an escrow agent. These funds are being held for future payment. <i>(NOTE: This does NOT include payments made to escrow agents for a refunding bond situation.)</i>
	<u>Miscellaneous Other Financing Sources</u>
6900	<u>Miscellaneous Other Financing Sources</u> - Other financing sources not classified elsewhere.

Direct Increases in Fund Equity	
	Increases in fund equity that are not properly recorded as revenues or other financing sources but must be reflected on the operations statement.
7100	<u>Prior Period Adjustments</u> - Increases in fund equity due to prior period adjustments.
7200	<u>Increase in Reserve for Inventory</u> - Increases in fund equity due to increase in fund balance reserved for inventories recorded under the purchases method.
7300	<u>Residual Equity Transfers In</u> - Nonrecurring or nonroutine transfers of equity between funds. Normally only used for transfers in of a residual balance from a discontinued fund.

REVENUE OBJECT CODING

The General Ledger Operation Account Code designated as "800" for Revenues, as explained in Section H, page 2 of this Manual has to be used with the following added **OPTIONAL** revenue object coding.

The three digit revenue object codes are provided as an optional mean of implementing GASB 34 financial statement reporting requirements. The following optional revenue object codes should be used if your district decides there is a need to further detail the individual revenue function codes for GASB 34's "Statement of Activities" preparation at year end. These revenue object codes may expedite and/or enhance the fiscal year-end GASB 34's financial statement preparation.

The following system of codes has been designed to match expenditure/expense function codes to program revenues. Note that the first digit of the revenue object code represents the category of program revenue and the second and third digits represent the first two digits of the related expenditure/expense function code. For example, a receipt for title I would be recorded as Fund Code 2210, General Ledger Code 800, revenue function code 4405, Program Code (xxx), revenue object code 111, operational unit code 01. This coding (2210-800-4405-xxx-111-01) would note the following:

2210 Title I-Low Grant Fund

800 Revenue

4405 Title I

xxx "Optional Program Code"

111 Charge for Regular Program Services

1st digit denotes a "Charge for Service" program revenue.

2nd and 3rd digits denotes the first two digits of the expenditure/expense function codes from Section M of this Manual. The charge for service was generated from the expenditure/expense coded to function code 1100's

01 Elementary School

Object Code: **Description:**

Charge for Services:

Instructional Charges for Services:

- 110 Charges for Instructional Programs
- 111 Charges for Regular Programs
- 112 Charges for Special Programs
- 113 Charges for Adult/Continuing Education Programs
- 114 Charges for Summer School Programs
- 119 Charges for Other Instructional Programs

Support Charges for Services:

- 120 Charges for Support Services
- 121 Charges for Student Support Services
- 122 Charges for Instructional Staff Services
- 123 Charges for General Administration Services
- 124 Charges for School Administration Services
- 125 Charges for Business Services
- 126 Charges for Operation and Maintenance of Plant Services
- 127 Charges for Student Transportation Services
- 128 Charges for Central Services

Non-Instructional Charges for Services:

- 130 Charges for Non-Instructional Services
- 131 Charges for Food Service Operations Services
- 132 Charges for Enterprise Operations Services
- 133 Charges for Community Services
- 139 Charges for Other Non-instructional Services

Sixteenth Section charges for services

- 140 Charges for Sixteenth Section Services

Interest on Debt charges for services:

- 162 Charges for Debt Services

Object Code: **Description:**

Operating Grants and Contributions:

Instructional Operating Grants and Contribution:

- 210 Operating Grants for Instructional Programs
- 211 Operating Grants and Contributions for Regular Programs
- 212 Operating Grants and Contributions for Special Programs
- 213 Operating Grants and Contributions for Adult/Continuing Education Programs
- 214 Operating Grants and Contributions for Summer School Programs
- 219 Operating Grants and Contributions for Other Instructional Programs

Support Services Operating Grants and Contributions:

- 220 Operating Grants for Support Services
- 221 Operating Grants and Contributions for Student Support Services
- 222 Operating Grants and Contributions for Instructional Staff Services
- 223 Operating Grants and Contributions for General Administration Services
- 224 Operating Grants and Contributions for School Administration Services
- 225 Operating Grants and Contributions for Business Services
- 226 Operating Grants and Contributions for Operation and Maintenance of Plant Services
- 227 Operating Grants and Contributions for Student Transportation Services
- 228 Operating Grants and Contributions for Central Services

Non-Instructional Operating Grants and Contributions:

- 230 Operating Grants for Non-Instructional Services
- 231 Operating Grants and Contributions for Food Services Operations
- 232 Operating Grants and Contributions for Enterprise Operations
- 233 Operating Grants and Contributions for Community Services Operations
- 239 Operating Grants and Contributions for Other Non-instructional Services

Interest on Debt Operating Grants and Contributions:

- 262 Operating Grants and Contributions for debt services

Object Code: **Description:**

Capital Grants and Contributions:

Instructional Capital Grants and Contributions:

- 310 Capital Grants and Contributions for Instructional Programs
- 311 Capital Grants and Contributions for Regular Programs
- 312 Capital Grants and Contributions for Special Programs
- 313 Capital Grants and Contributions for Adult/Continuing Education Programs
- 314 Capital Grants and Contributions for Summer School Programs
- 319 Capital Grants and Contributions for Other Instructional Programs

Support Capital Grants and Contributions:

- 320 Capital Grants and Contributions for Support Services
- 321 Capital Grants and Contributions for Student Support Services
- 322 Capital Grants and Contributions for Instructional Staff Services
- 323 Capital Grants and Contributions for General Administration Services
- 324 Capital Grants and Contributions for School Administration Services
- 325 Capital Grants and Contributions for Business Services
- 326 Capital Grants and Contributions for Operation and Maintenance of Plant Services
- 327 Capital Grants and Contributions for Student Transportation Services
- 328 Capital Grants and Contributions for Central Services

Non-Instructional Capital Grants and Contributions:

- 330 Capital Grants and Contributions for Non-Instructional Services
- 331 Capital Grants and Contributions for Food Services Operations
- 332 Capital Grants and Contributions for Enterprise Operations
- 333 Capital Grants and Contributions for Community Services Operations
- 339 Capital Grants and Contributions for Other Non-instructional Services

General Revenues:

- 400 General Revenues

[NOTE: These revenues are for general purposes and no expenditure/expense correlations are needed.]

SECTION L MINIMUM EXPENDITURE/EXPENSE CODING

The minimum expenditure/expense function codes are no longer used. This section was deleted June, 1999, but remains for possible future use.

SECTION M

No additions are allowed. Expansions of any Section M codes would be per the discretion of the individual school district. For reporting purposes, all expanded Section M codes **must** be collapsed back into the code expanded from.

For example:

1120 Elementary Programs

The school district decides to expand this code to the following:

1121 Middle Elementary Programs
1122 East Elementary Programs
1123 South Elementary Programs
1124 North Elementary Programs
1125 West Elementary Programs

At the end of the fiscal year and before any reports are prepared the school district must collapse these expanded codes back into code 1120. If they are **NOT** collapsed, the reports generated for MSIS will be rejected.

Expansions of Section M codes would require the school district's records to generate sub-totals for each expanded Section M codes and an overall total of the code expanded from. The school district's records must have the capability of generating an individual transaction history file for each Section J code used by the school district, whether expanded or not.

Function Code Numbers: Function Descriptions:**Instruction**Regular Programs:

1105	Pre-Kindergarten Programs
1110	Kindergarten Programs
1120	Elementary Programs
1130	Middle-Junior High Programs
1140	High School Programs
1142	Vocational Educational Programs
1191 through 1199	Other Regular Programs

Special Programs:

1210	Gifted Education Programs
1220	Special Education Programs
1230	Alternative School Programs
1250	Title I Programs
1290	Other Special Programs

Adult/Continuing Education Programs:

1310	Adult Basic Education Programs
1320	Advanced Adult Education Programs
1330	Occupational Programs
1340	Upgrading in Current Occupation Programs
1350	Retraining for New Occupation Programs
1360	Special Interest Programs
1370	Life Enrichment Programs
1390	Other Adult/Continuing Education Programs

Function Code Numbers: Function Descriptions:Summer School Programs:

1410	Elementary Summer School
1420	Secondary Summer School

Other Instructional Programs:

1910	Athletic Activities
1920	Student Activities
1990	Other

Support ServicesSupport Services - Students:

2110	Attendance and Social Work Services
2111	Supervision of Attendance and Social Work Services
2112	Attendance Services
2113	Social Work Services
2114	Student Accounting Services
2119	Other Attendance and Social Work Services
2120	Guidance Services
2121	Supervision of Guidance Services
2122	Counseling Services
2123	Appraisal Services
2124	Information Services
2125	Record Maintenance Services
2126	Placement Services
2129	Other Guidance Services

Function Code Numbers: Function Descriptions:

- 2130 Health Services
 - 2131 Supervision of Health Services
 - 2132 Medical Services
 - 2133 Dental Services
 - 2134 Nursing Services *[NOTE: Use this code when school nurses are employed.]*
 - 2139 Other Health Services

- 2140 Psychological Services
 - 2141 Supervision of Psychological Services
 - 2142 Psychological Testing Services
 - 2143 Psychological Counseling Services
 - 2144 Psychotherapy Services
 - 2149 Other Psychological Services

- 2150 Speech Pathology and Audiology Services
 - 2151 Supervision of Speech Pathology and Audiology Services
 - 2152 Speech Pathology Services
 - 2153 Audiology Services
 - 2159 Other Speech Pathology and Audiology Services

- 2190 Other Support Services - Students

Support Services - Instructional Staff:

- 2210 Improvement of Instruction Services
 - 2211 Supervision of Improvement of Instruction Services
 - 2212 Instruction and Curriculum Development Services
 - 2213 Instructional Staff Training Services
 - 2219 Other Improvement of Instruction Services

Function Code Numbers: Function Descriptions:

- 2220 Educational Media Services
 - 2221 Supervision of Educational Media Services
 - 2222 School Library Services
 - 2223 Audio-visual Services
 - 2224 Educational Television Services
 - 2225 Computer-Assisted Instruction Services
 - 2229 Other Educational Media Services

- 2290 Other Support Services - Instructional Staff

Support Services - General Administration:

- 2310 Board of Education Services
 - 2311 Supervision of Board of Education Services
 - 2319 Other Board of Education Services

- 2320 Executive Administration Services
 - 2321 Office of the Superintendent Services
 - 2329 Other Executive Administration Services

- 2330 Special Area Administration Services

Support Services - School Administration:

- 2410 Office of the Principal Services

- 2490 Other Support Services - School Administration

Function Code Numbers: Function Descriptions:Support Services - Business:

2510	Fiscal Services
2511	Supervising Fiscal Services
2512	Budgeting Services
2513	Receiving and Disbursing Funds Services
2514	Payroll Services
2515	Financial Accounting Services
2516	Internal Auditing Services
2517	Property Accounting Services
2519	Other Fiscal Services
2520	Purchasing Services
2530	Warehousing and Distributing Services
2540	Printing Publishing and Duplicating Services
2590	Other Support Services - Business

Support Services - Operation and Maintenance of Plant Services:

2610	Supervision of Operation & Maintenance of Plant Services
2620	Operating Buildings Services
2630	Care and Upkeep of Grounds Services
2640	Care and Upkeep of Equipment Services
2650	Vehicle Operation and Maintenance Services(Other Than Student Transportation Vehicles)
2660	Security Services
2690	Other Operation and Maintenance of Plant Services

Function Code Numbers: Function Descriptions:Support Services - Student Transportation Services:

- 2710 Supervision of Student Transportation Services
- 2720 Vehicle Operation Services
- 2730 Monitoring Services
- 2740 Vehicle Servicing and Maintenance Services
- 2790 Other Student Transportation Services

Support Services - Central:

- 2810 Planning, Research, Development and Evaluation Services

- 2820 Information Services
 - 2821 Supervision of Information Services
 - 2822 Internal Information Services
 - 2823 Public Information Services
 - 2824 Management Information Services
 - 2829 Other Information Services

- 2830 Staff Services
 - 2831 Supervision of Staff Services
 - 2832 Recruitment and Placement Services
 - 2834 In-service Training Services (for Non-instructional Staff)
 - 2839 Other Staff Services

- 2840 Data Processing Services
 - 2841 Supervising Data Processing Services
 - 2842 Systems Analysis Services
 - 2843 Programming Services
 - 2844 Operations Services
 - 2849 Other Data Processing Services

Function Code Numbers: Function Descriptions:**Non-instructional Services**

3100	Food Services Operations
3200	Enterprise Operations
3300	Community Services Operations
3900	Other Non-instructional Services

Sixteenth Section

4100	Appraisal and Survey
4200	Improving Land
4300	Drainage District Taxes
4400	Allocation to Other LEA
4500	Management Fees
4600	Attorney's Fees
4700	Purchase of Lieu Lands
4900	Other Expenditures/Expenses

Facilities Acquisition and Construction Services

5100	Site Acquisition Services
5200	Site Improvement Services
5300	Architecture and Engineering Services
5400	Educational Specifications Development Services
5500	Building Acquisition and Construction Services
5600	Building Improvements Services
5900	Other Facilities Acquisition and Construction Services

Function Code Numbers: Function Descriptions:**Debt Service**Principal on Debt:

6110	Transportation Loans Repaid
6120	Three Mill / Ten Year Loans Repaid
6130	Capital Lease Payments
6140	General Obligation Bonds Repaid
6150	Limited Obligation Bonds Repaid
6160	Shortfall Loans/Notes Repaid
6170	Sixteenth Section Principal Loans Repaid
6180	Certificates of Participation Repaid
6190	Qualified Zone Academy Debt Repaid
6191 through 6199	Other Principal on Debt

Interest on Debt:

6210	Interest on Transportation Loans Repaid
6220	Interest on Three Mill / Ten Year Loans Repaid
6230	Interest on Capital Leases Repaid
6240	Interest on General Obligation Bonds Repaid
6250	Interest on Limited Obligation Bonds Repaid
6260	Interest on Shortfall Loans/Notes Repaid
6270	Interest on Sixteenth Section Principal Loans Repaid
6280	Interest on Certificates of Participation Debt Repaid
6290 through 6299	Interest on Other Debt Repaid

Other Debt Service Payments:

6300	Advance Refunding Escrow
6400	Payments for Arbitrage Commitments
6900	Other

Function Code Numbers: Function Descriptions and Definitions:

Other Financing Uses

Transfers Out:

7110 Indirect Costs Transfers Out

7120 Other Transfers Out

Other Financing Uses:

7500 Payment to Refunded Bond Escrow Agent

7600 Payment to Qualified Zone Academy Debt Escrow Agent

7900 Miscellaneous Other Financing Uses

Direct Decreases in Fund Equity

8100 Prior Period Adjustments

8200 Decrease in Reserve for Inventory

8300 Residual Equity Transfers Out

Function Code Numbers: **Function Descriptions and Definitions:**

	<p><u>Instruction</u> - Instruction includes the activities dealing 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 such as those involving co-curricular activities. It may also be provided through some other approved medium such as television, radio, telephone and correspondence. Included here are the activities of aides or classroom assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. If proration is not possible for department chairpersons who also teach, include department chairpersons who also teach in instruction. Full-time department chairpersons' expenditures should be included only in 2400.</p>	
	<p><u>Regular Programs</u> - Instructional activities designed primarily to provide students in grades K-12 with learning experiences to prepare them for activities as citizens, family members and workers as contrasted with programs designed to improve or overcome physical, mental, social and/or emotional handicaps. Regular programs include: kindergarten, elementary, middle-junior high and high school. High school is broken into three types of programs - preparatory, post-secondary education programs; preparatory, post-secondary employment programs; and other programs.</p>	
	1105	<p><u>Pre-Kindergarten Programs</u> - Learning experiences concerned with knowledge, skills, appreciations, attitudes and behavioral characteristics considered to be needed by all pupils in terms of their awareness of life within our culture and the world of work and which normally may be achieved during the pre-kindergarten years.</p>
	1110	<p><u>Kindergarten Programs</u> - Learning experiences concerned with knowledge, skills, appreciations, attitudes and behavioral characteristics considered to be needed by all pupils in terms of their awareness of life within our culture and the world of work and which normally may be achieved during the kindergarten years.</p>
	1120	<p><u>Elementary Programs</u> - Learning experiences concerned with knowledge, skills, appreciations, attitudes and behavioral characteristics considered to be needed by all pupils in terms of their awareness of life within our culture and the world of work and which normally may be achieved during the elementary school years.</p>
	1130	<p><u>Middle-Junior High Programs</u> - Learning experiences concerned with knowledge, skills, appreciations, attitudes and behavioral characteristics considered to be needed by all pupils in terms of understanding themselves and their relationships with society and various career clusters and which normally may be achieved during the middle and/or junior high school years. These are defined by applicable state laws and regulations.</p>
	1140	<p><u>High School Programs</u> - Learning experiences concerned with knowledge, skills, appreciations, attitudes and behavioral characteristics considered to be needed by those pupils desiring further education in post-secondary education programs and which normally may be achieved during the secondary school years.</p>

Function Code Numbers: **Function Descriptions and Definitions:**

	1142	<u>Vocational Educational Programs</u> - Learning experiences concerned with knowledge, skills, appreciations, attitudes and behavioral characteristics considered to be needed by those pupils desiring immediate post-secondary employment which normally may be achieved during the secondary school years.
	1191-1199	<u>Other Regular Programs</u> - Any regular program other than those above.
Special Programs - Instructional activities designed primarily to deal with pupils having special needs. Special programs include: gifted education, special education, alternative school and ESEA - Title I.		
	1210	<u>Gifted Education Programs</u> - Special learning experiences for pupils identified as mentally gifted or talented.
	1220	<u>Special Education Programs</u> - Instructional activities associated with special education.
	1230	<u>Alternative School Programs</u> - Instructional activities conducted at alternative schools.
	1250	<u>Title I Programs</u> - Instructional activities associated with Title I programs.
	1290	<u>Other Special Programs</u> - Other special learning experiences which cannot be classified in the preceding service areas.
Adult/Continuing Education Programs - Learning experiences designed to develop knowledge and skills to meet immediate and long-range educational objectives of adults who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities. Programs include activities to foster the development of fundamental tools of learning, prepare students for a post-secondary career, prepare students for post-secondary education programs, upgrade occupational competence, prepare students for a new or different career, develop skills and appreciation for special interests, or to enrich the aesthetic qualities of life.		
	1310	<u>Adult Basic Education Programs</u> - Learning experiences concerned with the fundamental tools of learning for adults who have never attended school, or who have interrupted formal schooling and need this knowledge and these skills to raise their level of education, to increase self confidence and/or self-determination, to prepare for an occupation, and to function more responsibly as citizens in a democracy.
	1320	<u>Advanced Adult Education Programs</u> - Learning experiences designed to develop the knowledge, skills, appreciations, attitudes and behavioral characteristics considered to be needed by adults who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities and are preparing for post-secondary careers and/or post-secondary education programs.

Function Code Numbers: **Function Descriptions and Definitions:**

	1330	<u>Occupational Programs</u> - Learning experiences concerned with the skills and knowledge required to prepare learners for immediate employment in an occupation or cluster of occupations. (This type of program is the same as that of secondary or junior college students but differs in that adults are the students served.)
	1340	<u>Upgrading in Current Occupation Programs</u> - Learning experiences concerned with skills and knowledge designed primarily to extend or update workers' competencies for occupations in which they are directly employed.
	1350	<u>Retraining for New Occupation Programs</u> - Learning experiences concerned with the skills and knowledge required for preparation for employment in a new and different occupation.
	1360	<u>Special Interest Programs</u> - Learning experiences concerned with skills and knowledge required to prepare adults for a subordinate occupation in addition to their vocation. Such programs also may be called avocational programs.
	1370	<u>Life Enrichment Programs</u> - Learning experiences concerned with skills and knowledge designed primarily for enjoyment, without regard to a vocation.
	1390	<u>Other Adult/Continuing Education Programs</u> - Other adult/continuing education programs which cannot be classified above.
		Summer School Programs - Instructional programs conducted during the summer.
	1410	<u>Elementary Summer School</u> - [NOTE: See 1120 - Elementary Programs above for its definition.]
	1420	<u>Secondary Summer School</u> - [NOTE: See 1130/1140 - Programs above for its definition.]
		Other Instructional Programs - Activities that provide students in grades Pre-Kindergarten through the 12th with learning experiences not classified elsewhere in the 1000 series.
	1910	<u>Athletic Activities</u> - LEA-sponsored activities, under the guidance and supervision of LEA staff, designed to provide opportunities for students to participate in athletic events. Expenditures for the physical education program are to be charged to another 1000 or a 2000 function.
	1920	<u>Student Activities</u> - LEA-sponsored activities, under the guidance and supervision of LEA staff, designed to provide opportunities for students to participate in co-curricular activities (e.g., band, chorus, choir, speech and debate). Activities not financed in whole or in part by public funds (e.g., club activities financed only by nonpublic funds) are to be accounted for as Agency Funds.
	1990	<u>Other</u> - Other instructional programs not classified above.

Function Code Numbers: **Function Descriptions and Definitions:**

	Support Services - Support services provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.		
		Support Services - Students - Activities designed to assess and improve the well-being of students and to supplement the teaching process.	
		2110	<u>Attendance and Social Work Services</u> - Activities designed to improve student attendance at school and which attempt to prevent or solve student problems involving the home, the school, and the community. Registration activities for adult education programs are included here.
		2111	<u>Supervision of Attendance and Social Work Services</u> - The activities associated with directing, managing and supervising attendance and social work.
		2112	<u>Attendance Services</u> - Activities such as promptly identifying nonattendance patterns, promoting improved attitudes toward attendance, analyzing causes of nonattendance, acting early on nonattendance problems, and enforcing compulsory attendance laws.
		2113	<u>Social Work Services</u> - Activities such as: investigating and diagnosing student problems arising out of the home, school or community; casework and group work services for the child, parent or both; interpreting the problems of students for other staff members; and promoting modification of the circumstances surrounding the individual student which are related to his or her problem.
		2114	<u>Student Accounting Services</u> - Activities of acquiring and maintaining records of school attendance, location of home, family characteristics, and census data. Portions of these records become a part of the cumulative record which is sorted and stored for teacher and guidance information. Pertinent statistical reports are prepared under this function as well.
		2119	<u>Other Attendance and Social Work Services</u> - Attendance and social work services other than those described above.
		2120	<u>Guidance Services</u> - Activities involving counseling with students and parents; consulting with other staff members on learning problems; evaluating the abilities of students; assisting students as they make their own educational and career plans and choices; assisting students in personal and social development; providing referral assistance; and working with other staff members in planning and conducting guidance programs for students.
		2121	<u>Supervision of Guidance Services</u> - Activities associated with directing, managing and supervising guidance services.

Function Code Numbers: **Function Descriptions and Definitions:**

			2122	<u>Counseling Services</u> - Activities concerned with the relationship between one or more counselors and one or more students as counselors, between students and students, and between counselors and other staff members. These activities are to help the student understand his or her educational, personal and occupational strengths and limitations; relate his or her abilities, emotions and aptitudes to educational and career opportunities; utilize his or her abilities in formulating realistic plans; and achieve satisfying personal and social development.
			2123	<u>Appraisal Services</u> - Activities that assess student characteristics, are used in administration, instruction and guidance, and assist the student in assessing his or her purposes and progress in career and personality development.
			2124	<u>Information Services</u> - Activities for disseminating educational, occupational and personal social information to help acquaint students with the curriculum and with educational and vocational opportunities and requirements. Such information might be provided directly to students through activities such as group or individual guidance, or it might be provided indirectly to students, through staff members or parents.
			2125	<u>Record Maintenance Services</u> - Activities for compiling, maintaining and interpreting cumulative records of individual students, including systematic consideration of such factors as: Home and family background, Physical and medical status, standardized test results Personal and social development, School performance.
			2126	<u>Placement Services</u> - Activities that help place students in appropriate situations while they are in school. These could be educational situations, part-time employment while they are in school, and appropriate educational and occupational situations after they leave school. These activities also help ease the student's transition from one educational experience to another. The transition may require, for example, admissions counseling, referral services, assistance with records, and follow-up communications with employers.
			2129	<u>Other Guidance Services</u> - Guidance services which cannot be classified above.
			2130	<u>Health Services</u> - Physical and mental health services which are not direct instruction. Included are activities that provide students with appropriate medical, dental and nursing services.
			2131	<u>Supervision of Health Services</u> - Activities associated with directing and managing health services.

Function Code Numbers: **Function Descriptions and Definitions:**

			2132	<u>Medical Services</u> - Activities concerned with the physical and mental health of students, such as health appraisal, including screening for vision, communicable diseases, and hearing deficiencies; screening for psychiatric services; periodic health examinations; emergency injury and illness care; and communications with parents and medical officials.
			2133	<u>Dental Services</u> - Activities associated with dental screening, dental care and orthodontic activities.
			2134	<u>Nursing Services</u> - Activities associated with nursing, such as health inspection, treatment of minor injuries, and referrals for other health services.
			2139	<u>Other Health Services</u> - Health services not classified above.
			2140	<u>Psychological Services</u> - Activities concerned with administering psychological tests and interpreting the results; gathering and interpreting information about student behavior; working with other staff members in planning school programs to meet the special needs of students as indicated by psychological tests and behavioral evaluation; and planning and managing a program of psychological services, including psychological counseling for students, staff and parents.
			2140	<u>Psychological Services</u> - See above.
			2141	<u>Supervision of Psychological Services</u> - Directing, managing and supervising the activities associated with psychological services.
			2142	<u>Psychological Testing Services</u> - Activities concerned with administering psychological tests, standardized tests, and inventory assessments. These tests measure ability, aptitude, achievement, interests and personality. Activities also include the interpretation of these tests for students, school personnel and parents.
			2143	<u>Psychological Counseling Services</u> - Activities that take place between a school psychologist or other qualified person as counselor and one or more students as counselors in which the students are helped to perceive, clarify and solve problems of adjustment and interpersonal relationships.
			2144	<u>Psychotherapy Services</u> - Activities that provide a therapeutic relationship between a qualified mental health professional and one or more students in which the students are helped to perceive, clarify and solve emotional problems.
			2149	<u>Other Psychological Services</u> - Other activities associated with psychological services not classified above.

Function Code Numbers: **Function Descriptions and Definitions:**

		2150	<u>Speech Pathology and Audiology Services</u> - Activities which identify, assess and treat children with speech, hearing and language impairments.
		2151	<u>Supervision of Speech Pathology and Audiology Services</u> - Activities associated with directing, managing and supervising speech pathology and audiology services.
		2152	<u>Speech Pathology Services</u> - Activities that identify children with speech and language disorders; diagnose and appraise specific speech and language disorders; refer problems for medical or other professional attention necessary to treat speech and language disorders; provide required speech treatment services; and counsel and guide children, parents and teachers, as appropriate.
		2153	<u>Audiology Services</u> - Activities that identify children with hearing loss; determine the range, nature and degree of hearing function; refer problems for medical or other professional attention appropriate to treat impaired hearing; treat language impairment; involve auditory training, speech reading (lip-reading), and speech conversation; create and administer programs of hearing conservation; and counsel guidance of children, parents and teachers, as appropriate.
		2159	<u>Other Speech Pathology and Audiology Services</u> - Other activities associated with speech pathology and audiology services not classified above.
		2190	<u>Other Support Services - Students</u> - Other support services to students not classified elsewhere in the 2100 series.
			<u>Support Services - Instructional Staff</u> - Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students.
		2210	<u>Improvement of Instruction Services</u> - Activities primarily for assisting instructional staff in planning, developing and evaluating the process of providing learning experiences for students. These activities include curriculum development, techniques of instruction, child development and understanding, staff training, etc.
		2211	<u>Supervision of Improvement of Instruction Services</u> - Activities associated with directing, managing and supervising the improvement of instruction services.
		2212	<u>Instruction and Curriculum Development Services</u> - Activities that aid teachers in developing the curriculum, preparing and utilizing special curriculum materials, and understanding and appreciating the various techniques which stimulate and motivate students.

Function Code Numbers: **Function Descriptions and Definitions:**

			2213	<u>Instructional Staff Training Services</u> - Activities that contribute to the professional or occupational growth and competence of members of the instructional staff during the time of their service to the school system or school. Among these activities are workshops, demonstrations, school visits, courses for college credit, sabbatical leaves, and travel leaves.
			2219	<u>Other Improvement of Instruction Services</u> - Activities for improving instruction other than those classified above.
		2220		<u>Educational Media Services</u> - Activities concerned with the use of all teaching and learning resources, including hardware, and content materials. Educational media are defined as any devices, content materials, methods or experiences used for teaching and learning purposes. These include printed and non-printed sensory materials.
			2221	<u>Supervision of Educational Media Services</u> - Activities concerned with directing, managing and supervising educational media services.
			2222	<u>School Library Services</u> - Activities such as selecting, acquiring, preparing, cataloging and circulating books and other printed materials; planning the use of the library by students, teachers and other members of the instructional staff; and guiding individuals in their use of library books and materials, whether maintained separately or as a part of an instructional materials center. Textbooks will not be charged to this function but rather to the instruction function.
			2223	<u>Audio-visual Services</u> - Activities such as selecting, preparing, caring for, and making available to members of the instructional staff the equipment, films, filmstrips, transparencies, tapes, TV programs and similar materials, whether maintained separately or as part of an instructional materials center. Included are activities in the audio-visual center, TV studio, and related work-study areas, and the services provided by audio-visual personnel.

Function Code Numbers: **Function Descriptions and Definitions:**

			2224	<u>Educational Television Services</u> - Activities concerned with planning, programming, writing and presenting educational programs or segments of programs by closed circuit or broadcast television.
			2225	<u>Computer-Assisted Instruction Services</u> - Activities concerned with planning, programming, writing and presenting educational projects which have been especially programmed for a computer to be used as the principal medium of instruction.
			2229	<u>Other Educational Media Services</u> - Educational media services other than those classified above.
		2290		<u>Other Support Services - Instructional Staff</u> - Services supporting the instructional staff not classified elsewhere in the 2200 series.
				<u>Support Services - General Administration</u> - Activities concerned with establishing and administering policy for operating the LEA.
		2310		<u>Board of Education Services</u> - Activities of the elected or appointed body which has been created according to state law and vested with responsibilities for educational activities in a given administrative unit.
			2311	<u>Supervision of Board of Education Services</u> - Activities concerned with directing and managing the general operation of the Board of Education. These include the activities of the members of the Board of Education, but does not include any special activities defined in the other areas of responsibility described below. They also include any activities of the district performed in support of the school board meeting. Legal activities in interpretation of the laws and statutes and general liability situations are charged here, as are the activities of external auditors.
			2319	<u>Other Board of Education Services</u> - Board of Education services which cannot be classified under the preceding area of responsibility.

Function Code Numbers: **Function Descriptions and Definitions:**

		2320	<u>Executive Administration Services</u> - Activities associated with the overall general administration of or executive responsibility for the entire LEA.
		2321	<u>Office of the Superintendent Services</u> - Activities performed by the superintendent and such assistants as deputy, associate and assistant superintendents in generally directing and managing all affairs of the LEA. These include all personnel and materials in the office of the chief executive officer. Activities of the offices of the deputy superintendents should be charged here, unless the activities can be placed properly into a service area. In this case, they would be charged to service area direction in that service area.
		2329	<u>Other Executive Administration Services</u> - Other general administrative services which cannot be recorded under the preceding function.
		2330	<u>Special Area Administration Services</u> - Activities concerned with area wide supervisory responsibility. This function could include the activities of the chief business official and directors of district wide instructional programs that have administrative responsibilities. It also would include such general administrative activities as federal programs coordinators. When two or more service areas are directed by the same individual, the services of that individual may be charged to this function or prorated between the service areas concerned.
			<u>Support Services - School Administration</u> - Activities concerned with overall administrative responsibility for a school.
		2410	<u>Office of the Principal Services</u> - Activities concerned with directing and managing the operation of a particular school. They include the activities performed by the principal, assistant principals and other assistants while they supervise all operations of the school, evaluate the staff members of the school, assign duties to staff members, supervise and maintain the records of the school, and coordinate school instructional activities with those of the LEA. These activities also include the work of clerical staff in support of the teaching and administrative duties.
		2490	<u>Other Support Services - School Administration</u> - Other school administration services. This function includes graduation expenses and department chairpersons.

Function Code Numbers: **Function Descriptions and Definitions:**

				<u>Support Services - Business</u> - Activities concerned with paying, transporting, exchanging and maintaining goods and services for the LEA. Included are the fiscal and internal services necessary for operating the LEA. The chief business official and the activities of the chief business official are included here.
		2510		<u>Fiscal Services</u> - Activities concerned with the fiscal operations of the LEA. This function includes budgeting, receiving and disbursing, financial and property accounting, payroll, inventory control, internal auditing and managing funds.
			2511	<u>Supervising Fiscal Services</u> - The activities of directing, managing and supervising the fiscal services area. They include the activities of the assistant superintendent, director or school business official who directs and manages fiscal activities.
			2512	<u>Budgeting Services</u> - Activities concerned with supervising budget planning, formulation, control and analysis.
			2513	<u>Receiving and Disbursing Funds Services</u> - Activities concerned with taking in money and paying it out. They include the current audit of receipts; the pre-audit of requisitions or purchase orders to determine whether the amounts are within the budgetary allowances and to determine that such disbursements are lawful expenditures of the school or an LEA; and the management of school funds.
			2514	<u>Payroll Services</u> - Activities concerned with periodically paying individuals entitled to remuneration for services rendered. Payments are also made for such payroll-associated costs as federal income tax withholding, retirement and social security.
			2515	<u>Financial Accounting Services</u> - Activities concerned with maintaining records of the financial operations and transactions of the school system. They include such activities as accounting and interpreting financial transactions and account records.
			2516	<u>Internal Auditing Services</u> - Activities concerned with verifying the account records, which includes evaluating the adequacy of the internal control system, verifying and safeguarding assets, reviewing the reliability of the accounting and reporting systems, and ascertaining compliance with established policies and procedures.
			2517	<u>Property Accounting Services</u> - Activities concerned with preparing and maintaining current inventory records of land, buildings and equipment. These records are used in equipment control and facilities planning.
			2519	<u>Other Fiscal Services</u> - Fiscal services which cannot be classified under the preceding functions.

Function Code Numbers: **Function Descriptions and Definitions:**

		2520	<u>Purchasing Services</u> - Activities concerned with purchasing supplies, furniture, equipment and materials used in schools or school system operations.
		2530	<u>Warehousing and Distributing Services</u> - The activities of receiving, storing and distributing supplies, furniture, equipment, materials and mail. They include picking up and transporting cash from school facilities to the central administration office or bank for control, deposit or both.
		2540	<u>Printing, Publishing and Duplicating Services</u> - The activities of printing and publishing administrative publications such as annual reports, school directories and manuals. Activities here also include centralized services for duplicating school materials and instruments such as school bulletins, newsletters and notices.
		2590	<u>Other Support Services - Business</u> - Other support services to business not classified elsewhere in the 2500 series.
			<u>Support Services - Operation and Maintenance of Plant Services</u> - Activities concerned with keeping the physical plant open, comfortable and safe for use, and keeping the grounds, buildings and equipment in effective working condition and state of repair. These include the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools.
		2610	<u>Supervision of Operation and Maintenance of Plant Services</u> - The activities involved in directing, managing and supervising the operation and maintenance of school plant facilities.
		2620	<u>Operating Buildings Services</u> - Activities concerned with keeping the physical plant clean and ready for daily use. They include operating the heating, lighting and ventilating systems, and repairing and replacing facilities and equipment. Also, included are the costs of building rental and property insurance.
		2630	<u>Care and Upkeep of Grounds Services</u> - Activities involved in maintaining and improving the land (but not the buildings). These include snow removal, landscaping, grounds maintenance and the like.
		2640	<u>Care and Upkeep of Equipment Services</u> - Activities involved in maintaining equipment owned or used by the LEA. They include such activities as servicing and repairing furniture, machines and movable equipment.
		2650	<u>Vehicle Operation and Maintenance Services (Other Than Student Transportation Vehicles)</u> - Activities involved in maintaining general purpose vehicles such as trucks, tractors, graders and staff vehicles. These include such activities as repairing vehicles, replacing vehicle parts, cleaning, painting, greasing, fueling and inspecting vehicles for safety, i.e., preventive maintenance.

Function Code Numbers: Function Descriptions and Definitions:

		2660	<u>Security Services</u> - Activities concerned with maintaining order and safety in school buildings, on the grounds and in the vicinity of schools at all times. Included are police activities for school functions, traffic control on grounds and in the vicinity of schools, building alarm systems and hall monitoring services. Security services associated with athletics are charged to function 3400.
		2690	<u>Other Operation and Maintenance of Plant Services</u> - Operations and maintenance of plant services which cannot be classified elsewhere in the 2600 series. Includes re-modeling or re-roofing projects that maintains the building for its intended use.
			<u>Support Services - Student Transportation Services</u> - Activities concerned with conveying students to and from school, as provided by state and federal law. This includes trips between home and school, and trips to school activities.
		2710	<u>Supervision of Student Transportation Services</u> - Activities pertaining to directing and managing student transportation services.
		2720	<u>Vehicle Operation Services</u> - Activities involved in operating vehicles for student transportation, from the time the vehicles leave the point of storage until they return to the point of storage. These include driving buses or other student transportation vehicles.
		2730	<u>Monitoring Services</u> - Activities concerned with supervising students in the process of being transported between home and school, and between school and school activities. Such supervision can occur while students are in transit, while they are being loaded and unloaded, and in directing traffic at the loading stations.
		2740	<u>Vehicle Servicing and Maintenance Services</u> - Activities involved in maintaining student transportation vehicles. It includes repairing vehicle parts, replacing vehicle parts, cleaning, painting, fueling and inspecting vehicles for safety.
		2790	<u>Other Student Transportation Services</u> - Student transportation services which cannot be classified elsewhere in the 2700 series.

Function Code Numbers: **Function Descriptions and Definitions:**

			<u>Support Services - Central</u> - Activities, other than general administration, which support each of the other instructional and supporting services programs. These activities include planning, research, development, evaluation, information, staff and data processing services.
		2810	<u>Planning, Research, Development and Evaluation Services</u> - Activities associated with conducting and managing programs of planning, research, development and evaluation for a school system on a system-wide basis. These services are explained below:
		a.	<u>Planning Services</u> include activities concerned with selecting or identifying the overall, long-range goals and priorities of the organization or program. They also involve formulating various courses of action needed to achieve these goals. This is done by identifying needs and relative costs and benefits of each course of action.
		b.	<u>Research Services</u> include activities concerned with the systematic study and investigation of the various aspects of education, undertaken to establish facts and principles.
		c.	<u>Development Services</u> include activities in the deliberate evolving process of improving educational programs - such activities as using the products of research.
		d.	<u>Evaluation Services</u> include activities concerned with ascertaining or judging the value or amount of an action or an outcome. This is done through careful appraisal of previously specified data in light of the particular situation and the goals previously established.
		2820	<u>Information Services</u> - Activities concerned with writing, editing and other preparation necessary to disseminate educational and administrative information to students, staff, managers and the general public through direct mailing, the various news media, or personal contact.
		2821	<u>Supervision of Information Services</u> - The activities of directing, managing and supervising information services.
		2822	<u>Internal Information Services</u> - Activities concerned with writing, editing and providing administrative information to students and staff.
		2823	<u>Public Information Services</u> - Activities concerned with writing, editing and other preparation necessary to disseminate educational and administrative information to the public through various news media or personal contact.
		2824	<u>Management Information Services</u> - Activities concerned with writing, editing and other preparation necessary to disseminate to management (1) the information needed about the operation of the LEA and (2) information about the community, state and nation to make logical decisions.

Function Code Numbers: **Function Descriptions and Definitions:**

			2829	<u>Other Information Services</u> - Activities concerned with information services not classified above.
			2830	<u>Staff Services</u> - Activities concerned with maintaining an efficient staff for the school system. It includes such activities as recruiting and placement, staff transfers, in-service training, health services, and staff accounting.
			2831	<u>Supervision of Staff Services</u> - The activities of directing, managing and supervising staff services.
			2832	<u>Recruitment and Placement Services</u> - Activities concerned with employing and assigning personnel for the LEA. [NOTE: Background checks and fingerprinting costs would be recorded here.]
			2834	<u>In-service Training Services</u> (for Non-instructional Staff) - The activities developed by the LEA for training of non-instructional personnel in all classifications.
			2839	<u>Other Staff Services</u> - Staff services which cannot be classified under the preceding functions.
			2840	<u>Data Processing Services</u> - Activities concerned with preparing data for storage, storing data and retrieving them for reproduction as information for management and reporting.
			2841	<u>Supervising Data Processing Services</u> - Activities concerned with directing, managing and supervising data processing services.
			2842	<u>Systems Analysis Services</u> - Activities concerned with searching for and evaluating alternatives for achieving defined objectives, based on judgment and, wherever possible, on quantitative methods. Where applicable, these activities pertain to the development of data processing procedures or application to electronic data processing equipment.
			2843	<u>Programming Services</u> - Activities concerned with the preparation of a logical sequence of operations to be performed, either manually or electronically, in solving problems or processing data. These activities also involve preparing coded instructions and data for such sequences.
			2844	<u>Operations Services</u> - Activities concerned with scheduling, maintaining and producing data. These activities include operating business machines, data preparation devices, and data processing machines.
			2849	<u>Other Data Processing Services</u> - Activities concerned with data processing not described above.

Function Code Numbers: **Function Descriptions and Definitions:**

	Non-instructional Services - Activities concerned with providing non-instructional services to students, staff or the community.		
	3100	<u>Food Service Operations</u> - Activities concerned with providing food to students and staff in a school or LEA. This service area includes preparing and serving regular and incidental meals, lunches or snacks in connection with school activities and food delivery.	
	3200	<u>Enterprise Operations</u> - Activities that are financed and operated in a manner similar to private business enterprises - where the stated intent is that the costs are financed or recovered primarily through user charges. Food services should not be charged here but rather to function 3100. One example could be the LEA bookstore.	
	3300	<u>Community Services Operations</u> - Activities concerned with providing community services to students, staff or other community participants. Examples of this function would be the operation of a community swimming pool, a recreation program for the elderly, a child care center for working mothers, etc.	
	3900	<u>Other Non-instructional Services</u> - Activities concerned with non-instructional services not described above.	
	Sixteenth Section - Expenditures concerned with maintaining and improving sixteenth section lands.		
	4100	<u>Appraisal and Survey</u> - Expenditures for (1) an estimate of value, usually nonrenewable resources, by systematic procedures that include physical examination, pricing and often estimates, and/or (2) surveys.	
	4200	<u>Improving Land</u> - Expenditures for improvement of sixteenth section forestry land, including but not restricted to the deadening of undesirable hardwoods, the planting of trees, the cutting and maintaining of fire lanes, and the establishment of marked boundaries on all lands classified as forest lands.	
	4300	<u>Drainage District Taxes</u> - Expenditures for the LEA's pro rata share of the costs, expenses, taxes and assessments relating to the drainage district.	
	4400	<u>Allocation to Other LEA</u> - Expenditures to allocate revenue to municipal separate or other county school districts which share sixteenth section lands.	
	4500	<u>Management Fees</u> - Expenditures for management fees and related costs.	
	4600	<u>Attorney's Fees</u> - Expenditures for attorney's fees and related costs.	
	4700	<u>Purchase of Lieu Lands</u> - Expenditures for acquisition of lieu lands.	
	4900	<u>Other Expenditures/Expenses</u> - Other expenditures/expenses concerned with maintaining and improving sixteenth section lands.	

Function Code Numbers: **Function Descriptions and Definitions:**

	<p>Facilities Acquisition and Construction Services - Activities concerned with acquiring land and buildings; constructing buildings and additions to buildings; initially installing or extending service systems and other built-in equipment; and improving sites. (Note: Include expenditures to be capitalized as additions to Buildings and Improvements, Improvement Other Than Buildings and/or Construction in Progress asset accounts. These expenditures do not include minor re-modeling or minor re-roofing expenditures.)</p>		
	5100	<p><u>Site Acquisition Services</u> - Activities concerned with initially acquiring and improving new sites.</p>	
	5200	<p><u>Site Improvement Services</u> - Activities concerned with improving sites and with maintaining existing site improvements.</p>	
	5300	<p><u>Architecture and Engineering Services</u> - The activities of architects and engineers related to acquiring and improving sites and improving buildings. Charges are made to this function only for those preliminary activities which may or may not result in additions to the LEA's property. Otherwise, charge these services to 5100, 5200, 5500 or 5600, as appropriate.</p>	
	5400	<p><u>Educational Specifications Development Services</u> - Activities concerned with preparing and interpreting descriptions of specific space requirements for the various learning experiences of students to be accommodated in a building. These specifications are interpreted to the architects and engineers in the early stages of blueprint development.</p>	
	5500	<p><u>Building Acquisition and Construction Services</u> - Activities concerned with buying or constructing buildings.</p>	
	5600	<p><u>Building Improvements Services</u> - Activities concerned with building additions and with installing or extending service systems and other built-in equipment.</p>	
	5900	<p><u>Other Facilities Acquisition and Construction Services</u> - Facilities acquisition and construction activities which cannot be classified above.</p>	
	<p>Debt Service - The servicing of the general long-term debt of the LEA. Capital lease payments would be included here. <i>[Note: Normally only debt service on general long-term debt is recorded here. Interest on current debt (i.e., debt repayable within one year of incurring the debt) is charged to function 2513, and the receipt and payment of principal on that debt is handled as an adjustment to the balance sheet liability account of the applicable governmental type fund.]</i></p>		
	<p><u>Principal on Debt</u></p>		
	6110	<p><u>Transportation Loans Repaid</u> - Payments for the principal amounts due for transportation equipment loans.</p>	
	6120	<p><u>Three Mill - Ten Year Loans Repaid</u> - Payments for the principal amounts due for three mill - ten years loans.</p>	

Function Code Numbers: **Function Descriptions and Definitions:**

		6130	<u>Capital Lease Payments</u> - Payments for the principal amounts due for obligations under capital leases.
		6140	<u>General Obligation Bonds Repaid</u> - Payments for the principal amounts due for general obligation bonds.
		6150	<u>Limited Obligation Bonds Repaid</u> - Payments for the principal amounts due on limited obligation bonds.
		6160	<u>Shortfall Loans/Notes Repaid</u> - Payments for the principal amounts due on shortfall debt obligations.
		6170	<u>Sixteenth Section Principal Loans Repaid</u> - Payments for the principal amounts due on sixteenth section principal loans.
		6180	<u>Certificates of Participation Repaid</u> - Payments for the principal amounts due on certificates of participation.
		6190	<u>Qualified Zone Academy Debt Repaid</u> - Payment of the final debt requirement according to the agreement with the lending institution. <i>[Note: The yearly transfer amount to the lending institution would be recorded as 7600 Function Code.]</i>
		6191-6199	<u>Other Principal on Debt</u> - Payments for the principal amounts due for other debt of an LEA.
<u>Interest on Debt</u>			
		6210	<u>Interest on Transportation Loans Repaid</u> - Payments for interest due on transportation equipment loans.
		6220	<u>Interest on Three Mill - Ten Year Loans Repaid</u> - Payments for interest due on three mill - ten year loans.
		6230	<u>Interest on Capital Lease Payments</u> - Payments for interest due on obligations under capital leases.
		6240	<u>Interest on General Obligation Bonds Repaid</u> - Payments for interest due on general obligation bonds.
		6250	<u>Interest on Limited Obligations Bonds Repaid</u> - Payments for interest due on limited obligations bonds.
		6260	<u>Interest on Shortfall Loans/Notes Repaid</u> - Payments for interest due on shortfall loans/notes.
		6270	<u>Interest on Sixteenth Section Principal Loans Repaid</u> - Payments of interest due on sixteenth section principal loans.
		6280	<u>Interest on Certificates of Participation Repaid</u> - Payments of interest due on certificates of participation.
		6291-6299	<u>Other Interest on Other Debt Repaid</u> - Payments for the interest of other debt of an LEA.

Function Code Numbers: **Function Descriptions and Definitions:**

		<u>Other Debt Service Payments</u>	
	6300	<u>Advance Refunding Escrow</u> - Payments made to an escrow agent from sources other than refunding bonds proceeds.	
	6400	<u>Payments for Arbitrage Commitments</u> - Payments made to the appropriate federal agency for arbitrage commitments	
	6900	<u>Other</u> - Debt service payments not properly classified in categories above. Includes fiscal agent's fees (payments made to financial institutions or other fiscal agents for services rendered in paying interest and redeeming debt at maturity) and issuance costs (payments to bond underwriters, attorneys, and others for fees and costs associated with debt issuance).	
Other Financing Uses - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting controls.			
		<u>Transfers Out</u> - Recurring or routine transactions which withdraw money from one fund and place it in another without recourse. Interfund loans are not recorded here, but are handled through the balance sheet accounts 131 and 441 in the funds affected.	
	7110	<u>Indirect Costs Transfers Out</u> - Transfers from one fund (usually a Special Revenue Fund) to another fund (usually the district maintenance fund) as payment for costs incurred by the receiving fund that have been prorated to the paying fund.	
	7120	<u>Other Transfers Out</u> - Operating transfers out which do not involve indirect costs.	
<u>Other Financing Uses</u>			
	7500	<u>Payment to Refunded Bond Escrow Agent</u> - Payments to an escrow agent from advance refunding bond proceeds.	
	7600	<u>Payment to Qualified Zone Academy Debt Escrow Agent</u> - Payments made to an escrow agent to be held for the retirement of the debt associated with the Qualified Zone Academy Debt.	
	7900	<u>Miscellaneous Other Financing Uses</u> - Other financing uses not classified elsewhere.	
Direct Decreases in Fund Equity - Decreases in fund equity that are not properly recorded as expenditures/expenses or other financing uses but must be reflected on the operations statement.			
	8100	<u>Prior Period Adjustments</u> - Decreases in fund equity due to prior period adjustments.	
	8200	<u>Decrease in Reserve for Inventory</u> - Decreases in fund equity due to decrease in fund balance reserved for inventories recorded under the purchases method.	
	8300	<u>Residual Equity Transfers Out</u> - Non-recurring or non-routine transfers of equity between funds. Normally only used for transfers of the residual balance of a discontinued fund to another fund.	

Object Code Numbers: Object Descriptions:**Personal Services - Salaries****Regular Employees:**

111 Teachers and Professional Personnel
112 Teachers Aids
113 Clerical
114 through 119 Other Regular Employees

Temporary Employees:

121 Substitute Teachers
122 Part-time Personnel
123 through 129 Other Temporary Employees
131 through 150 Overtime Salaries
151 through 170 Compensated Absences Payments

Personal Services - Employee Benefits

210 Group Health Insurance
215 Group Life Insurance
220 Social Security Contributions
230 Retirement Contributions
240 Unemployment Compensation
250 Tuition Reimbursement
260 Workmen's Compensation
270 Health Benefits
291 through 299 Other Employee Benefits

Object Code Numbers: Object Descriptions:**Purchased Professional and Technical Services**

310	Official/Administrative Services
320	Professional/Educational Services
321	Curriculum Improvement Services
322	Counseling and Guidance Services
323 through 329	Other Professional/Educational Services
330	Other Professional Services
331	Medical Doctors
332	Lawyers
333	Architects
334	Accountants
335	Auditors
336	Nurses
337 through 339	Other Professional Services
340	Technical Services
341	Data Processing Services
342	Purchasing Services
343	Warehousing Services
344 through 349	Other Technical Services

Object Code Numbers: Object Descriptions:**Purchased Property Services**

Utility Services

411 Water & Sewer

412 Electricity

413 Natural Gas

414 Telephone

415 through 419 Other Utility Services

420 Cleaning Services

421 Custodial

422 Lawn Care

423 Waste Disposal

424 through 429 Other Cleaning Services

430 Repairs and Maintenance Services

431 through 439 User Defined Repairs and Maintenance Services

440 Rentals

441 Rental of Land and Buildings

442 Rental of Equipment

443 through 449 Other Rentals

450 Construction Services

490 Other Purchased Property Services

Object Code Numbers: Object Descriptions:**Other Purchased Services**

510	Student Transportation Services
520	Insurance (Other Than Employee Benefits)
521	Property Insurance
522	Liability Insurance
523	Fidelity Bonds
524 through 529	Other Insurance
530	Postal Services
531	Postage
532	Postage Machine Rental
533 through 539	Other Postal Services
540	Advertising
550	Printing and Binding
560	Tuition
570	Food Service Management
580	Travel and Per diem
590	Miscellaneous Purchased Services

Object Code Numbers: Object Descriptions:**Supplies**

610	General Supplies
	611 Software
	612 through 619 Other Supplies
620	Transportation Supplies
	622 Tires and Tubes
	623 Repair Parts
	624 through 629 Other Transportation Supplies
630	Petroleum, Oils & Lubricants
	631 Gasoline
	632 Oil
	633 through 639 Other Petroleum, Oils & Lubricants
	Food
	641 Purchased Food
	642 Donated Food
	643 Food Production Supplies
	644 through 649 Other Food
650	Books and Periodicals
	651 through 659 User Defined Books and Periodicals
660	Resale Items
	661 through 669 User Defined Resale Items

Object Code Numbers: Object Descriptions:**Property**

Land

710 Land

Buildings

721 Buildings (**Cost or value less than \$50,000**)725 Buildings (**Cost or value of \$50,000 and above**)

Building Improvements

728 Building Improvement (**Cost or value less than \$25,000**)729 Building Improvements (**Cost or value of \$25,000 and above**)

Furniture and Equipment

731 Computer Equipment (**Cost or value less than \$5,000**)733 Computer Equipment (**Cost or value \$5,000 and above**)735 Other Furniture and Equipment (**Cost or value less than \$5,000**)737 Other Furniture and Equipment (**Cost or value of \$5,000 and above**)

Non-Capitalized Property

740 Non-Capitalized Property

Improvements Other Than Buildings

751 Improvements Other Than Buildings (**Cost or value less than \$25,000**)753 Improvements Other Than Buildings (**Cost or value of \$25,000 and above**)

Object Code Numbers: Object Descriptions:

Leased Property Under Capital Leases

- 755 Leased Property - Computer Equipment (**Cost or value less than \$5,000**)
- 756 Leased Property - Computer Equipment (**Cost or value \$5,000 and above**)
- 757 Leased Property - Other Furniture and Equipment (**Cost or value less than \$5,000**)
- 758 Leased Property - Other Furniture and Equipment (**Cost or value \$5,000 and above**)
- 759 Leased Property - Cars and Trucks (**Cost or value less than \$5,000**)
- 760 Leased Property - Cars and Trucks (**Cost or value \$5,000 and above**)
- 761 Leased Property - Buses (**Cost or value less than \$ 5,000**)
- 762 Leased Property - Buses (**Cost or value \$5,000 and above**)
- 763 Leased Property - Improvements other than buildings (**Cost or value less than \$25,000**)
- 764 Leased Property - Improvements other than buildings (**Cost or value \$25,000 and above**)
- 765 Leased Property - Buildings (**Cost or value less than \$50,000**)
- 766 Leased Property - Buildings (**Cost or value \$50,000 and above**)
- 775 Leased Property - Other Mobile Equipment (**Cost or value less than \$ 5,000**)
- 776 Leased Property - Other Mobile Equipment (**Cost or value \$5,000 and above**)

Mobile Equipment

- 771 Cars and Trucks (**Cost or value less than \$ 5,000**)
- 772 Cars and Trucks (**Cost or value \$5,000 and above**)
- 773 Buses (**Cost or value less than \$ 5,000**)
- 774 Buses (**Cost or value \$5,000 and above**)
- 775 Other Mobile Equipment (**Cost or value less than \$ 5,000**)
- 776 Other Mobile Equipment (**Cost or value \$5,000 and above**)

Depreciation

- 790 Depreciation

Object Code Numbers: Object Descriptions:**Other Objects**

810	Dues and Fees
820	Judgments and Claims Against the LEA
830	Interest
840	Redemption of Principal
845	Other Debt Related Payments

FDC Homes Pass-through Funds

851	Payments to Providers
852	Payments to State Board of Health
860	Repayments to State Agency
890	Miscellaneous Expenditures

Other Uses of Funds

910	Summer Food - Administrative Indirect Cost
920	Summer Food - Operations Indirect Cost
930	Summer Food - Transportation Cost
940	Summer Food - Use Allowance
990	Miscellaneous Other Uses

Object Code Numbers: Object Descriptions:

	<u>Personal Services - Salaries</u> - Amounts paid to both permanent and temporary LEA employees, including personnel substituting for those in permanent positions. This includes gross salary for personal services rendered while on the payroll of the LEA. <i>[NOTE: Used with all functions except 4000, 5000, 6000 and 7000.]</i>
111 - 119	<u>Regular Employees</u> - Full-time, part-time and prorated portions of the costs for work performed by permanent employees of the LEA.
121 - 129	<u>Temporary Employees</u> - Full-time, part-time and prorated portions of the costs for work performed by employees of the LEA who are hired on a temporary or substitute basis.
131 - 150	<u>Overtime Salaries</u> - Amounts paid to employees of the LEA in either temporary or permanent positions for work performed in addition to the normal work period for which the employee is compensated under regular salaries and temporary salaries above. The terms of such payment for overtime is a matter of federal, state and local laws and regulations and interpretations thereof.
151 - 170	<u>Compensated Absences Payment</u> - Amounts paid to employees of the LEA upon retirement for unused accumulated leave time, up to 30 days, as required by Section 37-7-307.
	<u>Personal Services - Employee Benefits</u> - Amounts paid by the LEA in behalf of employees; these amounts are not included in the gross salary, but are in addition to that amount. Such payments are fringe benefit payments and, while not paid directly to employees, nevertheless are part of the cost of personal services. <i>[NOTE: Used with all functions except 4000, 5000, 6000 and 7000.]</i>
210	<u>Group Health Insurance</u> - Employer's share of health insurance plan.
215	<u>Group Life Insurance</u> - Employer's share of life insurance costs.
220	<u>Social Security Contributions</u> - Employer's share of social security paid by the LEA.
230	<u>Retirement Contributions</u> - Employer's share of any state or local employee retirement system paid by the LEA, including the amount paid for employees assigned to federal programs.
240	<u>Unemployment Compensation</u> - Amounts paid by the LEA to provide unemployment compensation for its employees. These charges are to be distributed to functions in accordance with the salary budget.
250	<u>Tuition Reimbursement</u> - Amounts reimbursed by the LEA to any employee qualifying for tuition reimbursement based upon LEA policy.
260	<u>Workmen's Compensation</u> - Amounts paid by the LEA to provide workmen's compensation insurance for its employees. These charges are to be distributed to functions in accordance with the salary budget.
270	<u>Health Benefits</u> - Amounts paid by the LEA to provide health benefits for its current employees or employees now retired for whom benefits are paid. Premiums for insurance to provide health benefits would go in Code 210.

Object Code Numbers: Object Descriptions:

	291-299	<u>Other Employee Benefits</u> - Employee benefits other than those classified above. The LEA may establish sub-codes locally for various accrued amounts. Such amounts may be distributed to the functions according to the employee's assignment.
<u>Purchased Professional and Technical Services</u> - Services which, by their nature, can be performed only by persons or firms with specialized skills and knowledge. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided. Included are the services of architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, teachers, accountants, etc. It is recommended that a separate account be established for each type of service provided to the LEA.		
	310	<u>Official/Administrative Services</u> - Services in support of the various policy-making and managerial activities of the LEA. Included would be management consulting activities oriented to general governance or business and financial management of the LEA; school management support activities; election and tax assessing and collecting services. [NOTE: Usually used with functions 2300 and 2400.]
	320 - 329	<u>Professional/Educational Services</u> - Services supporting the instructional program and its administration. Included would be curriculum improvement services, counseling and guidance services, library and media support and contracted instructional services. [NOTE: Usually used with functions 1000, 2100 and 2200.]
	330 - 339	<u>Other Professional Services</u> - Professional services other than educational supporting the operation of the LEA. Included are medical doctors, lawyers, architects, auditors, accountants, therapists, audiologists, dieticians, editors, negotiations specialists, systems analysts, planners and the like. [NOTE: Usually used with function 2000.]
	340 - 349	<u>Technical Services</u> - Services to the LEA which are not regarded as professional but require basic scientific knowledge, manual skills, or both. Included are data processing services, purchasing and warehousing services, graphic arts and the like. [NOTE: Usually used with functions 1000 and 2000.]
<u>Purchased Property Services</u> - Services purchased to operate, repair, maintain, and rent property owned or used by the LEA. These services are performed by persons other than LEA employees. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided.		
	411 - 419	<u>Utility Services</u> - Expenditures for utility services supplied by public or private organizations. Water and sewerage, electricity, natural gas and telephone charges are included here. [NOTE: Used only with functions 2600 and 3100.]
	420 - 429	<u>Cleaning Services</u> - Services purchased to clean buildings (apart from services provided by LEA employees). [NOTE: Used only with functions 2600 and 3100.]
	430 - 439	<u>Repairs and Maintenance Services</u> - Expenditures for repairs and maintenance services not provided directly by LEA personnel. This includes contracts and agreements covering the upkeep of buildings and equipment. Costs for renovating and remodeling are not included here but are classified under object 450.

Object Code Numbers: Object Descriptions:

440 - 449	<u>Rentals</u> - Costs for renting or leasing land, buildings, equipment and vehicles.
450	<u>Construction Services</u> - Includes amounts for constructing, renovating and remodeling paid to contractors. <i>[NOTE: Used only with function 5000.]</i>
490	<u>Other Purchased Property Services</u> - Purchased property services which are not classified above. Costs for telephone and telegraph are not included here but are included in object 530. <i>[NOTE: Usually used with functions 2600 and 3100.]</i>
Other Purchased Services - Amounts paid for services rendered by organizations or personnel not on the payroll of the LEA (separate from professional and technical services or property services). While a product may or may not result from the transaction, the primary reason for the purchase is the service provided.	
510	<u>Student Transportation Services</u> - Payments to agencies or persons other than the LEA's employees for transporting children to and from school and other activities. <i>[NOTE: Used only with function 2700.]</i>
520 - 529	<u>Insurance</u> (Other Than Employee Benefits) - Expenditures for all types of insurance coverage, including property, liability, and fidelity. Insurance for group health is not charged here but is recorded under object 210. <i>[NOTE: Used with functions 2310 or 2620.]</i>
530 - 539	<u>Postal Services</u> - Services provided by persons or businesses to assist in transmitting and receiving messages or information. This category includes services such postage and postage machine rental. <i>[NOTE: Usually used with functions 2320 or 2410, but may be spread among functions.]</i>
540	<u>Advertising</u> - Expenditures for announcements in professional publications, newspapers or broadcasts over radio and television. These expenditures include advertising for such purposes as personnel recruitment, legal ads, new and used equipment and sale of property. Costs for professional advertising or public relations services are not recorded here but are charged to object 330. <i>[NOTE: Usually used with functions 2300, 2500 or 2800.]</i>
550	<u>Printing and Binding</u> - Expenditures for job printing and binding, usually according to specifications of the LEA. This includes designing and printing forms and posters as well as printing and binding LEA publications. Preprinted standard forms are not charged here but are recorded under object 610. <i>[NOTE: Usually used with function 2540, but may be assigned to other functions.]</i>
560	<u>Tuition</u> - Expenditures to reimburse other educational agencies for instructional services to students residing in the legal boundaries described for the paying LEA.
570	<u>Food Service Management</u> - Expenditures for the operation of a local food service facility by other than employees of the LEA. Included are contracted services, such as food preparation, associated with the food service operation. Direct expenditures by the LEA for food, supplies, labor and equipment would be charged to the appropriate object codes. <i>[NOTE: Used only with function 3100.]</i>
580	<u>Travel and Per diem</u> - Expenditures for transportation, meals, hotel and other expenses associated with staff travel for the LEA. Payments for per diem in lieu of reimbursement for subsistence (room and board) also are charged here. <i>[NOTE: Used with all functions except 4000, 5000, 6000 and 7000.]</i>

Object Code Numbers: Object Descriptions:

590	<u>Miscellaneous Purchased Services</u> - Purchased services other than those described above. Any inter-district payments other than tuition should be classified here.
Supplies - Amounts paid for items that are consumed, worn out, or deteriorated through use; or items that lose their identity through fabrication or incorporation into different or more complex units or substances.	
610 - 619	<u>General Supplies</u> - Expenditures for all supplies (other than those listed below) for the operation of an LEA, including freight and cartage. [NOTE: Used with all functions except 6000 and 7000.]
620 - 629	<u>Transportation Supplies</u> - Expenditures for all supplies, materials and repair parts for the operation of the LEA's transportation vehicles and related equipment. Gasoline purchases are recorded under object 630. [NOTE: Used with function 2700.]
630 - 639	<u>Petroleum, Oils & Lubricants</u> - Expenditures for gasoline, oil and lubricants and other related costs. [NOTE: Used with all functions except 5000, 6000 and 7000]
641 - 649	<u>Food</u> - Expenditures for food used in the school food service program. Food used in instructional programs is charged under object 610. [NOTE: Object Code 643 - Food Production Supplies - These expenditures are associated with the preparation and serving of the Child Nutrition Program meals such as eating utensils, napkins, paper plates and baking pans. Also, used only with function 3100.]
650 - 659	<u>Books and Periodicals</u> - Expenditures for books, textbooks and periodicals prescribed and available for general use, including reference books. This category includes the cost of workbooks, textbook binding or repairs, as well as textbooks which are purchased to be rented. Also recorded here are costs of binding or other repairs to school library books. [NOTE: Used with all functions except 4000, 5000, 6000 and 7000.]
660 - 669	<u>Resale Items</u> - Items purchased which are to be resold. Food purchased for the food services program and instructional uses is charged within objects 640's and 610's, respectively.
Property - Expenditures for acquiring fixed assets, including land or existing buildings; improvements of grounds; initial equipment; additional equipment; and replacement of equipment.	
710	<u>Land</u> - Expenditures for the purchase of land. Purchases of air rights, mineral rights and the like are included here. Not included here, but generally charged to objects 340 or 450 are expenditures for improving sites and adjacent ways after acquisition by the LEA. Used with governmental funds only. [NOTE: Used only with functions 5100 and 5200.]
721 - 725	<u>Buildings</u> - Expenditures for the purchase of existing buildings. Expenditures for the contracted construction of buildings, for major permanent structural alterations that would increase the estimated useful life of the building by forty years. Buildings built and alterations performed by the LEA's own staff are charged to objects 100, 200, 610 and 730, as appropriate. [Used with governmental funds only.] [NOTE: Used only with function 5500.]

Object Code Numbers: Object Descriptions:

728 - 729	<u>Building Improvements</u> - Expenditures for major improvements to an existing building that would have a estimated useful life of at least 25 years. This would include removal and replacement of an existing roof. Expenditures for the initial or additional installation of heating and ventilating systems, fire protection systems, and other service systems in existing buildings. Building Improvements built and alterations performed by the LEA's own staff are charged to objects 100, 200, 610 and 730, as appropriate. <i>[NOTE: Used only with function 5600.]</i>
731 - 737	<u>Furniture and Equipment</u> - Expenditures for the purchase of furniture and equipment contained in the buildings of the district for which fixed asset accountability is required or elected.
740	<u>Non-Capitalized Property</u> - Expenditures for the purchase of property by the district for which fixed asset accountability is not required nor elected.
751 - 753	<u>Improvements Other Than Buildings</u> - Expenditures for the purchase of athletic fields, lighting, bleachers or other similar improvements that cannot be directly associated with a particular building.
755 - 776	<u>Leased Property Under Capital Leases</u> - Expenditures for the acquisition of property under capital leases.
771 - 776	<u>Mobile Equipment</u> - Expenditures for the purchase of school buses, automobiles, trucks, vans, lawn maintenance equipment, tractors, backhoes, dozers, front-end loaders and similar mobile equipment.
790	<u>Depreciation</u> - The portion of the cost of a fixed asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is apportioned over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the cost of the asset is ultimately charged off as an expense.
Other Objects - Amounts paid for goods and services not otherwise classified above.	
810	<u>Dues and Fees</u> - Expenditures or assessments for membership in professional or other organizations or payments to a paying agent for services rendered. <i>(NOTE: Used with functions 1000, 2000 and 3100)</i>
820	<u>Judgments and Claims Against the LEA</u> - Expenditures from current funds for all judgments and claims (except as indicated below) against the LEA that are not covered by liability insurance, but are of a type that might have been covered by insurance. Judgments and claims against the LEA resulting from failure to pay bills or debt service are recorded under the appropriate expenditure accounts as though the bills or debt service had been paid when due. <i>(NOTE: Used only with function 2310)</i>
830	<u>Interest</u> - Expenditures for interest on bonds, notes or other debt of the district. <i>(NOTE: Used with function 6200)</i>
840	<u>Redemption of Principal</u> - Outlays from current funds to retire serial bonds, long-term loans and other long-term debt of the district. <i>(NOTE: Used with function 6100)</i>
845	<u>Other Related Debt Payments</u> - Outlays from current funds for other related debt requirements.

Object Code Numbers: Object Descriptions:

		<i>(NOTE: Used with function 6000)</i>
851 - 852		<u>FDC Homes Pass-through Funds</u> - Pass-through funds for family day care homes portion of federally funded child and adult care food program (CFDA #10.558). <i>(NOTE: Used with function 3100)</i>
860		<u>Repayments to State Agency</u> - Repayments by the LEA to the State Department of Education or another state agency.
890		<u>Miscellaneous Expenditures</u> - Amounts paid for goods or services not properly classified in one of the objects included above.
Other Uses of Funds - This series of codes is used to classify transactions which are not properly recorded as expenditures to the LEA but require budgetary or accounting control. Included here are operating transfers out.		
910		<u>Summer Food - Administrative Indirect Cost</u> - Operating transfers out for administrative indirect cost charged to the Summer Food Service Fund.
920		<u>Summer Food - Operations Indirect Cost</u> - Operating transfers out for operations indirect cost charged to the Summer Food Service Fund.
930		<u>Summer Food - Transportation Cost</u> - Operating transfers out for transportation cost charged to the Summer Food Service Fund.
940		<u>Summer Food - Use Allowance</u> - Operating transfers out for use allowance charged to the Summer Food Service Fund.
990		<u>Miscellaneous Other Uses</u> - Other uses not classified above.

SECTION O TERMINOLOGY

The following definitions of terms were taken, with some modifications and exclusions, from the 1994 edition of the Government Finance Officers Association (GFOA) publication, Governmental Accounting, Auditing and Financial Reporting, and are presented to set a common standard to facilitate understanding of the narrative discussions and illustrations included in this manual and the terminology generally employed in governmental budgeting, accounting, auditing and financial reporting:

APV - See *Actuarial Present Value*.

Abatement - A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments and service charges.

Accountability - The state of 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.

Account Groups - Accounting entities used to establish control over and accountability for the government's general fixed assets and the unmatured principal of its general long-term debt, including special assessment debt for which the government is obligated in some manner. Current authoritative literature provides for two such account groups: the General Fixed Assets Account Group (GFAAG) and the General Long-term Debt Account Group (GLTDAG). The long-term portions of claims, judgments, compensated absences and unfunded pension contributions not reported in Proprietary or Trust Funds are also usually reported in the GLTDAG. Account groups are dissimilar to funds in that they are not used to account for sources, uses and balances of expendable available financial resources.

Accounting Period - See *Fiscal Period*.

Accounting System - The methods and records established to identify, assemble, analyze, classify, record and report a government's transactions and to maintain accountability for the related assets and liabilities.

Account Number - See *Coding*.

Accounts Payable - A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

Accounts Receivable - An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

Accreted Value - A valuation basis for certain investments and debt instruments that reports on the balance sheet only that portion of their face value that reflects principal and interest accrued to date.

Accrual Basis - The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

Accrued Benefits - The amount of a pension plan participant's benefit (whether or not vested) as of a specified date, determined in accordance with the terms of the pension plan and based on compensation (if applicable) and service to that date.

Accrued Interest Payable - A liability account reflecting certain interest cost that has been incurred but is not due until a later date.

Accrued Salaries and Wages Payable - A liability account reflecting salaries and wages earned by employees but not due until a later date.

Accumulated Benefit Obligation - The actuarial present value of benefits (whether vested or nonvested) attributed by the pension benefit formula to employee service rendered before a specified date and based on employee service and compensation (if applicable) before that date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels.

Accumulated Depreciation - A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of fixed assets.

Accumulated Plan Benefits - Benefits attributable under the provisions of a pension plan to employees for services rendered to the benefit information date.

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). See also *Subactivity*.

Activity Classification - Expenditure classification according to the specific type of work performed by organizational units (e.g., sewage treatment and disposal, waste collection, waste disposal and street cleaning are activities performed in carrying out the function of sanitation).

Actuarial Accrued Liability - That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension plan benefits and expenses not provided for by future normal costs.

Actuarial Assumptions - Assumptions used in the actuarial valuation process as to the occurrence of future events affecting pension costs, such as mortality, withdrawal, disablement and retirement; changes in compensation and national pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods and other relevant items.

Actuarial Basis - A basis used in computing the amount of contributions to be made periodically to a fund or account so that the total contributions plus the compounded earnings thereon will equal the required payments to be made out of the fund or account. The factors considered in arriving at the amount of these contributions include the length of time over which each contribution is to be held and the rate of return compounded on such contribution over its life. A pension trust fund for a PERS is an example of a fund concerned with actuarial basis data.

Actuarial Cost Method - 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 individual periods, usually in the form of a normal cost and an actuarial accrued liability.

Actuarially Determined Contribution Requirements - Amounts required to be paid annually to a pension plan, based on an actuarial cost method or funding method.

Actuarial Present Value (APV) - The discounted value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

Actuarial Update - An estimate or projection of the pension benefit obligation developed by using techniques and procedures considered necessary by the actuary. If conditions are relatively stable, only a few minor adjustments (such as an accrual of additional interest on the pension benefit obligation since the valuation date, and addition of benefits earned during the year less benefits paid) may be sufficient. If there have been significant changes in one or more relevant factors (e.g., in the size or composition of the population covered by a PERS), the procedures may be more extensive.

Ad Valorem Tax - A tax based on value (e.g., a property tax).

Advance From Other Funds - A liability account used to record noncurrent portions of a long-term debt owed by one fund to another fund within the same reporting entity. See *Due to Other Funds* and *Interfund Receivable/Payable*.

Advance Refunding Bonds - Bonds issued to refinance an outstanding bond issue before the date the outstanding bonds become due or callable. Proceeds of the advance refunding bonds are deposited in escrow with a fiduciary, invested in U.S. Treasury Bonds or other authorized securities and used to redeem the underlying bonds at their maturity or call date, to pay interest on the bonds being refunded, or to pay interest on the advance refunding bonds.

Advance to Other Funds - An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See *Due From Other Funds*.

Adverse Opinion - An opinion stating the auditor's view that financial statements do not present fairly financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles.

Agency Fund - A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds. An agency fund also is used to report the assets and liabilities of Internal Revenue Code, Section 457, deferred compensation plans.

Agent Multiple-Employer PERS - An aggregation of single-employer PERS with pooled administrative and investment functions (i.e., the PERS acts as a common investment and administrative agent for each employer). Each entity participating in an agent PERS receives a separate actuarial valuation to determine its periodic contribution rate. See *Cost-Sharing Multiple-Employer PERS*.

Aggregate Actuarial Cost Method - 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.

"All-Inclusive" Operating Statement - The financial statement that reports both operating results and changes in fund balance (or fund equity/retained earnings) combined into a single GAAP financial statement.

Allot - To divide a budgetary appropriation into amounts that may be encumbered or expended during an allotment period (e.g., a government may choose to allot its annual budget to 12 monthly periods). See *Allotment* and *Allotment Period*.

Allotment - A part of an appropriation that may be encumbered or expended during a given period. See *Allotment* and *Allotment Period*.

Allotment Ledger - A subsidiary ledger containing an account for each allotment, showing the amount allotted, expenditures for the allotment period, outstanding encumbrances and net balance. See *Appropriation Ledger*.

Allotment Period - A period of time during which an allotment is effective. Monthly and quarterly allotments are most common. See *Allot* and *Allotment*.

Allowance for Uncollectibles - A contra-asset valuation account used to indicate the portion of a receivable not expected to be collected.

Amortization - (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

Amortization Schedule - A schedule of debt service payments separating the portions of payments attributable to principal and interest.

Amount Available in Debt Service Funds - An "other debit" account in the GLTDAG designating the amount of assets available in Debt Service Funds for the retirement of outstanding amounts reported in the GLTDAG.

Amount to Be Provided - An "other debit" account in the GLTDAG representing the amount to be provided from taxes, special assessments or other general revenues to retire outstanding general long-term liabilities.

Annual Budget - A budget applicable to a single fiscal year. See *Budget* and *Operating Budget*.

Annual Financial Report - A financial report applicable to a single fiscal year.

Annual Operating Budget - See *Operating Budget*.

Annuity - A series of equal payments made or received at equal intervals over a designated period.

Annuity Period - The designated length of time during which annuity payments are to occur.

Appraisal - See *Appraise*.

Appraise - To estimate the value, particularly the value of property. If the property is valued for taxation, the narrower term "assess" is substituted.

Appropriated Budget - The expenditure authority created by the appropriation bills or ordinances, which are signed into law, and the related estimated revenues. The appropriated budget would include all reserves, transfers, allocations, supplemental appropriations and other legally authorized legislative and executive changes.

Appropriation - A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended. See *Continuing Appropriation* and *Indeterminate Appropriation*.

Appropriation Account - A budgetary account set up to record spending authorizations for specific purposes. The account is credited with the original appropriation and any supplemental appropriations and is charged with expenditures and encumbrances.

Appropriation Balance - See *Unallotted Balance of Appropriation*, *Unencumbered Allotment* and *Unencumbered Appropriation*.

Appropriation Bill, Ordinance, Resolution, or Order - A bill, ordinance, resolution, or order through which appropriations are given legal effect.

Appropriation Ledger - A subsidiary ledger containing an account for each appropriation. Each account usually includes the amount originally appropriated, transfers to or from the appropriation, amounts charged against the appropriation, the available balance and other related information. See *Allotment Ledger*.

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.

Assess - To establish an official property value for taxation. See *Appraise*.

Assessed Valuation - A valuation set upon real estate or other property by a government as a basis for levying taxes.

Assessment - (1) The process of making the official valuation of property for taxation. (2) The valuation placed upon property as a result of this process. See *Special Assessment*.

Assessment Roll - With real property, the official list containing the legal description of each parcel of property and its assessed valuation. The name and address of the last known owner usually are listed. With personal property, the assessment roll is the official list containing the name and address of the owner, a description of the personal property and its assessed value.

Asset - A probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events.

Attained Age Actuarial Cost Method - A method under which the portion of the actuarial present value of projected benefits that exceeds the actuarial accrued liability of each individual 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.

Attribution - The process of assigning pension benefits or cost to periods of employee service.

Audit - A systematic collection of the sufficient, competent evidential matter needed to attest to the fairness of management's assertions in the financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities. The auditor obtains this evidential matter through inspection, observation, inquiries and confirmations with third parties. See *Internal Auditing, Financial Audit, Single Audit, Performance Auditing, Pre-Audit* and *Post-Audit*.

Audit Committee - A group of individuals, selected by the governing body, having specific responsibility for addressing all issues related to the external financial audit. Ideally, audit committees form a direct communications link between the auditor and the governing body; therefore, the majority of the committee's members normally would be expected not to have management responsibilities within the entity under audit.

Audited Claims Payable - See *Accounts Payable*.

Audit Finding - In the context of a financial audit, a weakness in internal controls or an instance of noncompliance with applicable laws and regulations that is presented in the audit report in conformity with GAGAS. A typical audit finding is composed of a statement of the condition (i.e., weakness or instance of noncompliance) and the criterion or criteria used to define it, an explanation of the cause of the condition, a discussion of its results and recommendations for improvement. Findings ordinarily are presented together with a response from management which states management's concurrence or nonconcurrence with each finding and its plan for corrective action.

Audit Management - The process used to procure auditing services (See *Audit Procurement*), to monitor the performance of the auditor and to insure the satisfactory resolution of issues raised by the audit.

Audit Procurement - The process used to obtain auditing services from independent public accountants.

Audit Program - A detailed outline of work to be done and procedures to be followed in any given audit.

Auditor's Report - In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

Audit Resolution - The process whereby corrective action is planned, implemented and monitored to remedy weaknesses discovered and reported in conjunction with an audit.

Audit Scope - In the context of a financial audit, the focus of audit testing as well as the reference point used by auditors when evaluating the results of audit tests or otherwise exercising their professional judgment. The minimum acceptable audit scope for governments would result in an opinion on the combined (i.e., general purpose) financial statements, with each fund type and account group considered separately when applying materiality evaluations.

Authority - A government or public agency created to perform a single function or a restricted group of related activities. Usually, such units are financed from service charges, fees and tolls, but, in some instances, they also have taxing powers. An authority may be completely independent of other governments or partially dependent upon other governments for its financing or the exercise of certain powers. See *Special District*.

BANs - See *Bond Anticipation Notes*.

Balance Sheet - The financial statement disclosing the assets, liabilities and equity of an entity at a specific date in conformity with GAAP.

Bank Balance - In the context of GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," the amount credited by a financial institution to the government's account as opposed to the government's own ledger balance for the account (e.g., if checks have been written against an account, but have not yet cleared the bank, the ledger balance would be lower than the bank balance).

Banker's Acceptances - Short-term, noninterest-bearing notes sold at a discount and redeemed by the accepting banks at maturity for face value. Banker's acceptances generally are created based on a letter of credit issued in a foreign trade transaction.

Basic Financial Statements - Those financial statements, including notes thereto, necessary for the fair presentation of the financial position and results of operations of an entity in conformity with GAAP. The basic financial statements include a balance sheet, an "all inclusive" operating statement, a budget comparison statement (for all governmental funds for which annual appropriated budgets are adopted), and a statement of cash flows (for Proprietary Funds, Pension Trust Funds and Nonexpendable Trust Funds).

Basis of Accounting - A term used to refer to when revenues, expenditures, expenses and transfers--and the related assets and liabilities--are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

Basis Point - Equal to 1/100 of one percent. If interest rates rise from 7.50 percent to 7.75 percent, the difference is referred to as an increase of 25 basis points.

Benefits - Payments to which participants may be entitled under a pension plan, including pension benefits, death benefits and benefits due on termination of employment.

Betterment - An addition made to, or change made in, a fixed asset, other than maintenance, to prolong its life or to increase its efficiency. The cost of addition or change is added to the book value of the asset. The term sometimes is applied to sidewalks, sewers and highways, but it is preferable to designate these as improvements.

Biennial Budget - A budget applicable to a two-year fiscal period. See *Budget and Operating Budget*.

Bill - A term used to denote a law or statute passed by certain legislative bodies. A bill has greater legal formality and standing than a resolution. See *Appropriation Bill*.

Bond - Most often, a written promise to pay a specified sum of money (called the face value or principal amount), at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate. Sometimes, however, all or a substantial portion of the interest is included in the face value of the security. See *Deep-Discount Debt* and *Zero-Coupon Debt*. The difference between a note and a bond is that the latter is issued for a longer period and requires greater legal formality. See *General Obligation Bonds Payable* and *Revenue Bonds Payable*. See also *Surety Bond*.

Bond Anticipation Notes (BANs) - Short-term interest-bearing notes issued by a government in anticipation of bonds to be issued at a later date. The notes are retired from proceeds of the bond issue to which they are related. See *Interim Borrowing*.

Bond Covenant - A legally enforceable promise made by an issuer of bonds to the bondholders, normally contained in the bond resolution or indenture (e.g., pledged revenues).

Bond Discount - The difference between the present value and the face amount of bonds when the former is less than the latter. In common usage, the term also often includes issuance costs withheld from the bond proceeds by the underwriter.

Bonded Debt - The portion of indebtedness represented by outstanding bonds. See *Gross Bonded Debt* and *Net Bonded Debt*.

Bond Indenture - A formal agreement, also called a deed of trust, between an issuer of bonds and the bondholder.

Bond Ordinance or Resolution - An ordinance or resolution authorizing a bond issue.

Bond Premium - The difference between the present value and the face amount of bonds when the former is greater than the latter.

Bonds Authorized and Unissued - Bonds that have been authorized legally but not issued and that can be issued and sold without further authorization.

Bonds Issued - Bonds sold by the government.

Bonds Payable - Generally, the face value of bonds issued and unpaid. In the case of deep-discount and zero-coupon bonds, however, only the accreted value of the security is reported as bonds payable on the balance sheet.

Book Entry - A system that eliminates the need to physically transfer bearer-form paper or to register securities by using a central depository facility.

Books of Original Entry - The record in which various transactions are recorded formally for the first time (e.g., cash journal, check register or general journal). With automated bookkeeping methods, one transaction may be recorded simultaneously in several records, one of which may be regarded as the book of original entry. Memorandum books, check stubs, files of duplicate sales invoices, etc., on which first or prior business notations may have been made, are not books of original entry in the accepted meaning of the term, unless they also are used as the media for direct posting to the ledgers.

Book Value - Value as shown by the books of account. In the case of assets subject to reduction by valuation allowances, book value refers to cost or stated value less the appropriate allowance. Sometimes a distinction is made between gross book value and net book value, the former designating value before deduction of related allowances and the latter the value after their deduction. In the absence of any modifiers, however, book value is understood to be synonymous with net book value. See *Carrying Amount*.

Budget - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body. See *Annual Budget, Capital Budget, Long-term Budget, Operating Budget, Performance Budget, Program Budget and Traditional Budget*.

Budgetary Accounts - Accounts used to enter the formally adopted annual operating budget into the general ledger as part of the management control technique of formal budgetary integration.

Budgetary Comparisons - Statements or schedules presenting comparisons between approved budgetary amounts (as amended) and actual results of operations on the budgetary basis.

Budgetary Control - The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

Budgetary Execution and Management - Suballocations, contingency reserves, rescissions, deferrals, transfers, conversions of language appropriations, encumbrance controls and allotments established by the executive branch, without formal legislative enactment. These transactions may be relevant for various accounting control and internal reporting purposes, but are not part of the appropriated budget.

Budget Document - The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating governing body. The budget document usually consists of three parts. The first part contains a message from the budget-making authority, together with a summary of the proposed expenditures and the means of financing them. The second consists of schedules supporting the summary. These schedules show in detail the past years' actual revenues, expenditures, and other data used in making the estimates. The third part is composed of drafts of the appropriation, revenue, and borrowing measures necessary to put the budget into effect. See *Budget Message and Executive Budget*.

Budget-GAAP Basis Differences - Differences arising from the use of a basis of accounting for budgetary purposes that differs from the basis of accounting applicable to the fund type when reporting on operations in conformity with GAAP. For example, a cash-basis budget would produce a budget-GAAP basis difference.

Budget-GAAP Differences - Differences between the GAAP reporting model and a government's budgetary practices.

Budget-GAAP Entity Differences - Differences arising from the inclusion or exclusion in the budget of organizations, programs, activities and functions that may or may not be compatible with the criteria defining the government reporting entity.

Budget-GAAP Perspective Differences - Differences that result when the structure of financial information for budgetary purposes is not compatible with the fund structure prescribed by GAAP (i.e., some governments budget on the basis of organizational or program structures that differ from the funds used for financial reporting purposes).

Budget-GAAP Timing Differences - Variations such as continuing appropriations, project appropriations, automatic reappropriations and biennial budgeting that separate budgetary accounting from GAAP.

Budget Message - A general discussion of the proposed budget as presented in writing by the budget-making authority to the legislative body. The budget message should contain an explanation of the principal budget items, an outline of the government's experience during the past period and its financial status at the time of the message, and recommendations regarding the financial policy for the coming period. See also *Executive Budget*.

Buildings and Building Improvements - A fixed asset account reflecting the acquisition cost of permanent structures owned or held by a government and the improvements thereon.

Business-Type Activities - Those activities of a government carried out primarily to provide specific services in exchange for a specific user charge.

CAFR - See *Comprehensive Annual Financial Report*.

CUFR - See *Component Unit Financial Report*.

CUFS - See *Component Unit Financial Statements*.

Callable Bond - A type of bond with a feature that permits the issuer to pay the obligation before the stated maturity date by giving notice of redemption in a manner specified in the bond contract.

Capital Assets - See *Fixed Assets*.

Capital Budget - A plan of proposed capital outlays and the means of financing them. See *Capital Program*.

Capital Expenditures - Expenditures resulting in the acquisition of or addition to the government's general fixed assets.

Capital Grants - Grants restricted by the grantor for the acquisition and/or construction of fixed assets. See *Operating Grants*.

Capital Improvement Program - See *Capital Program*.

Capital Improvement Special Assessments - Special assessment projects that are capital in nature and enhance the utility, accessibility or aesthetic value of the affected properties. Usually, the projects also provide improvements or additions to a government's general fixed assets or infrastructure. Typical special assessment capital improvements are streets, sidewalks, parking facilities and curbs and gutters. Sometimes the improvements provide capital assets that become an integral part of a government's enterprise activities (e.g., water or sewer main construction).

Capitalization Policy - The criteria used by a government to determine which outlays should be reported as fixed assets.

Capital Lease - An agreement that conveys the right to use property, plant or equipment, usually for a stated period to time, that meets one or more of the criteria set forth in SFAS No. 13 for lease capitalization.

Capital Outlays - See *Capital Expenditures*.

Capital Program - A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or other capital needs. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the resources estimated to be available to finance the projected expenditures.

Capital Projects Fund - A fund created 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).

Carrying Amount - The amount at which assets and liabilities are reported in the financial statements. Carrying amount also is known as book value. See *Book Value*.

Cash Basis - A basis of accounting under which transactions are recognized only when cash is received or disbursed.

Cash Discount - An allowance received or given if payment of an account is completed within a stated period of time.

Cash-Flow Underwriting - The practice of an insurance enterprise depending on investment income rather than on positive underwriting results to achieve a profit.

Cash with Fiscal Agent - An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

Certificates of Achievement for Excellence in Financial Reporting Program - A voluntary program administered by GFOA to encourage governments to publish efficiently organized and easily readable CAFRs/CUFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

Certified Public Accountant (CPA) - An accountant who has met all the statutory and licensing requirements of a given state for use of that designation. All U.S. states require accountants, at a minimum, to complete successfully a uniform national examination before being allowed to designate themselves as CPAs.

Character Classification - Expenditure classification according to the periods expenditures are presumed to benefit. The four character groupings are: (1) current operating expenditures, presumed to benefit the current fiscal period; (2) debt service, presumed to benefit prior fiscal periods as well as current and future periods; (3) capital outlays, presumed to benefit the current and future fiscal periods; and (4) intergovernmental, when one government transfers resources to another.

Check - A bill of exchange drawn on a bank and payable on demand; a written order on a bank to pay on demand a specified sum of money to a named person, to his or her order or to bearer out of money on deposit to the credit of the maker. A check differs from a warrant in that the latter is not necessarily payable on demand and may not be negotiable. It differs from a voucher in that the latter is not an order to pay. A voucher-check combines the distinguishing characteristics of a voucher and a check; it shows the propriety of a payment and is an order to pay.

Claim - (1) Potential losses that can rise from (a) employment (e.g., worker compensation and unemployment), (b) contractual actions (e.g., delays or inadequate specifications), (c) actions of government personnel (e.g., medical malpractice, damage to privately owned vehicles by government-owned vehicles, improper police arrest) and (d) governmental properties (e.g., personal injuries, property damage). (2) In the context of insurance, a demand for payment of a policy benefit because of the occurrence of an insured event, such as the destruction or damage of property and related deaths or injuries.

Clearing Account - An account used to accumulate total charges or credits so that they can be distributed later among the accounts to which they are allocable or so that the net differences can be transferred to the proper account.

Code - See *Coding*.

Coding - A system of numbering or otherwise designating accounts, entries, invoices, vouchers, etc., in such a manner that the symbol used reveals quickly certain required information. To illustrate the coding of accounts, numbers in the 400 range could be used for expenditures; numbers between 420 and 430, for expenditures within the public safety function; and the number 421, for expenditures incurred in connection with the police activity classification. Within the police activity classification, the number 421.5 could be used for support services; and the number 421.51, for communications support services. Accordingly, an expenditure for police radios would be classified as 421.51 (i.e.,

expenditures for communications services, within support services, within the police activity classification, within the public safety function).

Collateral - Assets pledged to secure deposits, investments or loans.

Collateral Pool - As applied to single financial institutions, 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.

Collectors' Roll - See *Tax Roll*.

Combination Bond - A bond, payable from the revenues of a government enterprise but also backed by the full faith and credit of the government, that is issued by a government.

Combined Statements - Overview - See *General Purpose Financial Statements*.

Combining Statements - By Fund Type - The second of the financial reporting pyramid's three reporting levels containing GAAP financial statements. Such statements are presented for each fund type (e.g., Special Revenue Funds) for which the government maintains more than one fund. They include GAAP financial statements for each fund of a particular fund type in separate adjacent columns and a total column, which duplicates the column for that fund type in the combined statements - overview.

Commercial Paper - An unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. The maximum maturity for commercial paper is 270 days, but most is sold with maturities of up to 30 days. The credit risk of almost all commercial paper is rated by a rating service.

Commitments - In the context of note disclosure, contingent obligations at the balance sheet date, arising from the terms of executory contracts.

Compensated Absences - Absences, such as vacation, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance and long-term disability pay.

Compliance Auditing - Auditing for compliance with applicable laws and regulations. Tests of compliance with laws and regulations are substantive tests; therefore, the term "compliance auditing" should not be confused with the similar term "compliance testing," which usually refers to testing for compliance with internal control procedures.

Component Unit - A separate government unit, agency or nonprofit corporation that is combined with other component units to constitute the reporting entity in conformity with GAAP.

Component Unit Financial Report (CUFR) - A report covering all funds and account groups of a component unit--including introductory section; appropriate combined, combining and individual fund statements; notes to the financial statements; required supplementary information; schedules; narrative explanations; and statistical tables.

Component Unit Financial Statements (CUFS) - Financial statements of a component unit that may be issued separately from the component unit financial report. Such statements should include the financial statements and notes to the financial statements that are essential to the fair presentation of financial position and results of operations (and cash flows of Proprietary Funds and similar Trust Funds).

Comprehensive Annual Financial Report (CAFR) - The official annual report of a government. It includes (a) the five combined financial statements in the combined statements--overview and their related notes (the "liftable" GPFS) and (b) combining statements by fund type and individual fund and account group financial statements prepared in conformity with GAAP and organized into a financial reporting pyramid. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, required supplementary information, extensive introductory material, and a detailed statistical section. Every government reporting entity should prepare a CAFR.

Connection Fees - See *System Development Fees*.

Construction in Progress - A fixed asset account reflecting the cost of construction work for projects not yet completed.

Consumption Method - The method under which inventories are recorded as expenditures/expense when used. See *Purchases Method*.

Contingent Liability - Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

Continuing Appropriation - An appropriation that, once established, is automatically renewed without further legislative action, period after period, until altered or revoked. The term should not be confused with Indeterminate Appropriation.

Contracts Payable - A liability account reflecting amounts due on contracts of goods or services furnished to a government. Amounts withheld as guarantees on contracts should be classified separately in an account entitled "Retainage Payable." See *Accounts Payable*.

Contributed Capital - The permanent fund capital of a Proprietary Fund. Contributed capital forms one of two classifications of equity found on the balance sheet of a Proprietary Fund. Contributed capital is created when a residual equity transfer is received by a Proprietary Fund, when a general fixed asset is "transferred" to a Proprietary Fund or when a grant is received that is externally restricted to capital acquisition or construction. Contributions restricted to capital acquisition and construction and fixed assets received from developers and customers, as well as amounts of tap fees in excess of related costs, also would be reported in this category.

Contributed Capital - Customers - An equity account in Proprietary Fund representing the amount of permanent fund capital contributed to the fund by its customers.

Contributed Capital - Developers - An equity account in a Proprietary Fund presenting the amount of permanent fund capital contributed by developers.

Contributed Capital - Fund - An account identical to *Contributed Capital - Government*, except the specific fund of origin is indicated.

Contributed Capital - Government - An equity account in a Proprietary Fund presenting the amount of permanent fund capital generally contributed by the government from general government revenues and resources.

Contributed Capital - Intergovernmental - An equity account in a Proprietary Fund presenting the amount of permanent fund capital contributed by other governments.

Control Account - An account in the general ledger in which is recorded the aggregate of debit and credit postings to a number of related accounts called subsidiary accounts (e.g., taxes receivable is a control account supported by the aggregate of individual balances in individual property taxpayers' subsidiary accounts). See *General Ledger* and *Subsidiary Account*.

Control Environment - The collective effect of various factors on establishing, enhancing or mitigating the effectiveness of specific policies and procedures. Such factors include (1) management philosophy and operating style, (2) organizational structure, (3) the function of the legislative body and its committees, (4) methods of assigning authority and responsibility, (5) management control methods, (6) the internal audit function, (7) personnel policies and procedures and (8) external influences concerning the entity.

Control Procedures - The policies and procedures in addition to the control environment and accounting system that management has established to provide reasonable assurance that specific entity objectives will be achieved.

Corrective Action Plan - A plan state and local officials are required to submit to appropriate federal officials under the Single Audit Act. The plan details how material noncompliance or weaknesses found in the audit will be eliminated or why corrective action is not necessary.

Cost - The amount of money or other consideration exchanged for goods or services.

Cost Accounting - That method of accounting that provides for assembling and recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job.

Cost Ledger - A subsidiary record wherein each project, job production center, process, operation, product or service is given a separate account to which all items entering into its cost are posted in the required detail. Such accounts should be arranged and kept so that the results shown in them may be reconciled with and verified by a control account or accounts in the general books.

Cost of Replacement - See *Replacement Cost*.

Cost of Reproduction - See *Reproduction Cost*.

Cost Records - All ledgers, supporting records, schedules, reports, invoices, vouchers and other records and documents reflecting the cost of projects, jobs, production centers, processes, operations, products or services, or the cost of any of the component parts thereof.

Cost-Sharing Multiple-Employer PERS - Essentially one large pension plan with cost-sharing arrangements (i.e., all risks and costs, including benefit costs, are shared proportionately by the participating entities). One actuarial valuation is performed for the PERS as a whole, and the same contribution rate generally applies to each participating entity. See *Agent Multiple-Employer PERS*.

Cost Unit - In cost accounting, the unit of product or service for which cost is computed. These units are selected to compare the actual cost with a standard cost or with actual costs of units produced under different circumstances or at different places and times. See *Unit Cost* and *Work Unit*.

Counterparty - Another party to a transaction. In the case of deposits and investments made by government entities, a counterparty could be the issuer of a security, a financial institution holding a deposit, a broker-dealer selling securities or a third party holding securities or collateral.

Coupon Rate - The interest rate specified on interest coupons attached to a bond. The term "nominal interest rate" is also used in this sense.

Covenant - See *Bond Covenant*.

Coverage - The ratio of pledged revenues to related debt service for a given year. See *Net Revenue Available for Debt Service*.

Covered Payroll - All compensation that is paid to active employees covered by the PERS and on which contributions are based. Covered payroll also may be referred to as covered compensation.

Credited Projected Benefits - Those pension plan benefit amounts expected to be paid at various future times under a particular set of actuarial assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. That portion of an individual's projected benefit allocated to service to date, determined in accordance with the terms of a pension plan and based on future compensation as projected to retirement, is called the credited projected benefit.

Credit Risk - The risk that a counterparty to an investment transaction will not fulfill its obligations. Credit risk can be associated with the issuer of a security, with a financial institution holding deposits or with parties holding securities or collateral. Credit risk exposure can be affected by a concentration of deposits or investments in any one investment type or with any one counterparty.

Current - As applied to budgeting and accounting, designates the operations of the present fiscal period as opposed to past or future periods. It usually connotes items likely to be used up or converted into cash within one year.

Custodial Agreement - A written contract establishing the responsibilities of a custodian who holds collateral for deposits with financial institutions, investment securities or securities underlying repurchase agreements.

Customer Deposits - A liability account used in an Enterprise Fund to reflect deposits made by customers as a prerequisite to receiving goods and/or services provided by the fund.

DM - See *Discussion Memorandum*.

Debt - An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants and notes. See *Accounts Payable, Bond, Note Payable, Long-term Debt and General Long-term Debt*.

Debt Extinguishments - See *Advance Refunding Bonds, Defeasance and In-Substance Defeasance*.

Debt Limit - The maximum amount of outstanding gross or net debt legally permitted.

Debt Proceeds - The difference between the face amount of debt and the issuance discount or the sum of the face amount and the issuance premium. Debt proceeds differ from cash receipts to the extent issuance costs, such as underwriters' fees, are withheld by the underwriter.

Debt Ratios - Comparative statistics illustrating the relation between the issuer's outstanding debt and such factors as its tax base, income or population. These ratios often are used as part of the process of determining the credit rating of an issue, especially with general obligation bonds.

Debt Service Fund - A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Sometimes referred to as a sinking fund.

Debt Service Fund Requirements - The resources which must be provided for a debt service fund so that all principal and interest payments can be made in full and on schedule.

Debt Service Requirements - The amount of money required to pay interest on outstanding debt, serial maturities of principal for serial bonds and required contributions to accumulate monies for future retirement of term bonds.

Deductible - In the context of an insurance policy with a deductible clause, the amount that first must be subtracted from the total loss incurred before determining the insurer's liability. The deductible may be in the form of an amount of dollars, a percentage of the loss, a percentage of the value of the insured property or a period of time (as in health insurance).

Deep-Discount Debt - Debt issued with a stated interest rate significantly less than the effective interest rate (e.g., less than 75 percent of the effective interest rate).

Defeasance - The legal release of a debtor from being the primary obligor under the debt, either by the courts or by the creditor. Also referred to as a legal defeasance. See *In-Substance Defeasance*.

Deferred Charges - Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g., bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation. See *Prepaid Items*.

Deferred Compensation Plans - Plans that offer employees the opportunity to defer receipt of a portion of their salary and the related liability for federal income taxes. Several sections of the Internal Revenue Code authorize certain state and local governments to provide deferred compensation plans for their employees.

Deferred Maintenance - The act of not performing (deferring) maintenance at the time it should have been, or was scheduled to be, performed. Maintenance in this context means more than routine preventive maintenance and repairs. It also includes replacement of parts, periodic road resurfacing and other activities needed to maintain the fixed asset at its originally contemplated serviceability for its originally estimated life.

Deferred Revenue - Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, amounts that are measurable but not available are one example of deferred revenue.

Deficit - (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of Proprietary Funds, the excess of expenses over revenues during an accounting period.

Defined Benefit Pension Plan - A pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors, such as age, years of service or compensation.

Defined Contribution Pension Plan - A plan that provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions and forfeitures of other participants' benefits that may be allocated to the participant's account.

Delinquent Special Assessments - Special assessments remaining unpaid on and after the date to which a penalty for nonpayment is attached.

Delinquent Taxes - Taxes remaining unpaid on and after the date to which a penalty for nonpayment is attached. Even though the penalty may be subsequently waived and a portion of the taxes may be abated or canceled, the unpaid balances continue to be delinquent taxes until abated, canceled, paid or converted into tax liens.

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 insure their ability to redeem the bonds, issuers of demand bonds frequently enter into short-term standby liquidity agreements and long-term "takeout" agreements.

Depletion - The allocation of the cost of wasting assets (e.g., timber, oil, coal) to the periods benefited by their use.

Depository Insurance - Insurance on deposits with financial institutions. FDIC and some state governments provide this insurance.

Deposits - In the context of required note disclosures, cash and near cash items placed on account with a financial institution or fiscal agent. Some deposits (e.g., checking accounts) are subject to withdrawal upon demand without notice or penalty (demand deposits) and others (e.g., certificates of deposit) can only be withdrawn without penalty upon completion of a fixed period (time deposits).

Depreciation - (1) Expiration in the service life of fixed assets, other than wasting assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a fixed asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

Depreciation Schedule - A schedule listing the annual allocation of the cost of fixed assets to future periods, using one of the depreciation methods acceptable under GAAP.

Direct Charges - See *Direct Expenses*.

Direct Costs - See *Direct Expenses*.

Direct Debt - The debt a government has incurred in its own name or assumed through the annexation of territory or consolidation with another government. See *Overlapping Debt*.

Direct Expenses - Expenses specifically traceable to specific goods, services, units, programs, activities or functions. Direct expenses differ from indirect expenses in that the latter cannot be specifically traced and so must be allocated on some systematic and rational basis.

Disbursements - Payment in cash.

Disclaimer of Opinion - A report stating that the auditor does not express an opinion on the financial statements. The disclaimer of opinion is appropriate when the auditor has not performed an examination sufficient in scope to enable him to form an opinion on the financial statements. A disclaimer of opinion should not be expressed because the auditor believes, on the basis of the examination, that there are material departures from GAAP. In such circumstances, an adverse opinion would be appropriate. See *Adverse Opinion* and *Qualified Opinion*.

Discount - In the context of bonds payable and investments, the amount by which par value exceeds the price paid for a security. The discount generally represents the difference between the nominal interest rate and the actual or effective rate of return to the investor.

Discount Rate - The rate used to adjust a series of future payments to reflect the time value of money. For the purpose of calculating the pension benefit obligation defined by the GASB, this rate is equal to the estimated long-term rate of return on current and future investments of the pension plan. For capitalized leases, the discount rate used by the lessee is the lessee's incremental borrowing rate unless the lessee is aware of the lessor's implicit rate and that rate is less than the lessee's incremental borrowing rate.

Discounted Present Value - See *Present Value*.

Discrete Presentations - The inclusion of a separate column for a component unit in the applicable general purpose financial statements. Current GAAP permit discrete presentations if a component unit has adopted accounting principles inconsistent with authoritative governmental pronouncements but considered to be generally accepted, and if the inclusion of the component unit would distort a fund type of the reporting entity. State colleges and universities are often presented by means of discrete presentations.

Discussion Memorandum (DM) - A document issued by either the GASB or the FASB as a basis for written comments by respondents, leading to issuance of one or more GASB or FASB pronouncements. In a DM, neither the GASB nor the FASB attempts to reach any conclusions about the issues and related arguments and implications presented. A DM is not an authoritative document and should not be used to justify departures from GAAP.

Dollar Repurchase/Reverse Repurchase Agreement - An agreement that involves the transfer of securities and in which the parties agree the securities returned usually will be of the same issuer but will not be the same certificates. Fixed-coupon and yield-maintenance agreements are the most common types of dollar agreements.

Double Entry - A system of bookkeeping requiring that for every entry made to the debit side of an account or accounts, an entry or entries be made for an equal amount to the credit side of another account or accounts.

Due From Other Funds - An asset account used to indicate amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans. See *Advance to Other Funds* and *Interfund Receivable/Payable*.

Due to Fiscal Agent - A liability account reflecting amounts due to fiscal agents, such as commercial banks, for servicing a government's maturing interest and principal payments on indebtedness.

Due to Other Funds - A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. These amounts include only short-term obligations on open account, not interfund loans. See *Advance From Other Funds* and *Interfund Receivable/Payable*.

Economic Gain/Loss - In the context of an advance refunding, the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate of adjusted for additional cash paid.

Effective Interest Rate - The rate of earning on a bond investment, based on the actual price paid for the bond, the coupon rate, the maturity date and the length of time between interest dates, in contrast with the nominal interest rate.

Eminent Domain - The power of a government to acquire private property for public purposes. It is used frequently to obtain real property that cannot be purchased from owners in a voluntary transaction. When the power of eminent domain is exercised, owners normally are compensated by the government in an amount determined by the courts.

Encumbrances - Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

Endowment - Funds or property that are donated with either a temporary or permanent restriction as to the use of principal.

Enterprise Fund - (1) A fund established to account for operations financed and operated in a manner similar to private business enterprises (e.g., water, gas and electric utilities; airports; parking garages; or transit systems). In this case the governing body intends that costs (i.e., expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. (2) A fund established because the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Entitlement - The amount of payment to which a state or local government is entitled pursuant to an allocation formula contained in applicable statutes.

Entity - (1) The basic unit upon which accounting and/or financial reporting activities focus. The basic governmental legal and accounting entity is the individual fund and account group. (2) That combination of funds and account groups that constitutes the reporting entity for financial reporting purposes and alone may issue CAFRs and GPFS.

Entry - The record of a financial transaction in the appropriate book of account.

Entry-Age Actuarial Cost Method - 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.

Equipment - See *Machinery and Equipment*.

Equity Accounts - Those accounts presenting the difference between assets and liabilities of the fund.

Equity Securities - Investments that represent an ownership interest in an enterprise.

Escheat - The reversion of private property to a government because there is no one to inherit or because of a breach of condition.

Estimated Life - The expected economic useful life of an asset from the date placed in service to the projected retirement date.

Executive Budget - The aggregate of information, proposals and estimates prepared and submitted to the legislative body by the chief executive and the budget office.

Expected Useful Life - See *Estimated Life*.

Expendable Trust Fund - A Trust Fund whose resources, including both principal and earnings, may be expended. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds.

Expenditures - Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlements and shared revenues.

Expenses - Outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

Exposure Draft (ED) - A proposed statement or interpretation issued for public comment by the GASB or the FASB.

External Audit - See *Independent Audit*.

FASB - Financial Accounting Standards Board.

FDIC - See *Federal Deposit Insurance Corporation*.

Face Value - As applied to securities, the amount of the issuer's liability stated in the security document. See *Par Value*.

Federal Deposit Insurance Corporation (FDIC) - A federal institution that insures deposits of federally chartered banks.

Federal Financial Assistance - For purposes of applying the provisions of the Single Audit Act of 1984 and OMB Circular A-128, Audits of State and Local Governments, assistance provided by a federal agency in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance or direct appropriations. Federal financial assistance does not include direct federal cash assistance to individuals.

Fidelity Bond - A written promise to indemnify against losses from theft, defalcation and misappropriation of public monies by government officers and employees.

Fiduciary Fund Type - The Trust and Agency Funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units and/or other funds.

Financial Advisor - In the context of bond issuances, a consultant who advises the issuer on any of a variety of matters related to the issuance. The financial advisor sometimes also is referred to as the fiscal consultant.

Financial Audit - An audit made to determine whether the financial statements of a government are presented fairly in conformity with GAAP.

Financial Resources - Cash and other assets that, in the normal course of operations, will become cash.

Financial Statements - See *Basic Financial Statements*.

Fiscal Agent - A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

Fiscal Funding Clause - A clause in a lease agreement providing 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.

Fiscal Period - Any period at the end of which a government determines its financial position and the results of its operations. See *Accounting Period*.

Fiscal Year - A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations.

Fixed Assets - Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Fixed assets include buildings, equipment, improvements other than buildings and land. In the private sector, these assets are referred to most often as property, plant and equipment.

Fixed Budget - A budget setting forth dollar amounts that are not subject to change based on the volume of goods or services to be provided.

Fixed Costs - Costs of providing goods or services that do not vary proportionately to the volume of goods or services provided (e.g., insurance and contributions to retirement systems).

Fixed-Coupon Repurchase/Reverse Repurchase Agreement - Agreements in which the parties agree that the securities returned will have the same stated interest rate as, and maturities similar to, the securities transferred. See *Repurchase Agreement* and *Reverse Repurchase Agreement*.

Fixed Income Securities - Securities that offer a specified, measurable cash flow (e.g., most bonds).

Fixtures - Attachments to buildings that are not intended to be removed and cannot be removed without damage to the buildings. Those fixtures with a useful life presumed to be as long as that of the building itself are considered a part of the building; all others are classified as equipment.

Flexible Budget - A budget whose dollar amounts vary according to the volume of goods or services to be provided.

Flow of Current Financial Resources - A measurement focus that recognizes the net effect of transactions on current financial resources by recording accruals for those revenue and expenditure transactions which have occurred by year-end that are normally expected to result in cash receipt or disbursement early enough in the following year either (a) to provide financial resources to liquidate liabilities recorded in the fund at year-end or (b) to require the use of available expendable financial resources reported at year-end.

Flow of Economic Resources - The measurement focus used in the commercial model and in Proprietary and similar Trust Funds to measure economic resources, the claims to those economic resources and the effects of transactions, events and circumstances that change economic resources and claims to those resources. This focus includes depreciation of fixed assets, deferral of unearned revenues and prepaid expenses, and amortization of the resulting liabilities and assets. Under this measurement focus, all assets and liabilities are reported on the balance sheet, whether current or noncurrent. Also, the accrual basis of accounting is used, with the result that operating statements report expenses rather than expenditures.

Flow of Financial Resources Measurement Focus - A new measurement focus for Governmental Funds scheduled to be effective for financial statements for periods beginning after June 15, 1994, as adopted in GASB Statement 11, Measurement Focus and Basis of Accounting-Governmental Fund Operating Statements (May 1990). It is:

A measure of the extent to which financial resources obtained during a period are sufficient to cover claims incurred during that period against financial resources. This measurement focus considers financial resources only and uses an accrual basis of accounting.

This definition uses the term "financial resources" in a way that differs from its current use. See *Financial Resources*. In this instance, the term means cash, claims to cash (e.g., debt securities of another entity and accounts and taxes receivable), claims to goods or services (e.g., prepaid items), consumable goods (e.g., supplies inventories) and equity securities of another entity obtained or controlled as a result of past transactions or events. See *Flow of Current Financial Resources*.

Foreclosure - The seizure of property as payment for delinquent tax or special assessment obligations. Ordinarily, property foreclosed is resold to liquidate delinquent tax or special assessment obligations, but on occasion governments retain possession for their own needs.

Forfeiture - The automatic loss of cash or other property as a penalty for not complying with legal provisions and as compensation for the resulting damages or losses. This term should not be confused with confiscation. The latter term designates the actual taking over of the forfeited property by the government. Even after property has been forfeited, it cannot be said to be confiscated until the government claims it.

Formal Budgetary Integration - The management control technique through which the annual operating budget is recorded in the general ledger through the use of budgetary accounts. It is intended to facilitate control over revenues and expenditures during the year.

Franchise - A special privilege granted by a government, permitting the continued use of public property, such as city streets, and usually involving the elements of monopoly and regulation.

Frozen Entry Age Actuarial Cost Method - A method under which the portion of the actuarial present value of projected benefits of the group included in an actuarial valuation, exceeding 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.

Full Faith and Credit - A pledge of the general taxing power for the payment of debt obligations. Bonds carrying such pledges are referred to as general obligation bonds or full faith and credit bonds.

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). See *Subfunction*.

Functional-Basis Combining - The process of grouping or combining similar funds and/or component units on a functional basis (e.g., transportation, economic development) for financial reporting purposes.

Functional Classification - Expenditure classification according to the principal purposes for which expenditures are made (e.g., public safety).

Fund - A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.

Fund Balance - The difference between fund assets and fund liabilities of Governmental and similar Trust Funds.

Fund Balance Sheet - A balance sheet for a single fund. See *Fund* and *Balance Sheet*.

Fund Balance - Reserved for Advance to Other Funds - An account used to segregate a portion of fund balance to indicate that noncurrent portions of long-term interfund receivables do not represent expendable available financial resources.

Fund Balance - Reserved for Debt Service - An account used to segregate a portion of fund balance for resources legally restricted to the payment of general long-term debt principal and interest maturing in future years.

Fund Balance - Reserved for Employees' Retirement System - Accounts used to account for PERS and pension trust reserved fund balances. These normally include (1) fund balance-reserved for member contributions, (2) fund balance-reserved for employer contributions, (3) fund balance-reserved for benefits, (4) fund balance-reserved for disability and (5) fund balance-reserved for undistributed interest earnings.

Fund Balance - Reserved for Encumbrances - An account used to segregate a portion of fund balance for expenditure upon vendor performance.

Fund Balance - Reserved for Endowments - An account used to indicate that Trust Fund balance amounts representing endowment principal are legally restricted.

Fund Balance - Reserved for Fixed Assets Held for Resale - An account used to segregate a portion of fund balance to indicate that fixed assets held for resale do not represent expendable available financial resources.

Fund Balance - Reserved for Inventories - An account used to segregate a portion of fund balance to indicate that, under the purchases method, inventories of supplies do not represent expendable available financial resources even though they are a component of net current assets.

Fund Balance - Reserved for Noncurrent Loans Receivable - An account used to segregate a portion of fund balance to indicate that noncurrent portions of long-term loans receivable do not represent expendable available financial resources.

Fund Balance - Reserved for Prepaid Items - An account used to segregate a portion of fund balance to indicate that prepaid items do not represent expendable available financial resources even though they are a component of net current assets.

Fund Capital Assets - Those capital assets associated with Proprietary or Trust Funds. See *Fixed Assets*.

Funded Pension Plan - A pension plan in which contributions are made and assets are accumulated to pay benefits to potential recipients before cash payments to recipients actually are required.

Funding Policy - In the context of pension plans, the policy for the amounts and timing of contributions to be made by the employer(s), participants and any other sources to provide the benefits a pension plan specifies.

Fund Type - Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: General, Special Revenue, Debt Service, Capital Projects, Enterprise, Internal Service, and Trust and Agency.

GAAP - See *Generally Accepted Accounting Principles*.

GAAS - See *Generally Accepted Auditing Standards*.

GAGAS - See *Generally Accepted Governmental Auditing Standards*.

GASB - See *Governmental Accounting Standards Board*.

GFAAG - See *General Fixed Assets Account Group*.

GFOA - *Government Finance Officers Association*.

GLTDAG - See *General Long-term Debt Account Group*.

GPFS - See *General Purpose Financial Statements*.

General Fixed Assets - Capital assets that are not assets of any fund, but of the government unit as a whole. Most often these assets arise from the expenditure of the financial resources of Governmental Funds.

General Fixed Assets Account Group (GFAAG) - A self-balancing group of accounts established to account for fixed assets of a government not accounted for through specific Proprietary Funds or Trust Funds.

General Fund - The fund used to account for all financial resources, except those required to be accounted for in another fund.

General Journal - A journal in which are recorded all entries not recorded in special journals. See *Journal* and *Special Journal*.

General Ledger - A record containing the accounts needed to reflect the financial position and the results of operations of a government. In double-entry bookkeeping, the debits and credits in the general ledger are equal (i.e., the debit balances equal the credit balances). See *Subsidiary Ledger*, *Control Account* and *Subsidiary Account*.

General Long-term Debt - Long-term debt expected to be repaid from Governmental Funds. See *Long-term Debt*.

General Long-term Debt Account Group (GLTDAG) - A self-balancing group of accounts established to account for the unmatured general long-term debt of a government. See *General Long-term Debt*. The GLTDAG is also used to report that portion of the liabilities for claims, judgments, compensated absences and unfunded pension contributions of Governmental Funds and Expendable Trust Funds not expected to be liquidated through the use of expendable available financial resources.

General Obligation Bonds Payable - Bonds backed by the full faith and credit of government. See *Full Faith and Credit*.

Generally Accepted Accounting Principles (GAAP) - Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is GASB.

Generally Accepted Auditing Standards (GAAS) - Standards established by the AICPA for the conduct and reporting of financial audits. There are ten basic GAAS, classed into three broad categories: general standards, standards of field work and standards of reporting. The Auditing Standards Board of the AICPA publishes SAS to comment and expand upon these basic standards. These SAS, together with the ten basic standards, constitute GAAS. These GAAS set forth the objectives of the audit and establish measures that can be applied to judge the quality of its performance.

Generally Accepted Government Auditing Standards (GAGAS) - Standards established by the GAO in its publication Government Auditing Standards ("yellow book") for the conduct and reporting of both financial and performance audits. GAGAS set forth general standards applicable to both types of audits and separate standards of field work and reporting for financial and performance audits. The GAGAS standards of field work and reporting for financial audits incorporate and build upon GAAS.

General Purpose Financial Statements (GPFS) - Five combined financial statements that, together with the accompanying notes, constitute the minimum financial reporting needed for fair presentation in conformity with GAAP. These five combined financial statements, with their accompanying notes, make up the first of the financial reporting pyramid's three reporting levels containing financial statements. Known as the combined statements - overview, these statements include (1) Combined Balance Sheet - All Fund Types and Account Groups, (2) Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types, (3) Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund Types (and Similar Governmental Fund Types for which annual budgets have been legally adopted), (4) Combined Statement of Revenues, Expenses and Changes in Retained Earnings (or Equity) - All Proprietary Fund Types and Nonexpendable Trust Funds and (5) Combined Statement of Cash Flows - All Proprietary Fund Types and Nonexpendable Trust Funds. Trust Fund operations should be reported in (2), (4) and (5) above, as appropriate. The combined statements - overview also are referred to as the "liftable" GPFS.

Governmental Accounting - The composite activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of governments.

Governmental Accounting Standards Board (GASB) - The authoritative accounting and financial reporting standard-setting body for government entities.

Governmental Fund Types - Funds used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities - except those accounted for in Proprietary Funds and Fiduciary Funds. In essence, these funds are accounting segregations of financial resources. Expendable assets are assigned to a particular Governmental Fund type according to the purposes for which they may or must be used. Current liabilities are assigned to the fund type from which they are to be paid. The difference between the assets and liabilities of Governmental Fund types is referred to as fund balance. The measurement focus in these fund types is on the determination of financial position and changes in financial position (sources, uses and balances of financial resources), rather than on net income determination. The statement of revenues, expenditures and changes in fund balance is the primary Governmental Fund type operating statement. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers and other changes in fund balance. Under current GAAP, there are four Governmental Fund types: General, Special Revenue, Debt Service and Capital Projects.

Governmental-Type Activities - Those activities of a government that are carried out primarily to provide services to citizens and that are financed primarily through taxes and intergovernmental grants.

Grant Anticipation Notes - Short-term, interest-bearing notes issued by a government in anticipation of grants to be received at a later date. The notes are retired from proceeds of the grants to which they are related. See *Interim Borrowing*.

Grants - Contributions or gifts of cash or other assets from another government to be used or expended for a specified purpose, activity or facility. See also *Capital Grants* and *Operating Grants*.

Grants-in-aid - See *Grants*.

Gross Bonded Debt - The total amount of direct debt of a government, represented by outstanding bonds before deduction of any assets available and earmarked for their retirement.

Historical Cost - See *Cost*.

Hold-Harmless Agreement - A contract under which the liability of one party for damages is assumed by another.

IBNR - See *Incurred-But-Not-Reported (IBNR) Claims/Losses*.

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).

Imprest Account - An account into which a fixed amount of money is placed for minor disbursements or disbursements for a specific purpose (e.g., payroll). When disbursements are made, a voucher is completed to record their date, amount, nature and purpose. From time to time, a report with substantiating vouchers is prepared; the account is replenished for the exact amount of the disbursements and the appropriate general ledger accounts are charged. The total of cash plus substantiating vouchers always should equal the total fixed amount of money set aside in the imprest account. See *Petty Cash*.

Improvements Other Than Buildings - Attachments or annexations to land that are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains and sewers. Sidewalks, curbing, sewers and highways are sometimes referred to as betterments, but the term "improvements" is preferred.

Income - A term used in Proprietary Fund type accounting to represent (1) revenues or (2) the excess of revenues over expenses. See *Operating Income*, *Income Before Operating Transfers* and *Net Income*.

Income Before Operating Transfers - Proprietary Fund operating income plus nonoperating revenues and minus nonoperating expenses.

Incurred-But-Not-Reported (IBNR) Claims/Losses - Claims for insured events that have occurred but have not yet been reported to the government entity, insurer or reinsurer as of the date of the financial statements. IBNR claims also may include expected future developments on claims already reported.

Independent Audit - An audit performed by an independent auditor.

Independent Auditor - An auditor meeting the independence criteria set forth in GAAS or GAGAS.

Indeterminate Appropriation - An appropriation that is not limited either to any definite period of time or to any definite amount. A distinction must be made between an indeterminate appropriation and a continuing appropriation. First, whereas a continuing appropriation is indefinite only as to time, an indeterminate appropriation is indefinite as to both time and amount. Second, even indeterminate appropriations that are indefinite only as to time are to be distinguished from continuing appropriations in that such indeterminate appropriations may eventually lapse (e.g., an appropriation to construct a building may be made to continue in effect until the building is constructed. Once the building is completed, however, the unexpended balance of the appropriation lapses). A continuing appropriation, on the other hand, may continue forever; it can only be abolished by specific action of the legislative body.

Indirect Costs - See *Overhead*.

Indirect Expenses - See *Overhead*.

Individual Fund Statements and Schedules - The third of the financial reporting pyramid's three reporting levels containing GAAP financial statements. Such statements and schedules should be presented only when necessary or appropriate. Governments should not present physically separate individual fund financial statements and schedules that simply repeat information already presented in columns on the combined statements - overview or combining statements - by fund type. Physically separate individual fund statement and schedule formats normally are used only (1) to present required individual fund budgetary comparisons, (2) to present prior year comparative data or (3) to present more detailed information than is presented for a fund on one of the higher levels of the financial reporting pyramid.

Industrial Development Bonds - Bonds issued by governments, the proceeds of which are used to construct facilities for a private business enterprise.

Infrastructure Assets - Public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the government unit.

In-Substance Defeasance - An advance refunding in which the government is not legally released from being the primary obligor on the refunded bonds, but the possibility of the government having to make additional payments is considered remote under criteria provided by SFAS No. 76. See *Advance Refunding Bonds*.

Insurable Value - The property, or portion of property, covered by insurance in accordance with the terms of the insurance policy or other agreement. The standard insurance policy provides indemnity for the replacement cost or actual cash value.

Insurance - The transfer of risk of loss from one party (the insured) to another party (the insurer) in which the insurer promises (usually specified in a written contract) to pay the insured (or others on the insurer's behalf) an amount of money (or services, or both) for economic losses sustained from an unexpected (accidental) event during a period of time for which the insured makes a premium payment to the insurer.

Interest Method - In the context of bonds, a method of periodic amortization of issuance costs and premium or discount over the term of the related debt. The objective of the interest method is to arrive at a periodic interest cost (including amortization) that will represent a level effective rate on the sum of the face amount of the debt and (plus or minus) the unamortized premium or discount and issuance costs at the beginning of each period. The difference between the periodic interest cost so calculated and the nominal interest on the outstanding amount of the debt is the amount of periodic amortization.

Interfund Receivable/Payable - Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

Interfund Transactions - Transactions between funds of the same government reporting entity. They include: (1) quasi-external transactions; (2) reimbursements; (3) residual equity transfers; (4) operating transfers and (5) interfund loans.

Interfund Transfers - All interfund transactions except loans, quasi-external transactions and reimbursements. Transfers can be classified as belonging to one of two major categories: residual equity transfers or operating transfers.

Intergovernment Payable - A liability account reflecting amounts owed by the reporting government to another government.

Intergovernmental Receivable - An asset account reflecting amounts due to the reporting government from another government. These amounts may represent grants-in-aid, shared taxes, taxes collected by another unit, loans and charges for services rendered by the government for another government.

Intergovernmental Revenues - Revenues from other governments in the form of grants, entitlements, shared revenues or payments in lieu of taxes.

Interim Borrowing - (1) Short-term loans to be repaid from general revenues during the course of a fiscal year. (2) Short-term loans in anticipation of tax collections, grants or bond issuance. See *Bond Anticipation Notes*, *Grant Anticipation Notes* and *Tax Anticipation Notes*.

Interim Financial Statements - Financial statements prepared as of a date or for a period during the fiscal year and including only financial transactions during the current year to date.

Internal Auditing - An independent 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 Structure - Policies and procedures established to provide reasonable assurance that specific government objectives will be achieved.

Internal Service Fund - A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

Interperiod Equity - The measure of the extent to which current-year revenues are sufficient to pay for the services provided by the government entity during the year, and whether current-year citizens are receiving services by shifting part of the payment burden to future years' citizens or by using up previously accumulated resources.

Inventory - (1) A detailed list showing quantities, descriptions and values of property and, frequently, units of measure and unit prices. (2) An asset account reflecting the cost of goods held for resale or for use in operations.

Investment in General Fixed Assets - An account in the GFAAG representing the government's investment in general fixed assets. The balance of this account generally is subdivided according to the source of the monies that financed the asset acquisition, such as General Fund revenues and special assessments.

Investments - Most commonly, securities and real estate held for the production of revenues in the form of interest, dividends, rentals or lease payments. Their term does not include fixed assets used in government operations.

Joint Venture - A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

Journal - A book of original entry. See *General Journal*, *Special Journal* and *Register*.

Journal Voucher - A standard form provided for the recording of certain transactions or information in place of, or supplementary to, the journals or registers. The journal voucher usually contains an entry or entries, explanations, references to documentary evidence supporting the entry or entries and the signature or initials of one or more properly authorized officials.

Judgment - An amount to be paid or collected by a government as the result of a court decision, including a condemnation award in payment for private property taken for public use.

Judgment Bonds - Bonds issued to finance judgments.

Judgments Payable - The liability incurred as a result of a judgment.

LEA - Local Education Authority.

Land - A fixed asset account reflecting the cost of land owned by a government.

Lapse - As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

Leasehold - The right to the use of real estate by virtue of a lease, usually for a specified term of years, for which consideration is paid.

Lease-purchase Agreements - Contractual agreements that are termed leases but that in substance are purchase contracts. See *Capital Leases*.

Lease Rental Bond - A bond usually issued by a nonprofit authority and secured by lease payments to be made by the government leasing the project financed by bond proceeds.

Ledger - A group of accounts in which are recorded the financial transactions of an entity. See *General Ledger* and *Subsidiary Ledger*.

Legal Debt Limit - See *Debt Limit*.

Legal Level of Budgetary Control - The level at which spending in excess of budgeted amounts would be a violation of law.

Legal Investments - (1) Investments that savings banks, insurance companies, trustees and other fiduciaries (individual or corporate) are permitted to make by the laws of the state in which they are domiciled, or under the jurisdiction in which they operate or serve. The investments meeting the conditions imposed by law constitute the legal investment list. (2) Investments that governments are permitted to make by law.

Legal Opinion - (1) The opinion as to legality of an authorized official, such as an attorney general or city attorney. (2) In the case of government bonds, the opinion of a specialized bond attorney as to the legality of the bond issue.

Letter of Credit - A financial institution's written guarantee of a customer's drafts, up to a specified amount, for a certain period of time.

Level of Budgetary Control - One of the three possible levels of budgetary control and authority to which organizations, programs, activities and functions may be subject. These levels of budgetary control are (a) appropriated budget, (b) legally authorized nonappropriated budget review and approval process, which is outside the appropriated budget process or (c) nonbudgeted financial activities, which are not subject to the appropriated budget and the appropriation process or to any legally authorized nonappropriated budget review and approval process, but still are relevant for sound financial management and oversight. See *Legal Level of Budgetary Control*.

Levy - (1) (Verb) To impose taxes, special assessments or service charges for the support of government activities. (2) (Noun) The total amount of taxes, special assessments or service charges imposed by a government.

Liabilities - Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide to other entities in the future as a result of past transactions or events.

"Liftable" General Purpose Financial Statements (GPFS) - The GPFS designed to be "liftable" from the financial section of the CAFR for inclusion in official statements for securities offerings or for widespread distribution, along with an independent auditor's opinion, to users requiring less detailed information than is contained in the full CAFR. In order to be "liftable," the GPFS must include all disclosures necessary for their fair presentation in conformity with GAAP including certain specified disclosures related to individual funds. See *General Purpose Financial Statements*.

Liquidity - The ability to convert assets to cash quickly without significant losses.

Loans Receivable - An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

Local Improvement Tax - See *Special Assessment*.

Long-term Budget - A budget prepared for a period longer than a fiscal year; in some state governments, a budget prepared for a period longer than a biennium. Long-term budgets concerned with capital outlay plans and capital improvement programs are referred to as capital budgets.

Long-term Debt - In the context of the GLTDAG, any unmatured debt that is not a fund liability.

Lump-sum Appropriation - An appropriation made for a state purpose, or for a named department, without specifying further the amounts that may be spent for specific activities or for particular objects of expenditure (e.g., a lump-sum appropriation for the police department would not specify the amounts to be spent for uniform patrol, traffic control, etc., or for salaries and wages, materials and supplies and travel).

Machinery and Equipment - Property that does not lose its identity when removed from its location and is not changed materially or consumed immediately (e.g., within one year) by use.

Maintenance - The act of keeping capital assets in a state of good repair. It includes preventive maintenance; normal periodic repairs; replacement of parts, structural components and so forth and other activities needed to maintain the asset so that it continues to provide normal services and achieves its optimum life.

Margin - In the context of repurchase agreements and reverse repurchase agreements, the excess of the market value including accrued interest of the securities underlying a repurchase-reverse repurchase agreement or a fixed-coupon repurchase-reverse repurchase agreement over the agreement amount including accrued interest. It is common practice for a margin to be built into an agreement to protect against declines in the market value of the underlying securities.

Market Risk - The risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreement will decline. Market risk is affected by the length to maturity of a security, the need to liquidate a security before maturity, the extent to which collateral exceeds the amount invested and how often the amount of collateral is adjusted for changing market values.

Master Agreement - A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements and establishing each party's rights in the transactions. A master agreement often will specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Matched Position - When the proceeds from a reverse repurchase agreement are invested in securities that mature at, or almost at, the same time as the reverse repurchase agreement and the proceeds from those securities will be used to liquidate the agreement.

Matured Bonds Payable - A liability account reflecting unpaid principal of bonds that have reached or passed their maturity date.

Matured Interest Payable - A liability account reflecting unpaid interest on bonds that have reached or passed their maturity date.

Measurement Focus - The accounting convention that determines (1) which assets and which liabilities are included on a government's balance sheet and where they are reported there, and (2) whether an operating statement presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).

Mill - One/-thousandth of a dollar of assessed value.

Millage - Rate used in calculating taxes based upon the value of property, expressed in mills per dollar of property value.

Modified Accrual Basis - The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred except for (1) inventories of materials and supplies that may be considered expenditures either when purchased or when used, and (2) prepaid insurance and similar items that may be considered expenditures either when paid for or when consumed. All Governmental Funds, Expendable Trust Funds and Agency Funds are accounted for using the modified accrual basis of accounting.

Mortgage Bonds - Bonds secured by a mortgage against specified properties of a government, usually its public utilities or other enterprises. If primarily payable from enterprise revenues, they are also classed as revenue bonds. See *Revenue Bonds*.

Municipal - In its broadest sense, an adjective denoting the state and all subordinate units of government. In a more restricted sense, an adjective denoting a city or village as opposed to other local governments.

Municipal Corporation - A political and corporate body established pursuant to state statutes to provide government services and regulations for its inhabitants. A municipal corporation has defined boundaries and a population and usually is organized with the consent of its residents. It usually has a seal and may sue and be sued (e.g., cities and villages). See *Quasi-Municipal Corporation*.

Net Bonded Debt - Gross bonded debt less any cash or other assets available and earmarked for its retirements and less all self-supporting debt (e.g., revenue bonds).

Net Book Value - See *Book Value*.

Net Income - Proprietary Fund excess of operating revenues, nonoperating revenues and operating transfers in over operating expenses, nonoperating expenses and operating transfers out.

Net Interest Cost - A method used to calculate a bond issuer's interest cost. The net interest cost (NIC) does not take into account the time value of money. The NIC is equal to the total interest payments plus discount (or minus premium), divided by the number of bond years.

Net Profit - See *Net Income*.

Net Revenue - See *Net Income* and *Net Revenues Available for Debt Service*.

Net Revenues Available for Debt Service - Proprietary Fund gross operating revenues less operating and maintenance expenses (which normally do not include depreciation expense on bonds). "Net revenues available for debt service" as thus defined is used to compute "coverage" on revenue bond issues. See *Coverage*. Under the laws of some states and the provisions of some revenue bond indentures, to compute revenue bond coverage, net revenues available for debt service must be calculated on a cash basis, rather than in conformity with GAAP.

Nominal Interest Rate - The contractual interest rate shown on the face and in the body of a bond and used to compute the amount of interest to be paid, in contrast to the effective interest rate. See *Coupon Rate*.

Nonappropriated Budget - A financial plan for an organization, program, activity or function approved in a manner authorized by constitution, charter, statute or ordinance but not subject to appropriation and, therefore, outside the boundaries of the definition of appropriated budget.

Noncontributing Employers - In the context of pension disclosures for governments, employers that are not legally responsible for making contributions to a PERS but whose employees are covered by a PERS because of contributions made by another entity.

Nonemployer Contributor - In the context of pension disclosures for governments, a government that makes contributions to a PERS to provide benefits to employees of another government (e.g., a state may make the employer's pension contribution for school districts in the state).

Nonexpendable Trust Fund - A Trust Fund, the principal of which may not be expended. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Nonoperating Expenses - Proprietary Fund expenses not directly related to the fund's primary activities (e.g., interest).

Nonoperating Properties - Properties owned by an Enterprise Fund but not used in the provision of the fund's primary service activities.

Nonoperating Revenues - Proprietary Fund revenues incidental to, or byproducts of, the fund's primary activities.

Normal Cost - That portion of the actuarial present value of pension plan benefits and expenses allocated to a valuation year by the actuarial cost method. This amount does not include any payment related to an unfunded actuarial accrued liability. For plans financed in part by employee contributions, normal cost ordinarily refers to the total of employee contributions and employer normal cost.

Note Payable - In general, an unconditional written promise signed by the maker to pay a certain sum of money on demand or at a fixed or determinable time either to the bearer or to the order of a person designated therein. See *Temporary Loans*.

Note Receivable - A legal right to receive payment of a certain sum of money on demand or at a fixed or determinable time, based on an unconditional written promise signed by the maker.

Notes to the Financial Statements - The SSAP and other disclosures required for a fair presentation of the financial statements of a government in conformity with GAAP and not included on the face of the financial statements themselves. The notes to the financial statements are an integral part of the GPFS/CUFS.

Object - As used in expenditure classification, applies to the article purchased or the service obtained, rather than to the purpose for which the article or service was purchased or obtained (e.g., personal services, contractual services, materials and supplies). See *Activity, Character Classification, Function and Object Class*.

Object Class - Expenditure classification according to the types of items purchased or services obtained (e.g., personal services, materials, supplies and equipment).

Object of Expenditure - See *Object*.

Obligations - Amounts a government may be required legally to meet out of its resources. They include not only actual liabilities but also unliquidated encumbrances.

Obsolescence - The decrease in the value of fixed assets, resulting from economic, social, technological or legal changes.

Official Statement - A document published by a government planning to issue bonds that provides information on the proposed bond issue, the purpose of the issue, and the means of servicing the indebtedness, as well as other information about the issuer that may be helpful in evaluating credit-worthiness.

Operating Budget - Plans of current expenditures and the proposed means of financing them. The annual operating budget (or, in the case of some state governments, the biennial operating budget) is the primary means by which most of the financing, acquisition, spending and service delivery activities of a government are controlled. The use of annual operating budgets is usually required by law. Even when not required by law, however, annual operating budgets are essential to sound financial management and should be adopted by every government. See *Budget*.

Operating Expenses - Proprietary fund expenses related directly to the fund's primary activities.

Operating Grants - Grants that are restricted by the grantor to operating purposes or that may be used for either capital or operating purposes at the discretion of the grantee. See *Capital Grants*.

Operating Income - The excess of Proprietary Fund operating revenues over operating expenses.

Operating Lease - A lease agreement that does not meet the criteria for capitalization set forth in SFAS No. 13.

Operating Revenues - Proprietary Fund revenues directly related to the fund's primary activities. They consist primarily of user charges for goods and services.

Operating Statement - The financial statement disclosing the financial results of operations of an entity during an accounting period in conformity with GAAP. In governmental financial reporting, operating statements and statements of changes in fund equity are combined into "all-inclusive" operating statement formats.

Operating Transfers - All interfund transfers other than residual equity transfers (e.g., legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended).

Optional Bond - See *Callable Bond*.

Order - A formal legislative enactment by the governing board of certain local governments; it has the full force and effect of law (e.g., county governing bodies, in some states, pass orders rather than laws, resolutions or ordinances).

Ordinance - A formal legislative enactment by the governing body of a municipality. If it is not in conflict with any higher form of law, such as a state statute or constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies. The difference between an ordinance and a resolution is that the latter requires less legal formality and has a lower legal status. Ordinarily, the statutes or charter will specify or imply those legislative actions that must be by ordinance and those that may be by resolution. Revenue-raising measures, such as the imposition of taxes, special assessments and service charges, universally require ordinances. See *Resolution*.

Organizational Unit - A responsibility center within a government.

Organizational-Unit Classification - Expenditure classification according to responsibility centers within a government's organizational structure. Classification of expenditures by organizational unit is essential to fulfilling stewardship responsibility for individual government resources.

Other Financing Sources - Governmental fund general long-term debt proceeds, amounts equal to the present value of minimum lease payments arising from capital leases, proceeds from the sale of general fixed assets, and operating transfers in. Such amounts are classified separately from revenues on the governmental operating statement.

Other Financing Uses - Governmental fund operating transfers out and the amount of refunding bond proceeds deposited with the escrow agent. Such amounts are classified separately from expenditures on the governmental operating statement.

Outlays - See *Expenditures* and *Capital Expenditures*.

Overdraft - (1) The amount by which checks, drafts or other demands for payment on the treasury or on a bank exceed the amount of the credit against which they are drawn. (2) The amount by which requisitions, purchase orders or audited vouchers exceed the appropriation or other credit to which they are chargeable.

Overhead - Those elements of cost necessary in the production of a good or service which are not directly traceable to the product or service. Usually these costs relate to objects of expenditure that do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management and supervision.

Overlapping Debt - The proportionate share property within each government must bear of the debts of all 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 assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

Oversight Responsibility - The basic--but not the only--criterion for including a government department, agency, institution, commission, public authority or other organization in a government unit's reporting entity for general purpose financial reports. Oversight responsibility is derived from the government unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Oversight Unit - In defining the reporting entity, the component unit that has the ability to exercise oversight responsibility. Typically, an oversight unit is the primary unit of government directly responsible to the chief executive and the elected legislative body.

PBO - See *Pension Benefit Obligation*.

PERS - Public Employees' Retirement System.

Par Value - In the case of bonds, the amount of principal that must be paid at maturity. Par value is referred to as the face value of the security.

Pay-As-You-Go Basis - In the context of pension accounting and risk management, the failure to finance retirement obligations or anticipated losses on a current basis, using an acceptable actuarial funding method.

Paying Agent - An entity responsible for paying of bond principal and interest on behalf of the government.

Pension Benefit Obligation (PBO) - The standardized measure of funding status and progress required by the GASB to be disclosed in the notes to the financial statements. It is the actuarial present value of credited projected benefits, prorated on service and discounted at a rate equal to the expected return on present and future plan assets.

Pension Contribution - The amount paid into a pension plan by an employer (or employee), pursuant to the terms of the plan, state law, actuarial calculations or some other basis for determinations.

Pension Obligation - A generic term for that portion of the actuarial present value of total projected benefits estimated to be payable in the future as a result of employee service to date, with the portion attributable to credited service to date calculated with or without projected salary increases. It is benefits attributable to (a) retirees, beneficiaries and terminated employees entitled to benefits and (b) current covered employees, as a result of their credited service to date.

Pension Trust Fund - A Trust Fund used to account for a PERS. Pension Trust Funds, like Nonexpendable Trust Funds, use the accrual basis of accounting and have a capital maintenance measurement focus.

Per Capita Debt - The amount of a government's debt divided by its population. Per capita debt is used to indicate the government's credit position by reference to the proportionate debt borne per resident.

Performance Auditing - A systematic process of objectively obtaining and evaluating evidence regarding the performance of an organization, program, function or activity. Evaluation is made in terms of its economy and efficiency of operations, effectiveness in achieving desired regulations, for the purpose of ascertaining the degree of correspondence between performance and established criteria and communicating the results to interested users. The performance audit function provides an independent, third-party review of management's performance and the degree to which the performance of the audited entity meets prestated expectations.

Performance Budget - A budget that bases expenditures primarily upon measurable performance of activities and work programs. A performance budget may also incorporate other bases of expenditure classification, such as character and object class, but these are secondary to activity performance.

Perpetual Inventory - A system whereby the inventory of units of property at any date may be obtained directly from the records, without resorting to an actual physical count, for each item or group of items to be inventoried. This system provides an ongoing record of goods ordered, received and withdrawn and the balance on hand, in units and frequently also in value.

Petty Cash - A sum of money set aside on an imprest basis to make change or to pay small obligations for which the issuance of a formal voucher and check would be too expensive and time-consuming. Petty cash accounts are sometimes referred to as petty cash funds. However, they are not "funds" in the sense of governmental accounting individual funds. Petty cash accounts should be reported as assets of the fund of ownership. See *Imprest Account*.

Petty Cash Voucher - A form used to record individual disbursements of petty cash. See *Imprest Account*.

Physical Deterioration - The loss in value of fixed assets resulting from wear and tear in operation and exposure to the elements.

Pledged Revenues - Funds generated from revenues and obligated to debt service or to meet other obligations specified by the bond contract.

Point - In the context of bond issuances, one percent of the par value of the bond. Because bonds are quoted as a percentage of \$1,000, a point is equal to \$10. See *Basis Point*.

Post-Audit - An examination of financial transactions that have been completed or are in various stages of completion at the end of an accounting period. See *Pre-Audit*.

Posting - The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a book or document of original entry.

Potential Component Unit - A separate government unit, agency or nonprofit corporation that needs to be evaluated to determine if it is to be included with other component units and the oversight unit to constitute the reporting entity.

Pre-Audit - An examination of financial transactions before their completion.

Premium - The excess of the price of a security over its face value, excluding any amount of accrued interest bought or sold.

Prepaid Items - Payment in advance of the receipt of goods and services in an exchange transaction. Prepaid items (e.g., prepaid rent and unexpired insurance premiums) differ from deferred charges (e.g., unamortized issuance costs) in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operations.

Prepayment of Taxes - The deposit of money with a government on condition that the amount deposited is to be applied against the tax liability of a designated taxpayer after the taxes have been levied and such liability has been established. See *Taxes Collected in Advance*.

Present Value - The discounted value of a future amount or amounts of cash, assuming a given rate of interest.

Primary Dealer - Government securities dealers included in the "List of Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York (NY Fed)" that submit daily reports of market activity and positions and monthly financial statements to the NY Fed and are subject to its informal oversight. Primary dealers include SEC-registered securities broker-dealers, banks and a few unregulated firms.

Principal - In the context of bonds other than deep-discount debt, the face value or par value of a bond or issue of bonds payable on stated dates of maturity. See *Face Value* and *Par Value*.

Program - Group activities, operations or organizational units directed to attaining specific purposes or objectives.

Program Budget - A budget wherein expenditures are based primarily on programs of work and secondarily on character and object class, on the one hand, and performance, on the other. See *Performance Budget* and *Traditional Budget*.

Projected Benefit Obligation - As used in SFAS No. 87, the actuarial present value as of a date of all benefits attributed by the pension benefit formula to employee service rendered before that date. The projected benefit obligation is measured using assumptions as to future compensation levels if the pension benefit formula is based on those future compensation levels (pay-related, final-pay, final-average-pay or career-average-pay plans).

Projected Total-Life Cost - The total anticipated costs related to a fixed asset during its estimated useful life. Projected total-life cost normally includes a detailed schedule of maintenance requirements for each year of the asset's life, including preventive maintenance, normal repair and replacement, and replacement of major parts or components needed to achieve the normal (intended) life of the asset. The total-life cost is calculated at the time an asset is acquired or constructed, often as an integral part of capital acquisition or budgeting procedures.

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 Fund Types - Sometimes referred to as income determination or commercial-type funds, the classification used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector (i.e., Enterprise and Internal Service Funds). All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business and quasi-business activities are accounted for through Proprietary Funds. The GAAP used are generally those applicable to similar businesses in the private sector and measurement focus is on determination of net income, financial position and changes in financial position. However, where the GASB has issued pronouncements applicable to those entities and activities, they should be guided by these pronouncements.

Public Accounting - The practice of holding oneself out to be a CPA or public accountant and at the same time performing for a client one or more types of services rendered by public accountants (e.g., auditing). This term should not be confused with governmental accounting.

Public Authority - See *Authority*.

Public Corporation - See *Municipal Corporation* and *Quasi-Municipal Corporation*.

Purchase Order - A document authorizing the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

Purchases Method - The method under which inventories are recorded as expenditures when acquired. See *Consumption Method*.

"PUT" - In the context of demand bonds, a feature in the bond agreement requiring the issuer or its agent (trustee or remarketing agent) to buy back the bonds on the bondholder's demand.

Qualified Opinion - An opinion stating that "except for" the effect of the matter to which the qualification relates, the financial statements present fairly the financial position, results of operations and (when applicable) cash flows in conformity with GAAP. Such an opinion is expressed when a lack of sufficient, competent, evidential matter or restrictions on the scope of the auditor's examination have led the auditor to conclude that an unqualified opinion cannot be expressed, or when the auditor believes, on the basis of his examination, that (1) the financial statements contain a departure from GAAP, the effect of which is material, (2) there has been a material change between periods in accounting principles or in the method of their application or (3) there are significant uncertainties affecting the financial statements, and the auditor has decided not to express an adverse opinion or to disclaim an opinion. See *Adverse Opinion* and *Disclaimer of Opinion*.

Quasi-External Transactions - Interfund transactions that would be treated as revenues, expenditures or expenses if they involved organizations external to the government unit (e.g., payments in lieu of taxes from an Enterprise Fund to the General Fund; Internal Service Fund billings to departments; routine employer contributions to a Pension Trust Fund and routine service charges for inspection, engineering, utilities or similar services provided by a department financed from one fund to a department financed from another fund). These transactions should be accounted for as revenues, expenditures or expenses in the funds involved.

Quasi-Municipal Corporation - An agency (e.g., a county or school district) established by the state primarily to help the state carry out its functions. Some counties and other agencies ordinarily classified as quasi-municipal corporations have been granted the powers of municipal corporations by their states. See *Municipal Corporation*.

Ratings - In the context of bonds, normally an evaluation of credit-worthiness performed by an independent rating service.

Rebates - Abatements or refunds.

Receipts - Cash received.

Recoverable Expenditure - An expenditure that is made for or on behalf of another government, fund or department or for a private individual, firm or corporation and that will subsequently be recovered in cash or its equivalent.

Refund - (1) (Noun) An amount paid back or credit allowed because of an overcollection or because of the return of an object sold. (2) (Verb) To pay back or allow credit for an amount because of an overcollection or because of the return of an object sold. (3) (Verb) To provide for the payment of an obligation through cash or credit secured by a new obligation.

Refunding Bonds - Bonds issued to retire bonds already outstanding. The refunding bonds may be used to provide the resources for redeeming outstanding bonds, or the refunding bonds may be exchanged with the holders of the outstanding bonds. See *Advance Refunding Bonds*.

Register - A record for the consecutive entry of a certain class of events, documents or transactions, with proper notation of all the required details. See *Journal*.

Registered Bond - A bond whose owner is registered with the issuing government. A registered bond cannot be sold or exchanged without a change of registration.

Registered Security - A security that has the name of the owner written on its face. A registered security cannot be negotiated except by the endorsement of the owner.

Regular Serial Bonds - Serial bonds in which all periodic installments of principal repayment are equal.

Reimbursable Expenditure - See *Recoverable Expenditure*.

Reimbursements - (1) Repayments of amounts remitted on behalf of another party. (2) Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund (e.g., an expenditure properly chargeable to a Special Revenue Fund is initially made from the General Fund, and is subsequently reimbursed). These transactions are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures or expenses in the fund reimbursed.

Reinsurance - A transaction in which a reinsurer (assuming enterprise), 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 insurance enterprise issuing the insurance contract remains liable to the insured for payment of policy benefits.

Replacement Cost - The amount of cash or other consideration that would be required today to obtain the same asset or its equivalent. See *Reproduction Cost*.

Reporting Entity - The oversight unit and all of its component units, if any, that are combined in the CAFR/GPFS.

Reproduction Cost - The cost as of a certain date of reproducing an exactly similar new property in the same place. Sometimes this term is designated as reproduction cost new to distinguish it from depreciated reproduction cost, which is the reproduction cost of a given property less the estimated accumulated depreciation applicable to it. In the absence of any modifier, however, reproduction cost is understood to be synonymous with reproduction cost new. See *Replacement Cost*.

Repurchase Agreement - A generic term for an agreement in which a government entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities or for different securities.

Required Supplementary Information - Consists of statements, schedules, statistical data or other information which, according to the GASB, is necessary to supplement, although not required to be a part of, the general purpose financial statements.

Requisition - A written demand or request, usually from one department to the purchasing officer or to another department, for specified articles or services.

Reserved Fund Balances - Those portions of fund balance that are not appropriable for expenditure or that are legally segregated for a specific future use.

Residual Equity Transfers - Nonrecurring or nonroutine transfers of equity between funds (e.g., contribution of Enterprise Fund or Internal Service Fund capital by the General Fund, subsequent return of all or part of such contribution to the General Fund and transfers of residual balances of discontinued funds to the General Fund or a Debt Service Fund).

Resolution - A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute. See *Ordinance*.

Restricted Assets - Monies or other resources, the use of which is restricted by legal or contractual requirements. In governmental accounting, special treatments are applied to restricted assets arising out of revenue bond indentures in Enterprise Funds. These are sometimes also called restricted "funds" but such terminology is not preferred.

Retainage Payable - A liability account reflecting amounts due on construction contracts not paid pending final inspection of the project or the lapse of a specified period, or both. The unpaid amount is usually a stated percentage of the contract price.

Retained Earnings - An equity account reflecting the accumulated earning of an Enterprise or Internal Service Fund.

Retained Earnings - Reserved for Revenue Bond Current Debt Service - An account used to segregate a portion of retained earnings, in accordance with the terms of a revenue bond indenture, for amounts that should be accumulated in such a restricted asset account less current liabilities for revenue bond principal and interest.

Retained Earnings - Reserved for Revenue Bond Operations and Maintenance - An account used to segregate a portion of retained earnings in accordance with the terms of a revenue bond indenture, for amounts that should be accumulated in such a restricted asset account.

Retained Earnings - Reserved for Revenue Bond Renewal and Replacement - An account used to segregate a portion of retained earnings in accordance with the terms of a revenue bond indenture, for amounts that should be accumulated in such a restricted asset account.

Retention - In the context of insurance accounting, the amount that an insured or an insurer assumes as its own liability and that is not otherwise insured. Sometimes referred to as self-insured retention.

Retirement Allowances - Amounts paid to government employees who have retired from active service or to their survivors.

Retirement Fund - See *Pension Trust Fund*.

Revenue Bonds - Bonds whose principal and interest are payable exclusively from earnings of an Enterprise Fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the Enterprise Fund's property.

Revenue Bonds Payable - A liability account reflecting the face value of revenue bonds issued and outstanding.

Revenues - (1) Increases in the net current assets of a Governmental Fund type from other than expenditure refunds and residual equity transfers. Also, general long-term debt proceeds and operating transfers in are classified as "other financing sources" rather than as revenues. (2) Increases in the net total assets of a Proprietary Fund type from other than expense refunds, capital contributions and residual equity transfers. Also, operating transfers in are classified separately from revenues.

Reverse Repurchase Agreement - An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a government entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for the same securities or different securities.

Revolving Fund - (1) An Internal Service Fund. (2) An imprest account accounted for as an asset of a fund.

Risk - In the context of insurance, defined variously as uncertainty of loss, chance of loss or variance of actual from expected results. Also, the subject matter of an insurance contract (e.g., the insured property or liability exposure).

Risk Management - All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SFAS - Statement of Financial Accounting Standards.

SIPC - See *Securities Investor Protection Corporation*.

SSAP - See *Summary of Significant Accounting Policies*.

Salvage Value - The amount that could be realized from sale of a dismantled asset to be removed for use elsewhere.

Schedules - See *Supporting Schedules*.

Scope of Public Service - One of the criteria used to determine whether the statements of a potential component unit should be included in the financial statements of a reporting entity. This criterion embraces two aspects: (1) is the activity for the benefit of the reporting entity and/or its residents? and (2) is the activity conducted within the geographic boundaries of the reporting entity and is it generally available to the citizens of that entity?

Scrap Value - The amount that would be realized if property were sold for its recovery value.

Scrip - An evidence of indebtedness, usually in small denomination, secured or unsecured, interest-bearing or noninterest-bearing, stating that the government, under conditions set forth, will pay the face value of the certificate or accept it in payment of certain obligations.

Securities - A negotiable or nonnegotiable instrument that signifies an ownership interest, the right to an ownership interest or creditor status.

Securities Investor Protection Corporation (SIPC) - A nonprofit corporation funded by its member SEC-registered broker-dealers that protects customer accounts in the event of the financial failure of a member. SIPC distributes customer assets and then provides funds for all remaining claims of each customer up to a maximum of \$500,000, including up to \$100,000 on claims for cash. SIPC does not consider repurchase agreement participants to be customers of its member broker-dealers and does not extend its insurance to repurchase agreements.

Segment Information - In the context of governmental financial reporting, the presentation within the "liftable" GPFS of selected information on certain individual Enterprise Funds. Such disclosures are required by GAAP if (1) material long-term liabilities are outstanding, (2) the disclosures are essential to insure the GPFS are not misleading or (3) they are necessary to insure interperiod comparability.

Self-Insurance - A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

Self-Supporting or Liquidating Debt - Debt obligations whose principal and interest are payable solely from the earnings of the enterprise for whose construction or improvement the bonds were originally issued. See *Revenue Bonds*.

Serial Bonds - Bonds whose principal is repaid in periodic installments over the life of the issue. See *Regular Serial Bonds* and *Straight Serial Bonds*.

Shared Revenues - Revenues levied by one government but shared on a predetermined basis, often in proportion to the amount collected at the local level, with another government or class of governments.

Shared Taxes - See *Shared Revenues*.

Short-term Debt - Debt with a maturity of one year or less after the date of issuance. Short-term debt usually includes variable-rate debt, bond anticipation notes, tax anticipation notes and revenue anticipation notes.

Single Audit - An audit performed in accordance with the Single Audit Act of 1984 and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. 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.

Sinking Fund - See *Debt Service Fund*.

Sinking Fund Bonds - Bonds issued under an agreement requiring the government to set aside periodically out of its revenues a sum that, with compound earnings thereon, will be sufficient to redeem the bonds at their stated date of maturity. Sinking fund bonds are usually term bonds.

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 District - An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, transit authorities, port authorities and electric power authorities.

Special District Bonds - Bonds issued by a special district.

Special Journal - A journal in which are entered all entries of a particular type. Examples include cash receipts journals, cash disbursement journals and purchases journals. See *Journal* and *General Journal*.

Special Lien Bonds - Special assessment bonds that are liens against particular pieces of property.

Special Revenue Fund - A fund used to account for the proceeds of specific revenue sources (other than Expendable Trusts or major Capital Projects) that are legally restricted to expenditure for specified purposes. GAAP only require the use of Special Revenue Funds when legally mandated.

Special Termination Benefits - See *Termination Benefits*.

Standard Cost - The predetermined cost of performing an operation or producing a product when labor, materials and equipment are used efficiently under reasonable and normal conditions. Normal conditions exist when there is an absence of special or extraordinary factors affecting the quality or quantity of the work performed or the time or method of performing it.

Standard Costing - In the context of the valuation of fixed assets, an estimate of original cost using a known average installed cost for a like unit at the estimated acquisition date.

Standardized Measure - See *Pension Benefit Obligation*.

State and Local Government Series (SLGS, "Slugs") - Direct obligations of the U.S. government that the U.S. Treasury issues specifically to provide state and local governments with required cash flows at yields that do not exceed Internal Revenue Service arbitrage limits.

Statement of Cash Flows - A GAAP financial statement for Proprietary and similar Trust Funds that provides relevant information about the cash receipts and cash payments of an entity during a period. It should report the cash effects during the reported period of the entity's operations, its noncapital financing transactions, its capital and related financing transactions, and its investing transactions.

Statement of Cash Receipts and Disbursements - A financial presentation summarizing an entity's cash transactions in an accounting period. This statement is not currently required by GAAP.

Statement of Changes in Equity - The financial statement that reconciles the equity balances of an entity at the beginning and end of an accounting period in conformity with GAAP. It explains the relation between the operating statement and the balance sheet. Statements of changes in equity of governments should be combined with operating statements into "all-inclusive" operating statement formats.

Statement of Financial Position - See *Balance Sheet*.

Statement of Revenues and Expenditures - The financial statement that is the Governmental Fund and Expendable Trust Fund GAAP operating statement. It presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in an entity's net current assets. Statements of changes in equity of governments should be combined with operating statements into "all-inclusive" operating statement formats.

Statement of Revenues and Expenses - The financial statement that is the Proprietary Fund, Nonexpendable Trust Fund and Pension Trust Fund GAAP operating statement. It presents increases (revenues, gains and operating transfers in) and decreases (expenses, losses and operating transfers out) in an entity's net total assets. Statements of changes in equity of governments should be combined with operating statements into "all-inclusive" operating statement formats.

Statements - See *Basic Financial Statements*.

Statistical Tables - Presentations included in the statistical section of the CAFR/CUFR providing detailed data on the physical, economic, social and political characteristics of the reporting government. They are intended to provide CAFR/CUFR users with a broader and more complete understanding of the government and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section. Statistical tables usually cover more than two fiscal years and often present data from outside the accounting records. Therefore, in contrast to financial section information, statistical section data are not usually susceptible to independent audit.

Statute - A written law enacted by a duly organized and constituted legislative body. See *Ordinance, Resolution* and *Order*.

Step-Rate Benefit Formula - In the context of pension accounting, formulas, also known as variable-rate formulas, that define benefits by applying different salary or dollar factors to different years of credited service.

Stores - Goods subject to requisition and use that are on hand in storerooms.

Straight Serial Bonds - Serial bonds in which the annual installments of bond principal are equal or nearly equal.

Subactivity - A special line of work performed in carrying out a government activity (e.g., cleaning luminaries and replacing defective street lamps would be subactivities under the activity of street light maintenance).

Subfunction - A grouping of related activities within a particular government function (e.g., police is a subfunction of the function public safety).

Subsidiary Account - One of a group of related accounts supporting in detail the debit and credit summaries recorded in a control account (e.g., the individual property taxpayers' accounts for the taxes receivable control account in the general ledger). See *Control Account* and *Subsidiary Ledger*.

Subsidiary Ledger - A group of subsidiary accounts, the sum of the balances of which should equal the balance of the related control account. See *General Ledger* and *Subsidiary Account*.

Summary of Significant Accounting Policies (SSAP) - A disclosure of accounting policies, required by GAAP, that should identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles that materially affect the determination of financial position, changes in financial position or results of operations. In general, the disclosure should encompass important judgments as to the appropriateness of principles relating to the recognition of revenue and allocation of asset costs to current and future periods; in particular, it should encompass those accounting principles and methods that involve any of the following: (1) a selection from existing acceptable alternatives, (2) principles and methods peculiar to government and (3) unusual or innovative applications of accounting principles, including those peculiar to government.

Supporting Schedules - Financial presentations used (1) to demonstrate compliance with finance-related legal and contractual provisions, (2) to aggregate and present in greater detail information spread throughout the financial statements (e.g., cash balances, investments, current and delinquent taxes), (3) to present in greater detail information reported in the financial statements (e.g., additional revenue sources, changes in general fixed assets by function) and (4) to present information not disclosed in GAAP financial statements (e.g., cash receipts and disbursements, changes in Agency Fund assets and liabilities). Supporting schedules are included on the fourth level of the financial reporting pyramid.

Surety Bond - A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through nonperformance or through defalcation (e.g., a surety bond may be required of an independent contractor). Surety bonds also include fidelity bonds covering government officials and employees.

Suspense Account - An account carrying charges or credits temporarily pending the determination of the proper account or accounts to which they are to be posted. See *Clearing Account*.

Systems Development Fees - Fees charged to join or to extend an existing utility system. See *Tap Fees* and *Connection Fees*.

TANs - See *Tax Anticipation Notes*.

Takeout Agreement - In the context of demand bonds, an arrangement with a financial institution to convert demand bonds to an installment loan payable over a specified period if the remarketing agent is unable to resell the bonds after they are "put" by the bondholders.

Tap Fees - See *Systems Development Fees*.

Tax Anticipation Notes (TANs) - Notes (or warrants) issued in anticipation of the collection of taxes, usually retirable only from tax collections, and frequently only from the proceeds of the tax levy whose collection they anticipate. See *Tax Notes*.

Tax Anticipation Warrants - See *Tax Anticipation Notes*.

Tax Certificate - A certificate issued by a government as evidence of the conditional transfer of title to tax-delinquent property from the original owner to the holder of the certificate. If the owner does not pay the amount of the tax arrearage and other charges required by law during the specified period of redemption, the holder can foreclose to obtain title. Also called tax sale certificate and tax lien certificate in some jurisdictions. See *Tax Deed*.

Tax Deed - A written instrument by which title to property sold for taxes is transferred unconditionally to the purchaser. A tax deed is issued upon foreclosure of the tax lien and is obtained by the purchaser at the tax sale. The tax lien cannot be foreclosed until the expiration of the period during which the owner may redeem the property by paying the delinquent taxes and other charges. See *Tax Certificate*.

Taxes - Compulsory charges levied by a government to finance services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits, such as special assessments. Neither does the term include charges for services rendered only to those paying such charges (e.g., sewer service charges).

Taxes Levied for Other Governments - An asset account reflecting taxes that are levied by the reporting government for other governments that, when collected, are to be paid over to those governments.

Taxes Receivable-Delinquent - Taxes remaining unpaid on and after the date on which a penalty for nonpayment attaches. Delinquent taxes receivable are classified as such until paid, abated, canceled or converted into tax liens.

Tax-Exempt Bonds - State and local government securities whose interest is exempt from taxation by the federal government or within the jurisdiction issued.

Tax-Increment Bond - A bond secured by the anticipated incremental increase in tax revenues, resulting from the redevelopment of an area.

Tax Levy Ordinance - An ordinance through which taxes are levied.

Tax Liens - Claims governments have upon properties until the taxes levied against them have been paid. This term is sometimes limited to those delinquent taxes the government has taken legal action to collect through the filing of liens.

Tax Liens Receivable - Legal claims against property that have been exercised because of nonpayment of delinquent taxes, interest and penalties. Amounts accumulated in this account include delinquent taxes, interest and penalties receivable thereon and costs of converting delinquent taxes into tax liens.

Tax Notes - See *Tax Anticipation Notes*.

Tax Rate - The amount of tax stated in terms of a unit of the tax base (e.g., 25 mills per dollar of assessed valuation of taxable property).

Tax-Rate Limit - The maximum rate at which a government may levy a tax. The limit may apply to taxes raised for a particular purpose or to taxes imposed for all purposes and may apply to a single government or to a class of governments operating in a particular area. Overall tax-rate limits usually restrict levies for all purposes and of all governments, state and local, having jurisdiction in a given area.

Tax Roll - The official list showing the amount of taxes levied against each taxpayer or property. Frequently, the tax roll and the assessment roll are combined, but even in these cases the two can be distinguished. See *Collectors' Roll*.

Tax Supplement - A tax levied by a local government having the same base as a similar tax levied by a higher level of government, such as a state. The local tax supplement is frequently administered by the higher level of government along with its own tax (e.g., locally imposed, state-administered sales tax).

Tax Title Notes - Obligations secured by pledges of the government's interest in certain tax liens or tax titles.

Temporary Loans - Short-term obligations representing amounts borrowed for short periods of time and usually evidenced by notes payable or warrants payable. They may be unsecured or secured by specific revenues to be collected. See *Tax Anticipation Notes*.

Term Bonds - Bonds that mature, in total, on one date.

Termination Benefits - Benefits provided to employees in connection with their termination of employment. They may be either special termination benefits offered only for a short period of time or contractual termination benefits required by the terms of a plan only if a specified event occurs.

Third-Party Claim - A claim in which the insurer has agreed to pay, defend or settle claims made by third parties against the insured. A liability claim is a third-party claim.

Time Warrant - A negotiable obligation of a government having a term shorter than bonds and frequently tendered to individuals and firms in exchange for contractual services, capital acquisitions or equipment purchases.

Time Warrants Payable - The amount of time warrants outstanding and unpaid.

Total-Life Cost - See *Projected Total-Life Cost*.

Trade Discount - An allowance, usually varying in percentage with the volume of transactions, made to those engaged in certain businesses and given without respect to when the account is paid. These discounts are commonly considered a reduction of the sales or purchase price, not earnings. The term is not to be confused with cash discount.

Traditional Budget - A term sometimes applied to the budget of a government wherein expenditures are based entirely or primarily on objects of expenditure. See *Program Budget* and *Performance Budget*.

Transfer Voucher - A form authorizing transfers of cash or other resources between funds.

Trial Balance - A list of the balances of the accounts in a ledger kept by double entry, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or if their net balance agrees with a control account, the ledger from which the figures are taken is said to be in balance.

Trust and Agency Fund - One of the seven fund types in governmental accounting. See *Trust Funds* and *Agency Fund*.

Trustee - A fiduciary holding property on behalf of another.

Trust Funds - Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds. See *Pension Trust Fund*, *Nonexpendable Trust Fund* and *Expendable Trust Fund*.

Unallotted Balance of Appropriation - An appropriation balance available for allotment.

Unamortized Discounts on Bonds Sold - A contra-liability account used to reflect that portion of the face value of bonds exceeding the amount received from their sale (excluding amounts paid for accrued interest) which remains to be amortized over the remaining life of such bonds.

Unamortized Premiums on Investments - An asset account used to reflect that portion of the excess of the amount paid for investments (excluding amounts paid for accrued interest) over their face value which remains to be amortized over the remaining life of such investments.

Unbilled Accounts Receivable - An account designating the estimated amount of accounts receivable for goods or services that have not yet been billed (e.g., if a utility bills its customers bimonthly but prepares monthly financial statements, the amount of goods sold or services rendered during the first month of the bimonthly period would be reflected in the balance sheet under this account title).

Underlying Securities - Securities transferred in accordance with a repurchase-reverse repurchase agreement.

Underwriter - In the context of bonds, a dealer who purchases a new issue for resale.

Underwriting - The process of selecting, classifying, evaluating, rating and assuming risks.

Unencumbered Allotment - That portion of an allotment not yet expended or encumbered.

Unencumbered Appropriation - That portion of an appropriation not yet expended or encumbered.

Unfunded Pension Plan - See *Pay-As-You-Go Basis*.

Unit Cost - In the context of cost accounting, the cost of producing a unit of product or rendering a unit of service (e.g., the cost of treating and purifying 1,000 gallons of sewage).

Unit-Credit Actuarial Cost Method - A method under which the benefits (projected or unprojected) 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.

Unliquidated Encumbrances - Encumbrances outstanding. See *Encumbrances*.

Unqualified Opinion - An auditor's opinion stating that the financial statements present fairly the financial position, results of operations and (when applicable) cash flows in conformity with GAAP (which include adequate disclosure). This conclusion may be expressed only when the auditor has formed such an opinion on the basis of an examination made in accordance with GAAS or GAGAS.

Value - As used in governmental accounting (1) the act of describing anything in terms of money or (2) to measure in terms of money. The term should not be used without further qualification. See also *Book Value* and *Face Value*.

Variable Interest Rate - A rate of interest subject to adjustment (e.g., the rate of interest specified may be a percentage of the prime rate on certain set dates).

Vested Benefit - A benefit for which the employer has an obligation to make payment even if an employee terminates; thus, the benefit is not contingent on an employee's future service.

Voucher - A written document that evidences the propriety of transactions and usually indicates the accounts in which they are to be recorded.

Vouchers Payable - Liabilities for goods and services evidenced by voucher that have been pre-audited and approved for payment but that have not been paid.

Voucher System - A system that calls for the preparation of vouchers for transactions involving payments and for the recording of such vouchers in a special book of original entry, known as a voucher register, in the order in which payment is approved.

Warrant - An order drawn by the legislative body or an officer of a government upon its treasurer, directing the latter to pay a specified amount to the person named or to the bearer. It may be payable upon demand, in which case it usually circulates the same as a bank check; or it may be payable only out of certain revenues when and if received, in which case it does not circulate as freely.

Warrants Payable - The amount of warrants outstanding and unpaid.

Wasting Assets - Mines, timberlands, quarries, oil fields and similar assets that diminish in value by the removal of their contents.

Work Order - A written order authorizing and directing the performance of a certain task and issued to the person who is to direct the work. Among the items of information included on the order are the nature and location of the job, specifications of the work to be performed and a job number, which is referred to in reporting the amount of labor, materials and equipment used.

Work Unit - A fixed quantity that will measure consistently work effort expended in the performance of an activity or the production of a good.

Yield - See *Effective Interest Rate*.

Yield-Maintenance Repurchase/Reverse Repurchase Agreement - A type of dollar repurchase/reverse repurchase agreement in which the securities returned provide the seller-borrower with a yield specified in the agreement. See *Repurchase Agreement* and *Reverse Repurchase Agreement*.

Zero-Coupon Debt - Deep discount debt issued with a stated interest rate of zero percent.

QUICK REFERENCE INDEX OF SCHOOL RELATED LAWS

This index is provided as a quick reference to many of the state laws that most frequently affect school districts. It is not designed to be an exhaustive nor all-inclusive index. All references to code sections are to the Mississippi Code Annotated(1972).

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