

Financial Glossary of Terms

Accounting basis – year-end reporting required by the Department of Education on a certified annual financial report, must be on a modified accrual basis for governmental funds and full accrual for proprietary funds - the same basis of accounting as fund financial statements in an audit.

Accounting equation – assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources equals net position.

Accrual budgeting and accounting – includes incurred expenses (including salaries) and all receivables in the year in which the services were received. The entire yearly salary for each employee is budgeted in the fiscal year in which the service is rendered.

Actual (BEDS) enrollment – the number of enrolled pupils in the attending school district on the headcount date on October 1st of each year. Iowa Code §257.6.

Aid and levy worksheet – a document prepared by the Department of Management which allows each school district to calculate its total spending authority, property tax and state foundation aid under the school finance formula.

Adjusted Additional levy – a property tax levy in the amount necessary to fully fund a school district's combined district cost and required by the school finance formula to be levied each fiscal year. Iowa Code §257.4.

AEA flow-through – monies paid to the AEA directly from the state but calculated under the school finance formula, at the district level, based on the size of the district enrollment and shown as both revenue and expense on a district's budget and financial statements. Iowa Code §257.35; 273.9.

Allowable growth (as of FY 2015 also known as supplemental state aid) - the annual dollar amount calculated by the Iowa Department of Management based on legislation. It is added to each school district's cost per pupil to provide additional funding to school districts in the following year. Iowa Code §257.8, .29(12).

Amended budget – the revised districts certified budget, with changes approved. It must be adopted in the same manner as the certified budget and generally before May 31st in any fiscal year.

Assigned Fund Balance – the assigned fund balance classification reflects amounts that are constrained by the government's intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. Also, according to GASB, the assigned fund balance classification is the residual classification for the special revenue, debt service, capital projects, and/or permanent funds (unless that amount is negative, which would require presentation as unassigned fund balance). Iowa districts and AEAs will only use this in the General Fund since governmental funds are established by law for specific purposes.

Balance Sheet/Statement of Position – a financial report of the school district which provides valuable information regarding the financial health of the school district as of a given date. The balance sheet, used for governmental funds, contains the amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balances. The statement of position, used for proprietary and fiduciary funds and entity-wide statements, contains amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Budget adjustment (guarantee) – an amount of spending authority added to a school district's budget to ensure the school district's authorized spending limit is no less than 101% of the prior year without budget guarantee (Prior year's Regular Program Cost, without budget guarantee). It is funded by property tax as approved by the district's board. Iowa Code §257.14.

Cash balance – represents the cash on hand, cash in bank, and investments of the district at any given time.

Cash reserve levy – a tax levy approved by the board to provide cash in the general fund to eliminate severe cash flow problems, to avoid the expense of borrowing to meet cash flow purposes, or to provide cash with modified allowable growth. This levy has limits and may be reduced by the School Budget Review Committee (SBRC). Iowa Code §298.10

Certified annual report (CAR) – a chart-of-accounts upload of assets, deferred outflow of resources, liabilities, deferred inflow of resources, revenues and expenditures/expenses of all funds prior to any adjusting entries necessary to complete the entity-wide statements for the fiscal year filed with the Department of Education on or before September 15th each year.

Certified budget – the spending plan certified by the board on April 15 each year for the upcoming fiscal year. Iowa Code, §Ch 24.

Certified enrollment – the actual enrollment of the district on October 1st of each year submitted to the Department of Education no later than October 15th each year. This includes all students that live in the counting district, regardless of where they attend school. Used for the school finance formula calculation. Iowa Code §257.6.

Combined district cost – the major element of a school district's authorized spending authority. Primarily, it is determined by multiplying the district cost per pupil by the number of pupils in the school district, plus the special weightings for the district. It is funded by state foundation aid, the uniform levy, the additional levy, and supplemental state aid. It is often referred to as controlled budget. Iowa Code §257.1,.4.

Credit rating - a financial rating obtained from a credit rating agency. The rating is based upon the school district's financial condition and accounting practices. The credit rating directly impacts the interest rates on bond issues which impact the amount of property tax necessary to repay the bond issue.

Debt Service Levy – voters may approve the financing the construction or renovation of school buildings, sites or other school facilities with general obligation bonds, to be repaid through a Debt Service Levy. Bonded indebtedness approved may be for a period up to twenty years, and the related debt service property tax rate may be up to \$2.70 per thousand dollars assessed valuation. However, voters may vote to exceed that limit up to an overall debt tax rate of \$4.05. Proceeds from the levy will go to retired the principal and interest on the bonds.

Deferred Inflows of Resources – An acquisition of net assets by the government that is applicable to a future reporting period.

Deferred Outflows of Resources – A consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources should be recognized when resources are received or recognized as a receivable before (a) the period for which property taxes are levied, or (b) the period when the resources are required to be used. When an asset is recorded in governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue is available.

Dillon's Rule – Iowa school corporations operate under Dillon's Rule which states that they possess and can exercise the following powers and no others: (1) Those granted in express words, (2) Those necessarily implied or necessarily incident to the powers expressly granted, and (3) Those absolutely essential to the declared objects and purposes of the school corporation--not simply convenient or desired, but indispensable. Interpretation of school laws may be done by the Iowa Attorney General's Office and the Iowa Department of Education. These Opinions or Rules, once given, have the effect of law on schools. Dillon's Rule helps maintain equity for all Iowa students.

District cost per pupil (DCPP) – the dollar value assigned by the school finance formula to each pupil in a particular school district. Iowa Code §257.10.

Fiscal year (FY) – July 1 through June 30. Fiscal year 20XX is the year ending on June 30, 20XX. Iowa Code §24.2

GAAP – Generally accepted accounting principles must be followed by

every district. Iowa Code §257.31(4); 298A.1.

General fund – the fund that receives the revenues from the school finance formula. It is a governmental fund under GAAP and accounts for the revenues and expenditures for the educational program and most school district operations. All moneys received by a school corporation from taxes and other sources must be accounted for in the General Fund except moneys required by law to be accounted for in another fund. Iowa Code §298A.2.

Gifted and talented program – funded by 75 percent that has been added to the district’s regular program cost, with an additional 25 percent coming from the district’s regular general fund spending. The purpose of the gifted and talented funding is to provide for identified gifted students’ needs beyond those provided by the regular school program pursuant to each gifted student’s individualized plan. The funding shall be used only for expenditures that are directly related to providing the gifted and talented program, and any balances not used are restricted to use in future years. Iowa Code §257.46.

Independent audit – required by law. An independent audit is an examination of the financial records, accounts, business transactions, accounting practices, compliance with laws and regulations and internal controls of the district by an external auditor/CPA that is not an employee of the district. An outside audit is performed in compliance with the law and the school district’s audit specifications. Iowa Code Ch 11.

Instructional support levy (ISL) program - This program can be funded in an amount up to ten percent of the regular program cost in the form of property tax and state aid or property tax, income surtax, and state aid. Iowa Code §257.18-27.

Line item budget – An internal district financial plan detailing all revenues and expenditures/expenses by fund, program, building project, or object.

Management Levy – A school board may annually certify a Management Levy. The revenues from this levy may only be used to pay the costs of liability insurance and agreements, costs of judgements, costs

of certain early retirement benefits and costs incurred for mediation or arbitration services. Iowa Code §298.4, HF 515.

Maximum spending authority – the maximum amount authorized under the school funding formula for a school district to spend on its general fund budget for a fiscal year. It includes the sum of the combined district cost, pre-school funding, instructional support levy, educational improvement funds, miscellaneous income, modified allowable growth and prior year unspent balance. Iowa Code §257.7

Miscellaneous income – an element of total spending authority. It is revenue received by the district's general fund which is not part of the combined district cost, ISL, pre-school, or educational improvement or other categorical funding that is part of the foundation formula. It does not include a district's Cash Reserve Levy. Iowa Code §257.2(9).

Modified accrual – a form of accounting used by school districts in the governmental funds. It requires revenues to be recognized when they become both "measurable" and "available" to finance expenditures of the current accounting period.

Modified allowable growth – (As of FY2015 also known as modified supplemental amount.) Additional spending authority granted by SBRC.

Physical plant and equipment levy (PPEL) – a capital projects fund providing a maximum of \$1.67 per \$1000 of assessed valuation. The board may approve 33 cents annually in property tax; and/or hold an election for up to \$1.34 for a period of up to 10 years and funded by property tax or property tax and income surtax.

Public education recreation levy (PERL) – a special revenue fund commonly referred to as the playground levy and funded with \$0.135 per \$1000 assessed valuation as approved by the voters in the district.

Regular Program Cost (RPC) – the largest spending authority building block, as well as the largest revenue source for school districts. The calculation is district cost per student multiplied by district certified enrollment. It is funded through a mix of property taxes and state aid. Iowa Code §257.6.

Returning dropouts and dropout prevention (DOP) program –

district approved program funded by the district from property taxes making up 75 percent of the program and the remaining 25 percent funded from the regular general fund spending. The purpose of the dropout prevention funding is to provide funding to meet the needs of identified students at risk of dropping out of school beyond the instructional program and services provided by the regular school program. The funding and carryover shall be used only for expenditures that are directly related to the returning dropout and dropout prevention program. Iowa Code §257.38-41.

School Budget Review Committee (SBRC) – a six-member

statutory committee with authority over anything impacting school district accounting and budgeting, primarily issues related to modified allowable growth and spending authority. The Director of the Department of Education (DE) serves as chair and is a nonvoting member. The Director of the Department of Management (DOM) serves as secretary. The other four members are appointed by the governor. Iowa Code §257.30, .31.

School finance formula – a statutory funding mechanism based on

the number of pupils in a school district which authorizes the maximum (spending authority) a school district may spend in the general fund in any fiscal year. Iowa Code, §Ch. 257.

Solvency ratio – provides a picture at fiscal year- end of the financial

health of a school district and represents the percent of the district's available funding. It is calculated by dividing the unassigned and assigned general fund balance by the general fund actual/total revenue of the school district for the fiscal year less the district's AEA flow-through funding.

State cost per pupil (SCPP) – the minimum dollar value assigned by

the school finance formula to each pupil in Iowa's school districts. Iowa Code § 257.10.

State foundation aid – funding paid by the state to school districts to

provide equitable funding on a per pupil basis for the general fund. It is one component of the combined district cost. Iowa Code § 257.1(2).

State school foundation aid formula– a statutory plan to fund public education meant to provide all students equitable access to educational opportunities. The formula calculates a maximum spending authority, as well as the mix of property taxes and state aid to provide resources to school districts.

Supplemental State Aid (SSA, formerly known as Allowable Growth) – Starting in FY 2014, and currently through FY 2016, the increase in the additional property tax will be paid by state aid, rather than property tax.

Unassigned Fund Balance – the unassigned fund balance classification is the residual classification for the general fund only. It is also where negative residual amounts for all other governmental funds would be reported.

Unassigned, assigned general fund balance – unobligated district resources available for expenditure after payment of accrued liabilities and recognition of accrued assets.

Uniform levy (also known as the foundation levy) – a property tax levy in the amount of \$5.40 per thousand dollars of district assessed valuation and required by the school finance formula to be levied each fiscal year. It is one component of funding the combined district cost. Iowa Code §257.3.

Unspent balance (aka unspent authorized budget) – the amount of the maximum spending authority (maximum authorized budget) not expended during the fiscal year. This includes previous year's accumulation of unexpended total spending authority. It is a measure created by statute to determine if a school district has exceeded its total spending authority in a given fiscal year. It is an element of total maximum spending authority. Iowa Code §257.7(1).

Weighted enrollment – equals the actual enrollment plus the additional weightings assigned to pupils participating in shared classes, special education, classes with shared teachers, classes for English proficiency, operational sharing and at-risk students. Iowa Code §257.6.