Financial Glossary of Terms

(Updated April 2019)
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**Accounting basis** – year-end reporting required by the Department of Education on the certified annual financial report, must be on a modified accrual basis for governmental funds and full accrual for proprietary funds. This is the same basis of accounting as the 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 enrollment** – the number of pupils who are residents in the school district on the count date of 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** – is the portion of the additional levy that is calculated by taking the difference between the state cost per pupil and multiplying that result by the district’s weighted enrollment. Districts with high adjusted additional levy rate may receive property tax relief through the Property Tax Equity and Relief Fund. Iowa Code §257.4b.

**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** – Now known as *supplemental state aid*, this is the annual growth in the per pupil amount calculated by the Iowa Department of Management based on the establishment of the state percent of growth (determined by the General Assembly). The growth amount is added to each school district’s cost per pupil to provide additional funding to school districts in the following year. §257.8

**Amended budget** – the revised district’s 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.

**Audit and Allow** – This term is commonly used to highlight the boards’ statutory responsibility to review and approve bills to be paid by the district. §279.29-30.

**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.

Budget enrollment – is the enrollment used to generate funding through the school aid formula for the budget year. The budget enrollment is the certified enrollment from the previous school year.

Budget amendment – a change to a district’s current year certified budget. Iowa Code § 257.7.2 and 24.9.2. See also Board Approval of Budget Amendments.

Budget guarantee – See definition for Budget adjustment.

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 to fund modified supplemental amounts granted by the SBRC. This levy has limits, may be reduced by the School Budget Review Committee (SBRC) and does not generate any spending authority. Iowa Code §298.10

Categorical funding – financial support from local, state or federal entities that must be spent for programs or special purposes identified by the donor and not available for any other purpose. This funding is considered miscellaneous income and any year end remaining balances in these funds are included in a district’s Unspent Authorized Budget.
**Certified annual report (CAR)** – a chart-of-account 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, chapter 24. See also Board Involvement in Certified Budget Development and Presentation for Public Hearing on Certified Budget.

**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 amounts 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, and the additional levy. It is often referred to as the controlled budget. Iowa Code§257.1,.4.

**Concurrent enrollment** – any course offered to students in grades 9-12 during the regular school year approved by the board of directors of a school district through a contractual agreement between a community college and the school districts. School districts receive additional weighted funding when students are concurrently enrolled. Iowa Code 261E.2

**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.
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.

Every Student Succeeds Act (ESSA) – federal legislation that
replaced the No Child Left Behind Act. It focuses on equity for all
students, while giving states and local school districts much more
ownership over systems of school accountability and support. It requires
each district to present costs per student per school. See also ESSA
Requirement on School-Level Reporting.

Fiscal year (FY) – July 1 through June 30. Fiscal year 20XX is the year
ending on June 30, 20XX. Iowa Code §24.2
GAAP/GASB – Generally accepted accounting principles (GAAP) is a set of authoritative accounting and financial reporting standards that are to be followed by all entities to ensure objectivity, consistency and comparability. Standards as they relate to school districts are primarily set by the Governmental Accounting Standards Board (GASB). Audits of school district express an opinion as to whether in financial statements are fairly presented in accordance GAAP. GAAP must be followed by every district. Iowa Code §257.31(4); 298A.

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 on a per pupil basis and accounts for 75 percent of the gifted and talented 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.

Home rule – Home Rule is a legal doctrine that provides a broad interpretation of authority. The Iowa Constitution expressly grants home rule power and authority to cities and counties, “to determine their own local affairs and government” in ways that are “not inconsistent with the laws of the general assembly.” Iowa Code section 274.3 provides that the board of directors of a school district shall operate, control and supervise all public schools located within its district boundaries and may exercise any broad and implied power, not inconsistent with current laws or administrative rules that impact school districts. Although this section of the Iowa Code may provide some additional leeway, school districts are still operating under Dillon’s Rule.
Independent audit – An independent annual audit is required by law and 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. See also Reviewing Your District’s Audit Report.

Internal Control – encompasses all the procedures a school district (administration) puts in place to safeguard district assets; support district operational effectiveness and efficiency; strengthen the reliability of district financial reporting; and ensure compliance with school laws and regulations. These controls aid in the prevention, detection or correction of errors or irregularities. If internal controls are strong, then any errors or irregularities can be addressed as they occur. See also Internal Control: What Board Members Need to Know.

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. However, the ISL state aid portion has not been funded since 2011. The ISL funding can be used for any general fund purpose. See also Instructional Support Program.

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

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). See also *Breaking Down Your Spending Authority*.

**Modified accrual** – the basis 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 supplemental amount** – (prior to FY2015 was known as modified allowable growth.) Additional spending authority granted by the School Budget Review Committee (SBRC). There are a number of circumstances noted in Iowa Code for which a district may request a modified supplemental amount. Iowa Code §257.31

**Monthly Financial Reporting** – District financial reports prepared monthly by the district school business official and filed with the board. See also *Monthly Financial Reporting*.

**New money** – common terminology used to describe the annual change in a district’s total regular program funding from one year to the next.

**Open enrollment** – the process by which parents/guardians residing in an Iowa district may enroll their children into another Iowa school district. In general, the per student funding follows the child and is an expense to the resident district. Iowa Code §282.18

**Operational sharing** – a cash and spending authority incentive offered to districts and AEAs for sharing of certain personnel between districts.
Physical plant and equipment levy (PPEL) – a capital projects fund financed by 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. See also Regular and Voter-approved Physical Plant and Equipment Levy – PPEL.

Property tax relief – legislative actions to replace property taxes with state aid in the school finance formula. Action does not provide any new funding to districts, just changes the mix of funding sources. See also IASB Analysis of School Aid Property Tax Relief/Replacement from FY 2014-2018.

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. Once approved, this levy stays in place unless rescinded by voters.

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’s budget 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.

SAVE – Secure an Advanced Vision for Education is a 1 cent sales tax source of funding for school district infrastructure needs or property tax relief.
**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** – also known as the state school foundation aid formula, it is 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. See also Iowa School Finance Formula: A Summary.

**Solvency ratio** – provides a picture of the cash resources on hand at fiscal year-end 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.

**Special investigations** – investigations performed by the Iowa State Auditor when there is suspected embezzlement, theft or other significant financial irregularities. Iowa code 11.6.7 See also Special Investigations – What to Expect.

**Spending authority** – see definition for Maximum Spending Authority.

**State categorical supplements** – Programs that are funded on a per pupil basis and are included in the combined district cost. Programs include the teacher salary supplement, professional development supplement, early intervention supplement, and teacher leadership supplement. Funding generated for these programs are designated for the specific purposes of those programs.

**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** – also known as the school finance formula, it is 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 districts. See also Iowa School Finance Formula: A Summary.

**Supplemental State Aid (SSA, formerly known as Allowable Growth)** – The annual allowed per pupil funding growth resulting from enactment of the state percent of growth. Starting in FY 2014, and continuing today, the portion of the per pupil increase that would have fallen on the additional property tax resulting in supplemental state aid will be paid by state aid.

**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 and 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 (also known as 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). See also Unspent Authorized Budget Explanation (Unspent Spending Authority).

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.