



SCHOOL FINANCE DEFINITIONS

Accrual Accounting –LEAs/AEAs are required by law to be in compliance with the Generally Accepted Accounting Principles (GAAP). This requirement applies to all parts on the CAR. All LEAs and AEAs shall use 60 days for the cut-off period for revenue recognition. The CAR is reported at the fund level prior to any adjusting entries necessary to complete the entity-wide statements for the audit.

Accrual budgeting – 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.

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. It is one component of funding the combined district cost. Iowa Code § 257.4.

AEA flowthrough – monies paid to the AEA directly from the state and calculated under the school finance formula based on the size of the school district enrollment. Iowa Code §§ 257.35; 273.9.

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

Allowable growth – the annual dollar amount calculated by the Iowa Department of Management based on legislation and which is added to each school district's cost per pupil to provide additional funding to school districts. Iowa Code §§ 257.8, .29(12).

Amended budget – an amendment budget to the certified budget filed April 15th. It must be adopted in the same manner as the certified budget and generally before May 31st in any fiscal year.

Balance Sheet – a financial report in the school district audit which provides valuable information regarding the financial health of the school district. It contains information used for the calculation of the financial solvency ratio.

Base year – the current fiscal year. Iowa Code § 257.2(2).

Basic enrollment – equals the actual enrollment. Iowa Code § 257.6.

Budget year – the fiscal year immediately following the current year. Iowa Code § 257.2(4).

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 the prior year. It is funded by property tax. Iowa Code § 257.14.

Budget enrollment – equals the actual enrollment. Iowa Code § 257.6.

Cash balance – represents the cash position of the school district at any given time. It is referred to as unexpended cash balance by the SBRC and is also referred to as secretary's balance.

Cash reserve levy – allows the board on its own motion to replace property tax revenue or state aid not received to eliminate severe cash flow problems, or to avoid the expense of borrowing to meet cash flow purposes. §298.10

Certified annual report (CAR) – is a detailed annual compilation of enrollment and receipts and disbursements of all funds 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 number of pupils attending in the school district on the headcount date of October 1 each year. Iowa Code § 257.6.

Combined district cost – the first and major element of a school district's authorized spending authority. It includes Regular Program Cost, Special Education Instruction Cost, AEA Costs and District Supplementary Weighting. It is funded by state foundation aid, the uniform levy and the additional levy. It is often referred to as controlled budget. Iowa Code §§ 257.1, .4.

Credit rating - is a financial rating obtained from 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 impacts the amount of property tax necessary to repay the bond issue.

District cost per pupil – the value assigned by the school finance formula to the pupils in a particular school district. Iowa Code § 257.10.

Financial solvency ratio – the financial solvency ratio provides a picture in time of the financial health of a school district and is calculated by dividing the assigned plus the unassigned general fund balances by the actual/general fund revenues (subtracting the AEA flowthrough) for the fiscal year.

Fiscal year – July 1 through June 30. Iowa Code § 24.2

GAAP – Generally Accepted Accounting Principles (GAAP). 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 which accounts for the revenues and expenditures for the educational program and most school district operations. Iowa Code § 298A.2.

Gifted and talented program – is part of the Regular Funding Formula. Districts must account for its spending.

Independent audit – required by law. An outside audit is performed in compliance with the law and the school district's audit specifications. Chap. 11.

Instructional support program – is miscellaneous income to the school district of 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. §257.18-27.

Line item budget – is an internal financial document sharing all revenues and expenditures by program, building or project.

Miscellaneous income – revenue which is not part of the combined district cost. In other words revenue other than the uniform levy, state foundation aid and the additional levy are considered miscellaneous income, for example, federal grants, student fees, tuition. The second element of total spending authority. 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.

Physical plant and equipment levy (PEEL) – is a special revenue 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) – is a special revenue fund commonly referred to as the playground levy and funded with \$0.135 per \$1000 assessed valuation.

Program for returning dropouts and dropout prevention - funded by 75 percent from additional allowable growth and 25 percent from district cost.

School Budget Review Committee (SBRC) – a six-member committee with authority over anything affecting school district accounting and budgeting. The Director of the Department of Education serves as chair and is a non-voting member. The Director of the Department of Management 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 ceiling*) a school district may spend in any fiscal year. Iowa Code, ch. 257.

State categorical supplements – Teacher Salary Supplement, Professional Development and Early Intervention. Categorical items funded on a per pupil basis beginning in FY 2010 with an allowable growth rate established annually.

State cost per pupil – the 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. It is one component of funding the combined district cost. Iowa Code § 257.1(2).

State percent of growth – the annual percent of increase for Iowa's school districts set by legislation and used to calculate the state allowable growth. It is often referred to as the state allowable growth. Iowa Code §§ 257.2(12), .8.

Total spending authority – the maximum amount authorized under the school funding formula for a school district to spend and certify on its budget for a fiscal year. It includes the sum of the combined district cost, miscellaneous income and unspent balance. Iowa Code § 257.7.

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

Unassigned general fund balance – represents financial resources available for expenditure after payment of accrued liabilities and recognition of accrued assets.

Unspent balance – the amount of the total spending authority (authorized budget) not expended during the fiscal year and includes previous year's cumulation 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 the third and final element of total 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 and classes for English proficiency. Iowa Code § 257.6.