

Glossary of School District Financial Terms

–A –

Act 1 of 2006

Also known as the Taxpayer Relief Act. This law eases the financial burden of home ownership by providing school districts the means to lower property taxes to homeowners via the funding provided by gaming revenue.

Adjusted Budget

The original budget amended by adjustments as approved by the Board of Education.

Adopted Budget

The original budget approved by the Board of Education before June 30 for the next fiscal year.

Average Daily Attendance (ADA)

One ADA is equivalent to a student attending school every day of the school year.

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.

Accountability

The state of being responsible for 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.

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).

Accrual Basis

The recording of the financial effects of transactions and other events and circumstances for the government in the periods in which those transactions, events and circumstances occur regardless of whether they involved cash flowing in or out of the school.

Annual Financial Report

A financial report applicable to a single fiscal year. All public school entities are required by law to submit an Annual Financial Report each year.

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. Auditors obtain this evidential matter through inspection, observation and inquiries, confirming with third parties.

Audit Finding

In a financial audit, a weakness in internal controls or an instance of noncompliance with regulations presented in a report. A typical audit finding is composed of a statement of the weakness or instance of noncompliance and the criteria used to define it, an explanation of the cause of the condition, a discussion of its results and recommendations for improvement. Findings are presented together with a response from management, which states concurrence or nonoccurrence with each finding and its plan for corrective action.

– B –

Balanced Budget

A budget for which income/revenues equal expenses.

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. This debt is typically issued to finance the acquisition, construction and renovation of capital assets.

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 (2) 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.

Budget Calendar

The schedule of key dates that the board of education and administrators follow in the preparation, adoption and administration of the budget which

Budgetary Reserve

The amount of money a district may keep in reserve to cover unexpected expenses. ????????

– C –

Categorical funds

Also often referred to as restricted funds. Funds that are provided to cover the expenses of a specific program or activity. They may not be used for other purposes.

Capital Expenditures

Expenditures resulting in the acquisition of or addition to the government’s general fixed assets.

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).

Certificated Staff

Staff who are credentialed for a specific function. Examples include: classroom teacher, nurse, counselor, librarian, principal, vice principal, supervisor, or assistant superintendent.

Classified Staff

District employees who work in functions that do not require a credential. Examples include: clerk, secretary, custodian, maintenance worker, food service worker, or instructional assistant.

Comprehensive Annual Financial Report (CAFR)

The official annual report of a government agency. It includes (a) basic financial statements and required supplementary information; and (b) combining statements by fund type and individual fund. 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. It is recommended that every government reporting entity prepare a CAFR.

Cost of Living Adjustment (COLA)

An increase to baseline funding to recognize increased costs due to inflation.

– D –

Debt Service

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.

Deficit

The amount by which expenses exceed revenues in a fiscal year.

Delinquent Taxes

Taxes remaining unpaid on and after the date to which a penalty for nonpayment is attached.

– E –

Earned Income Tax

A proportional tax levied on the wages, salaries, commissions, net profits or other compensation of residents within the taxing district.

Enrollment

The number of students who attend district schools. This number will exceed Average Daily Attendance (ADA) since not every student has perfect attendance.

Ending Balance

The amount of money left unspent at the end of a fiscal year.

Estimate

A projection of revenues or expenses based on trends at the current time of the year.

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 incurrences 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.

– F –

Fiscal Year

The time period for which the budget is created. The fiscal year for QCSD is July 1 to June 30.

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).

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 amount of money left unspent from the previous fiscal year. In the previous year budget documents this is referred to as the ending balance. In the current year's budget it is called the beginning balance.

– G –

Governmental Accounting Standards Board (GASB)

The authoritative accounting and financial reporting standard-setting body for government.

General fund

A separate and distinct fund required by the Pennsylvania School Accounting Manual, established to account for all operating revenues and expenditures, both unrestricted and restricted.

Grants

Contributions or gifts of cash or other assets from another government to be used or expended for a specified purpose, activity or facility.

– I –

Investments

Most commonly, securities and real estate held for the production of revenues in the form of interest, dividends, rentals or lease payments.

– L –

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 services to other entities in the future as a result of past transactions or events.

Liquidity

The ability to convert assets to cash quickly, without significant losses.

Long-Term Debt

Any unmatured debt that is not a fund liability.

– M –

Mandated Costs

Costs associated with programs and activities that the school district is required to operate by state or federal law. (See unfunded mandate)

– O –

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).

Operating Expenses

Proprietary fund expenses related directly to the costs of producing and providing goods and services to customers and of collecting payment from them.

– P –

Preliminary Budget

As required by Act 1, it is the “first look” at expenses and revenues in the first step of budget development. It is approved by the board to start the official budget timeline.

Principles

The guiding ideals that were used to assist in making budget-related decisions.

Projections

A method of forecasting in which current information is used as a basis for estimating a result (e.g., revenues and expenditures).

Purchase Order

A document authorizing the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

– R –

Ratings

In the context of bonds, normally an evaluation of creditworthiness performed by an independent rating service

Real Estate Transfer Tax

A proportional tax levied on the transfer price of real property within the taxing district.

Restricted Funds

Also referred to as categorical funds. Funds that are provided to cover the expenses of a specific program or activity. They may not be used for other purposes. The restrictions (‘strings attached’) are set by the government agency or grantor providing the funds.

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

Risk Management

All the ways and means used to avoid accidental loss or to reduce its

– T –

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 charged consequences if it does occur.

– U –

Unrestricted Funds

Funds that can be used for any legal purpose associated with the operation of the district. The district uses them to fund general or basic programs and services.

Unfunded Mandate

Costs associated with programs and activities that the school district is required to operate by state or federal law but are not funded by them such as special education ESL, NCLB, etc.