



Financial Glossary of Terms

November 2022

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 – accounting basis that includes incurred revenues and expenses (including salaries) regardless of when cash is exchanged. 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

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 area education agencies (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.

Agency funds – funds used to account for resources held in a custodial capacity of an organization related to the district, but where decisions on revenues and expenditures are not made by the district. These funds are typically to account for booster clubs, PTAs, PTOs and foundations. A district has sole discretion as to whether these funds will be accounted for as agency funds, or if the related organization should set up its own accounting systems.

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.

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 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. Iowa districts and AEAs will only use this in the General Fund since governmental funds are established by law for specific purposes.

Athletic facility – athletic facility, for purposes of determining if the resolution and hearing process outlined in recent legislation extending SAVE needs to be followed, is an athletic structure that is not physically attached to a school attendance center, An athletic facility infrastructure project is one that includes in whole or in part the construction of an athletic facility and does not include repair or maintenance.

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

Audit – see Independent audit.

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 – see Certified budget.

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 [Bad 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 calculation, and restricted balances in the district's financial statements. See also State categorical supplements.

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.

Childcare fund – the school board may operate or contract for the operation of a program to provide childcare to children not enrolled in school or to students enrolled in kindergarten through grade 6 before and after school. Sources of revenues for this enterprise fund include a fee established by the board for the cost of participation in the program. Expenditures include costs to operate the childcare program. Iowa Code §298A.12.

Combined district cost (CDC) – 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

Committed fund balance – an amount set aside by formal action of the district's school board that can be used only for the specific purposes approved by the board.

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 fund – used to accumulate the resources needed to cover the principal and interest payments due in the current year on the district's long-term debt, such as PPEL loans, revenue bonds and general obligation 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.

Early intervention supplement – state categorical funding provided on a cost per pupil basis, originally to help a district reduce class sizes in kindergarten through grade 3. Any funding generated for this supplement can now be used for any general fund purpose.

Equity legislation – Equity refers to the fair or equal distribution of resources for schooling, taking into account student differences and school district characteristics. The Iowa Legislature is working to correct two inequities inherent the Iowa school finance formula – transportation costs per student and the district cost per student. Transportation legislation provides additional resources for transportation costs to districts with higher transportation costs per student, thus, freeing up more resources for educational programming. Other legislation provides additional funding to increase the state cost per pupil (SCPP, the minimum cost per pupil) to decrease the difference between districts at the SCPP and those districts with a higher district cost per student.

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](#).

Facilities Planning – the management of school district resources to enhance and enrich student and staff learning. See also [Facilities Questions to Ask and Get Answered](#).

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

Flexibility account – recent legislation allows school districts to create a Flexibility Account in their general fund to receive unobligated amounts from certain categorical funds that, with district Board approval, be spent on certain categorical funds, including any general fund purpose.

Funding silo – an informal term used to describe restrictions contributors of certain funds place on how those funds can be used, such as categorical funds, weighted funding, and federal, state or local grants.

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 districts express

an opinion as to whether 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% of the gifted and talented program cost, with an additional 25% 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 is to 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.

Home rule lite – A new law was established during the 2016 legislative session that allows districts to exercise any board and implied power not inconsistent with the law. However, since there has been no amendment to the code in this regard, districts pursuing activities under home rule lite should first consult their legal counsel.

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 Chapter 11. See also [Receiving 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](#).

Internal service funds – funds used to account for the financing of services provided within the district to provide goods or services to other funds on a cost-reimbursement basis. Internal service funds include, but are not limited to, self-insurance funds, flex-benefit plan funds, print shops, health reimbursement arrangements, central warehousing and purchasing, and central data processing. Revenues and expenditures included are cost reimbursements and expenses for the particular activities. Iowa Code §281.98.82.

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.

Management fund – a special revenue fund, with resources provided by property taxes at a rate approved by the district board and can only be used as allowed by law. These uses are limited to payment of property and liability insurance, early retirement incentives, unemployment claims, tort payments and arbitration and mediation costs.

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 and accounted for in 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 [Retiring 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 incurred in the current accounting period.

Modified supplemental amount (MSA) – (prior to FY2015 was known as modified allowable growth.) Additional spending authority granted to a school district by the School Budget Review Committee (SBRC). There are several 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](#).

Net position – the difference between a district’s assets plus deferred outflows of resources and its liabilities plus deferred inflows of resources.

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

Nutrition fund – the fund that receives revenues from food sales to students and adults, ancillary food services, state and federal grants in aid for the operation of a nutrition program, sales of services to other funds, and donated government commodities. Expenditures include those for operating a breakfast or lunch program. §298A.2(1).

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 and a receipt to the enrolled 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](#).

Preschool fund – the school board may establish a preschool for students not of school age as an enterprise fund. (Portion of preschool program comprised of the statewide voluntary four-year-old preschool as well as preschool program students with instructional IEPs are accounted for in the general fund). Revenues for this fund come from fees established by the board for the cost of participation in the program. Expenditures include costs to operate the preschool program. Iowa

Code §281.98.

Professional development (PD) supplement – state categorical funding provided on a cost per pupil basis, to be used to provide specialized training and advanced professional learning for teachers.

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.

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 election – the formal time set aside for community members to vote for persons to represent them on their local school board. Recent legislation changed this date from September to the first Tuesday in November in odd numbered years. Special elections can also be held on this date.

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 (DCPP) multiplied by a 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 district's regular general fund spending. This funding is provided 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. Iowa Code §257.38-41.

Re-audit – a complete or partial re-examination of the financial condition and the transactions of a school district performed by the State Auditor if requested by an elected official or employee of the district; the State Auditor determines probable cause exists for a re-audit; or if a petition signed by at least 100 electors of the district is received by the State Auditor.

Reorganization – the process of merging two or more school districts into one school district. See also Iowa Code 275.

Restricted fund balance – a reserve of monies that can only be used for a specific purpose as authorized by the contributor of the monies. Typically, restricted fund balances are shown on the balance sheet for funds other than the general fund, as well as categorical funding and federal, state

and local grants within the general fund.

Revenue purpose statement (RPS) – a public measure asking voters to agree to the intended use of the statewide sales tax revenue in their district. Recent legislation requires districts to renew their RPS by January 1, 2031 and it is intended that the renewal be done before a district contracts debt using sales tax revenue past January 1, 2031.

Risk management - the practice of identifying risks in advance and then taking proactive steps to avoid or minimized their impact on the district. See also [Risk Management Questions to Ask and Get Answered](#).

SAVE – Secure an Advanced Vision for Education (SAVE) 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 – a financial measure that 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. IASB recommends that this ratio be between 7-17%, not to exceed 25%.

Special education (SPED) weighting – for purposes of calculating funding for SPED, each child is counted once as part of the general education population, and an additional count is added based on the level of SPED needs. In this way, additional funding is generated in the school finance formula to cover the additional costs of needed services for that child.

Special election – the formal time set aside for community members to vote on certain issues, if not voted on at a regular election. These issues include revenue purpose statements, special levies, reorganizations, and/or vacancies. There are two available special election dates each year.

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 – State 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. Additionally, multiplying the state percent of growth rate by the SCPP determines the Supplemental State Aid amount each year. 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 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](#).

Statewide voluntary preschool program (SVPP) – a state program to provide funding to increase access to quality preschool programming for four-year-old children in Iowa. Funding is based on half the state cost per student times the district's SVPP enrollment.

Student activity fund – the fund that receives revenues from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related cocurricular or extracurricular activities. Student activity funds are public funds under the direction and control of the board of directors. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education rules in the Iowa Administrative Code §298A.8.

Student construction fund – this fund is used if the board establishes a construction program whereby students learn a construction trade and the facility constructed is sold to cover costs of

construction. Revenues are from the sale of the facility and expenses are those involved in the construction costs. §281.98.76.

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.

Supplementary weighting – for purposes of calculating funding for certain specific purposes, each child is counted once as part of the general education population, and then an additional portion is added to that count to provide additional funding (when multiplied by the cost per student) to either increase student opportunities, provide incentives for desired actions, and/or provide need funding for additional costs. For example, these purposes include (but are not limited to) special education, English language learners, community college courses, and operational functions.

Teacher leadership and compensation (TLC) supplement –state categorical funding provided on a cost per student basis to reward effective teachers with leadership opportunities and higher pay, attract new teachers with competitive starting salaries and more support, and foster greater collaboration for all teachers to learn from one another.

Teacher salary supplement (TSS) – state categorical funding provided on a cost per student basis to provide additional compensation to teachers.

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.

Unfunded mandate – legislation, law or regulation that will require additional resources to implement, however, no additional funding is provided.

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 (UAB)) – 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. If there is no UAB remaining at year end, a district is in violation of the law and must appear before the SBRC

with a corrective action plan. Iowa Code §257.7(1). See also [Unspent Authorized Budget Explanation \(Unspent Spending Authority\)](#)

Unspent balance net of restricted fund balances – 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 less the total of general fund restricted fund balances at year end.

Unspent balance ratio - A financial measure comparing the district's unspent balance to the maximum authority. IASB recommends that this ratio be between 5-15%, not to exceed 25%.

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.

Whole grade sharing (WGS) – procedure used by school districts whereby a substantial portion of pupils in any grade in two or more districts share an educational program for all or a substantial portion of a school day under a written agreement signed by all participating districts.