

DEFINITIONS OF IOWA SCHOOL FINANCE TERMS

Accounting – Accrual – year-end reporting required by the Department of Education on the certified annual financial report. A district may be operating on a cash accounting basis, yet report on an accrual basis. Accrual reporting accounts for all receivables and all payables.

Accounting – Accrual Budgeting – places all incurred expenses (including salaries) and all receivables in the year in which the services were received. All budgeting assumes the entire yearly salary for each employee is budgeted in the fiscal year in which the service is rendered. The move from cash accounting to accrual budgeting requires a sufficient unspent balance (authorized spending authority).

Accounting – Cash – does not consider payables and receivables in the fiscal year in which the service or product was rendered.

Actual enrollment – the number of pupils in the school district on the headcount date of the third Friday in September each year. Iowa Code 257.6

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 sometimes referred to as the foundation levy. It is one component of funding the combined district cost. Iowa Code 257.4

Adopted budget and certification of school taxes – is the final budget adopted by the Board and includes revisions made to the budget estimate. This form is filed with county auditors by April 15, each year.

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 budget. 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 – a percentage increase of the state per pupil cost to be calculated for the upcoming budget year. Determined by the state legislature.

Amended Budget – may be by the Board or by the SBRC. If a Board proposes to amend its certified budget, it must publish the proposed amendments and hold a public hearing. If the amendment is approved after May 31st, the property tax revenue will not be received until the following year.

Authorized Budget (maximum budget) – is the state foundation formula, which calculates spending authority and how the spending authority is funded. The calculations are:

- total spending authority equals controlled budget plus miscellaneous income plus unspent balance
- controlled budget equals uniform levy plus state foundation aid plus additional property tax adjustment

Balance Sheet – a financial report in the school district audit, which provides valuable information regarding the financial health of the school district. It contains the amount of the unreserved, undesignated general fund balance.

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

Basic Enrollment – equals the actual enrollment. Iowa Code 257.6

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 – Being phased out of a ten-year period, the phase-out began in 2004.

Budget Enrollment – certified enrollment of the year preceding the budget year, plus full-time equivalent students enrolled in shared programs.

Budget Estimates – summarizes the estimated expenditures, carry-over and revenues for the general and other funds. The form must be published at least 20 days prior to April 15, each year and a hearing must be held 10 days or more after the publication.

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

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 often referred to as the secretary's balance. Cash balance does not imply spending authority. A cash balance can be negative or positive.

Cash Reserve Levy – replaces anticipated property tax revenue or state aid, which the district did not receive, or is used to eliminate severe cash flow problems or to avoid the expenses of borrowing to meet cash flow purposes.

Certified Annual Report (CAR) – is a detailed annual review of enrollment and receipts and disbursements of all funds for the fiscal year. It is filed with the Department of Education on or before August 15th each year. The secretary's balance at the close of the school year is the cash balance carried over to the next year and only refers to dollars, not the unused spending authorization. The cash balance, or fund balance, carried forward has no effect on the district's spending authorization. This document must be used in conjunction with the aid and levy worksheet to estimate remaining spending authority.

Certified Budget – the spending plan certified by the Board on April 15 each year for the upcoming fiscal year. Iowa Code, Ch. 24. Represents the published budget estimate and is certified after a formal hearing. Expenditures are certified at the highest potential level even though the line item budget will be less than the maximum. The certified budget must not be exceeded. This document is forwarded to the County Auditor and to the Department of Education for certification of taxes.

Certified Enrollment – the actual enrollment certified to the Department of Education each year. Iowa Code 257.6

Combined District Cost – the first major element of a school district's authorized spending authority. It is determined briefly by multiplying the district cost per pupil by the number of pupils in the school district. 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. Includes the regular program cost, supplemental weighting, special education weighting, AEA costs, and allowable growth programs. The total does not include the instructional support levy, miscellaneous income, or unspent balance.

Cost Per Pupil – district – same as the state cost per pupil beginning in 1991.

Cost Per Pupil – state – is established by legislative action each year by adding the approved allowable growth per pupil to the previous year's state cost per pupil. The cost per pupil for 2005 – 2006 is \$4,931 and \$5,128 for 2006 – 2007.

Credit Rating – is the financial rating of the district obtained from an agency such as Moody's. The rating is based upon the district's financial condition and its accounting practices. A good credit rating directly impacts the interest rates on bond issues authorized in a referendum, thus directly impacting property tax rates.

Criminal Misconduct – any public officer or employee, or any person acting under color of such office of employment, who knowingly does the following, commits a serious misdemeanor:

- makes any contract, which contemplates an expenditure known by the person to be in excess of that authorized by law.

Debt – provided by statute in the debt service fund (voter approved referendum by 60%) and in the PPEL fund (districts may borrow on anticipated funds). There is no provision in the Code of Iowa to incur debt in the opening fund except for contracts for five years or less to purchase equipment.

District Cost Per Pupil – the value assigned by the school finance formula to the pupils in a particular school district. Iowa Code 257.10

Educational Excellence Program – Phase I, II, and III (state funded programs). Phase III is no longer funded by the state.

Enrollment (certified) – counted on the third Friday of September of each year. It includes students attending schools in another district or state for whom the district pays tuition.

Enrollment Increase Advance – the cost per pupil times the difference in the September actual enrollment and the budget enrollment calculated the previous year. The advance provided by the state was discontinued in 1992-93, but can be recouped each year by appeal to the SBRC and becomes 100% funded with property tax.

Fiscal Year – July 1 through June 30. Iowa Code 24.2

GAAP – generally accepted accounting principles. Iowa Code 257.31(4); 298A.1

General Fund – the fund 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 – funded by additional allowable growth (property taxes). Seventy-five percent of the funds are derived from additional allowable growth and twenty-five percent are at district cost.

Independent Audit – required by law. This outside audit is performed through contracted services and is as extensive as required by the district's audit specifications. The independent audit must meet minimum state specifications per Chapter 11 of the Code of Iowa. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management. A compliance report is issued, and the audit is presented to the Board, then is forwarded to the Department of Education and is available for examination by those interested.

Instructional Support Program – began with the 1991-92 school year. The maximum support program amount may be ten percent of the regular program cost. If a Board wishes to consider participating in the program it must:

- a) hold a public hearing on the question of participation,
- b) set forth the method that will be used to fund the program,
- c) specify at the hearing, the date when the Board will take action (within 30 days of the hearing).

The Board may adopt the instructional support program for a period not to exceed five years, or the board may hold an election and request the program for a period not to exceed ten years. The election must be held prior to December 1. A simple majority is required for approval. If the election fails, the Board may reinstate the process after 120 days.

If the Board does not request an election, the district may participate unless they are petitioned not to do so. A petition must be filed within 28 days and must be signed by 30 percent of the eligible electors in the last preceding regular school election or 100 persons, whichever is greater. The Board shall decide if the method of paying for the program is by property tax or a combination of property tax and income surtax.

Line Item Budget – represents all expenditures within the operating fund, within the spending authority outlined in the certified budget. This document provides allocations for all expenditures by program, building or project. A published Board approved line item budget is not required. However, some districts have established policies to forward a recommended line item budget by June or July each year for approval.

Miscellaneous Income – revenue that is not part of the combined district cost. In other words revenue other than the uniform levy – state foundation aid the additional levy are considered miscellaneous income. The second element of total spending authority. Iowa Code 257.2(9). Examples of Miscellaneous Income:

- Federal and Phase Monies
- Transportation Reimbursement
- State Grants
- Interest
- ISCAP Investment Surplus
- SBRC Allowable Growth
- Student Fees
- Rental
- Open Enrollment and Tuition

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

Non-English Speaking Student Weightings – weighted for a maximum of three years.

Operating Fund – is the fund most commonly referred to when examining a district’s budget. It includes salaries, benefits, purchased services, materials and supplies, capital outlay and other. The operating fund is assigned a separate levy, as is the management levy within the general fund budget.

Physical Plant and Equipment Levy (PPEL) – provided at a maximum of \$1.67 per \$1,000/assessed valuation. Thirty-three cents of the levy can be imposed by Board action and sixty-seven cents, if approved, by a majority of those voting. Another sixty-seven cents can be approved similarly by the voters. The Board must approve the thirty-three cents annually; whereas the sixty-seven cents may be approved for a period of up to 10 years. Replaced the schoolhouse/site levies in 1991-92.

Public Education Recreation Levy (PERL) – commonly called the community education levy. A \$0.135/\$1,000 levy utilized to fund community education. This levy is approved by a simple majority and has no expiration date.

Programs for returning Dropouts and Dropout Prevention – funded through additional allowable growth (property taxes) with 25% of the program cost coming from the district cost.

Referendum – for construction must be approved by 60% of the voters. Bonds are then issued until the total is reached as stated in the referendum. The bonds are paid according to their schedules (usually 15-20 years) through a debt service property tax levy.

School Budget Review Committee (SBRC) – a five-member committee with authority over anything affecting school district accounting and budgeting. The Director of the Department of Education serves as chair. The Director of the Department of Management serves as secretary. The governor appoints the other three members. Iowa Code 257.0,.31. The SBRC may approve modified allowable growth for a district for various pre-established reasons.

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

Solvency Ratio – provides a picture in time of the financial health of a school district and is calculated by dividing the unreserved, undesignated general fund balance by the actual/total receipts of the school district for the fiscal year. The Iowa Association of School Boards (IASB) describes watching the solvency ratio trend, is one element as a “quick indication” of a school’s financial health. IASB recommends a **targeted** percentage for a school district to be between 5% - 10%.

Spending Authority – equals combined district cost plus miscellaneous income plus unspent balance, plus instructional support (district).

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

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). Is the difference between the state foundation level and the revenue raised by the \$5.40/\$1,000 uniform levy. The foundation level is 87.5% of the regular education cost per pupil.

Undesignated, Unreserved Balance – represents financial resources available for expenditures after payment of accrued liabilities and recognition of accrued assets. This term has more meaning in states where “authorized budget” and “unspent balances” are not a part of the school finance law. This balance includes cash on hand, which may or may not carry spending authority; therefore, the balance can be misleading. This balance must be examined in conjunction with the unspent balance.

Uniform Levy – is the uniform property tax levy of \$5.40/\$1,000 assessed valuation required of all districts.

Unspent Balance – the amount of the total spending authority (authorized budget) not expended during the fiscal year and 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 year. It is the third and final element of total spending authority. Iowa Code 257.7(1). The unspent balance at the end of the fiscal year is carried forward and added to the resources for the next budget year. An unspent balance is available for expenditure once. An unspent balance can only be increased by under spending budget authority, or by obtaining additional spending authority through the SBRC (allowable growth).

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