

Glossary of Terms

This glossary contains definitions of terms used in this guide and such additional terms as seems necessary to common understandings concerning financial accounting procedures for schools. Several terms which are not primarily financial accounting terms have been included because of their significance for school financial accounting.

ABATEMENT

A complete or partial cancellation of a levy imposed by a governmental unit. Abatements usually apply to tax levies, special assessments, and service charges.

ACCOUNT

A descriptive heading under which are recorded financial transactions that are similar in terms of a given frame of reference, such as purpose, object, or source.

ACCOUNTING PERIOD

A period at the end of which and for which financial statements are prepared (ex: July 1 through June 30). Also, see Fiscal Period.

ACCOUNTING PROCEDURE

The arrangement of all processes which discover, record, and summarize financial information to produce financial statements and reports and to provide internal control.

ACCOUNTING SYSTEM

The total structure of records and procedures which discover, record, classify, and report information on the financial position and operations of a school district or any of its funds, balanced account groups and organizational components.

ACCRUAL BASIS

The basis of accounting, under which revenues are recorded when levies are made, and expenditures are recorded as soon as they result in liabilities, regardless of when the revenue is actually received or the payment is actually made. See also Estimated Revenue and Expenditures.

ACCRUE

To record revenues when earned or when levies are made, and to record expenditures as soon they result in liabilities, regardless of when the revenue is actually received or the payment is actually made. Sometimes, the term is used in a restricted sense to denote the recording of revenues earned but not yet due, such as accrued interest on investments and the recording of expenditures which result in liabilities that are payable in another accounting period, such as accrued interest on bonds. See also Estimated Revenues and Expenditures.

ACTUARIAL BASIS

A basis used in computing the amount of contributions to be made periodically to a fund so that the total contributions plus the compounded earnings thereon will equal the required payments to be made out of the fund.

ADA

Average Daily Attendance is based on the number of days of instruction in the school year. The aggregate days attendance is divided by the number of days of instruction to compute average daily attendance. ADA is used in the formula to distribute funding to Texas public school districts.

ADM

The Average Daily Membership is the average number of enrolled students present daily in the district.

ADMINISTRATION

Those activities which have as their purpose the general regulation, direction, and control of the affairs of the local education agency that are system-wide and not confined to one school, subject, or narrow phase of school activity.

Glossary of Terms – Cont'd

ALLOCATION

A part of a lump-sum appropriation which is designated for expenditure by specific organization units and/or for specific purposes, activities, or objects.

APPROPRIATION

An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended.

APPROPRIATION ACCOUNT

A budgetary account set up to record specific authorizations to spend. The account is credited with original and any supplemental appropriations and is charged with expenditures and encumbrances.

ASSESSED VALUATION

A valuation set upon real estate or other property by the County Appraisal District to be used as a basis for levying taxes.

AUDIT

A comprehensive review of the manner in which the government's resources were actually utilized. A certified public accountant issues an opinion over the presentation of financial statements, tests the controls over the safekeeping of assets and makes recommendations for improvements for where necessary.

BALANCE SHEET

A summarized statements, as of a given date, of the financial position of a local education agency per fund and/or all funds combined showing assets, liabilities, reserves, and fund balance.

BILL

A term as herein used to denote a law or statute passed by certain legislative bodies. A bill has greater legal formality and standing than a resolution.

BOARD OF EDUCATION, PUBLIC

The elected or appointed body which has been created according to State law and vested with responsibilities for educational activities in a given geographical area. These bodies are sometimes called school boards, governing boards, boards of directors, school committees, school trustees, etc. This definition relates to the general term and covers State boards, intermediate administrative unit boards, and local basic administrative unit boards.

BOND

A written promise, generally under seal, to pay a specified sum of money called the face value, at a fixed time in the future called the date of maturity, and carrying interest at a fixed rate, usually payable periodically. The difference between a note and a bond is that the latter usually runs for a longer period of time and requires greater legal formality. See also Surety Bond.

BONDED DEBT

The part of the school district debt which is covered by outstanding bonds of the district. Sometimes called "Funded Debt".

BONDS AUTHORIZED AND UNISSUED

Bonds which have been legally authorized but not issued and which can be issued and sold without further authorization.

BONDS ISSUED

Bonds sold.

Glossary of Terms – Cont'd

BUDGET

A plan of financial operation embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them. The budget usually consists of three parts. The first part contains a message from the budget-making authority together with a summary of the proposed expenditures and the means of financing them. The second part is composed of drafts of the appropriation, revenue, and borrowing measures necessary to put the budget into effect. The third part consists of schedules supporting the summary. These schedules show in detail the proposed expenditures and means of financing them together with information as to past years' actual revenues and expenditures and other data used in making the estimates.

BUDGETARY CONTROL

The control management of the business affairs of the school district in accordance with an approved budget with a responsibility to keep expenditures within the authorized amounts.

CAPITAL BUDGET

A plan of proposed capital outlays and the means of financing them for the current fiscal period. It is usually a part of the current budget. If a Capital Program is in operation, it will be the first year thereof. A Capital Program is sometimes referred to as a Capital Budget.

CAPITAL OUTLAYS

A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long term work program or otherwise. It sets forth each project or other contemplated expenditure in which the local education agency is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

CAPITAL PROJECTS FUND

A governmental fund type with budgetary control established to account for projects that are financed by the proceeds from bond issues, or for capital projects otherwise mandated to be so accounted for in this fund.

CLASSIFICATION, FUNCTION

As applied to expenditures, this term has reference to an activity or service aimed at accomplishing a certain purpose or end; for example, Instructional, School Leadership, Nursing.

CLASSIFICATION, OBJECT

As applied to expenditures, this term has reference to an article or service received, for example, payroll costs, purchased and contracted services, materials, and supplies.

CO-CURRICULAR ACTIVITIES

See Student Body Activities.

CODING

A system of numbering, or otherwise designating, accounts, entries, invoices, vouchers, etc., in such a manner that the symbol used quickly reveals certain required information.

CONTRACTED SERVICES

Labor, material and other costs for services rendered by personnel who are not on the payroll of the local education agency.

COST ACCOUNTING

A method of accounting which provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job.

COST PER PUPIL

See Current Expenditures per Pupil.

Glossary of Terms – Cont'd

COUNTY EDUCATION DISTRICT (CED)

A CED is an independent school district formed by the consolidation of the local districts in its boundaries for the limited purpose of exercising a portion of the taxing power previously authorized by the voters in those school districts and of distributing revenue of the CED to those districts. Senate Bill 7 passed by the 73rd Legislature and signed into law by Governor Ann Richards, abolished the system of CED's created by Senate Bill 351.

CURRENT EXPENDITURES PER PUPIL

Current expenditures for a given period of time divided by a pupil unit of measure (average daily membership, average daily attendance, etc.).

CURRENT LOANS

A loan payable in the same fiscal year in which the money was borrowed. See also Tax Anticipation Notes.

DEBT

An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of local education agencies include bonds, warrants and notes, etc.

DEBT LIMIT

The maximum amount of gross or net debt which is legally permitted.

DEBT SERVICE FUND

A governmental fund with budgetary control that accounts for expenditures for the retirement of debt and expenditures for interest on debt, except principal and interest of current loans. See also Current Loans.

DELINQUENT TAXES

Taxes that remain unpaid after the date on which a penalty for nonpayment is attached. Tax statements are mailed out in October and become delinquent if unpaid by January 31.

DEPARTMENT

A specific functional area or "cost center" within a district division.

DEPRECIATION

The process of estimating and recording the expired useful life of a fixed asset which is used to distribute its cost over its revenue producing years.

DIVISION

An administrative division of the District having management responsibility for a group of departments.

EDUCATIONAL SPAN

Identifies the level or characteristics of the student receiving instruction.

EFFECTIVE TAX RATE

State law in Texas prescribes a formula for calculating the effective tax rate for districts. The net effect of the formula is to produce a tax rate that goes down when property values rise (and vice versa) to generate a rate that produces approximately the same revenue as the year before. The formula makes adjustments for additional debt service, newly annexed property, and newly constructed property. If the tax rate is raised by three percent or more over the prior year's effective tax rate, State law requires that special notices must be posted and published. If the tax rate exceeds the rollback tax rate, an election to limit school taxes is automatically triggered on a date not less than 30 days or more than 90 days after the tax rate is adopted. If the election to limit school taxes is successful, the tax rate the district may impose for the current year is limited to the calculated rollback tax rate.

Glossary of Terms – Cont'd

ENCUMBRANCE ACCOUNTING

A system or procedure which involves giving recognition in the accounting budgetary expenditure control records for the issuance of purchase orders, statements, or other commitments chargeable to an appropriation in advance of any liability or payment.

ENCUMBRANCE

Any commitment of funds against an appropriation. It may be in the form of a purchase order or a contract. Encumbrance accounting is formally integrated into the accounting system for expenditure control purposes. An encumbrance differs from an account payable as follows: an account payable represents a legal liability to pay and results from the goods and/or services requested in a purchase order or contract having been delivered to the District. Until such time as the goods and/or services are delivered, the commitment is referred to as an encumbrance.

EQUALIZED WEALTH LEVEL

Equalized Wealth Level means the wealth per student provided by Section 36.002, Texas Education Code.

EQUIPMENT

Moveable items used for school operation that are of a non-expendable and mechanical nature, i.e. perform an operation. Typewriters, projectors, vacuum cleaners, accounting machines, computers, lathes, clocks, machinery, and vehicles, etc., are classified as equipment. (Heating and air conditioning systems, lighting fixtures and similar items permanently fixed to or within a building, are considered as part of the building.)

ESTIMATED REVENUE

When the accounts are kept on an accrual basis, this term designates the amount of revenue estimated to accrue during a given period regardless of whether or not it will be collected during the period.

EXPENDITURES

This includes total charges incurred, whether paid or unpaid, for current expense, capital outlay, and debt service. (Transfers between funds, encumbrances, exchanges of cash for other current assets such as the purchase stores and investment of cash in U.S. Bonds, payments of cash in settlement of liabilities already accounted as expenditures, and the repayment of the principal of current loans are not considered as expenditures.)

EXPENSE

Charges incurred, whether paid or unpaid, for operation, maintenance, and interest, and other charges which are presumed to benefit the current fiscal period. Legal provisions sometimes make it necessary to treat as expense charges whose benefits extend over future periods.

FISCAL PERIOD

Any period at the end of which a local education agency determines its financial position and the results of its operations. The period may be a month, a quarter, or a year, depending upon the scope of operations and requirements for managerial control and reporting.

FISCAL YEAR

A twelve-month period of time to which the annual budget applies and at the end of which a local education agency determines its financial position and the results of its operations. The District's fiscal year is July 31 through June 30.

FIXED ASSETS

Assets of a long-term character which are intended to continue to be held or used, such as land, buildings, machinery, furniture and other equipment.

FLOATING DEBT

Liabilities (except bonds) payable on demand or at an early date; for example, accounts payable, bank loans, notes, or warrants.

Glossary of Terms – Cont'd

FORFEITURE

The automatic loss of cash or other property as a punishment for not complying with legal provisions and as compensation for the resulting damages or losses.

FTE

Full-Time Equivalent measures the extent to which one individual or student occupies a full-time position or provides instruction, e.g., a person who works four hours a day or a student that attends a half of a day represents a .5 FTE. When FTE counts are included in reports they represent the aggregate of all FTE percentages, e.g., if one teacher provides four hours of instruction and four others provide one hour, together they represent one FTE.

FULL-TIME EQUIVALENCE

The amount of employed time required in a part-time position expressed in proportion to that required in a full-time position, with "1.00" representing one full-time position. It may be expressed as a percentage or as a fraction. It is derived by dividing the amount of employed time required in part-time position by the amount of employed time required in a corresponding full time position.

FUND

An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources, together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on in accordance with special regulations, restrictions, or limitations.

FUND BALANCE

The excess of assets of a fund over its liabilities and reserves. During the fiscal year prior to closing, it represents the excess of the fund's assets and estimated revenues for the period over its liabilities, reserves and appropriations for the period during the fiscal year prior to closing.

FUND, PERMANENT SCHOOL

The Permanent School fund consists of money, securities, or lands which have been set aside as an investment for public school purposes of which the income but not the principal may be expended. These funds, in most cases, have been derived from the sale of State school lands set aside by the Federal and/or State Government, from rents and royalties, and from surplus revenue returned to the State by the Federal Government.

FURNITURE

Moveable items used for school operation that are not of a mechanical nature. Chairs, tables, desks, file cabinets, pictures, chalkboards, lamps, lockers and carpets, etc., are examples of furniture.

GENERAL FUND

A fund group with budgetary control used to show transactions resulting from operations of ongoing organizations and activities from a variety of revenue sources for which fund balance is controlled by and retained for the use by the local education agency. The General Fund is used to finance the ordinary operations of a governmental unit except those activities required to be accounted for in another fund.

GENERAL OBLIGATION DEBT

Tax supported bonded debt which is backed by the full faith and credit of the District.

GIFT

Money received from a philanthropic foundation, private individual, or private organization for which no repayment or special service to the contributor is expected.

GRANT

A contribution by one governmental unit to another. The contribution is usually made to aid in the support of specified function (for example, job training), but it is sometimes also for general purposes.

Glossary of Terms – Cont'd

IMPROVEMENTS

Buildings, other structures, and other attachments or annexations to land which are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains, and sewers.

INDEPENDENT AUDIT

An audit performed by an independent auditor.

INDEPENDENT AUDITOR

An auditor who is independent of the agency whose accounts are being audited.

INSTRUCTION

The activities dealing directly with the teaching of students or improving the quality of teaching.

INTERFUND TRANSFERS

Money which is taken from one fund under the control of the board of education and added to another fund under the board's control. Interfund transfers are not receipts or expenditures of the school district.

INTERNAL SERVICE FUND

A proprietary fund type accounted for on the accrual basis and not required to be reported in budget data submitted through Public Education Information Management System (PEIMS) to the Texas Education Agency. This fund may be used to finance and account for services and commodities furnished by a designated department or agency to other departments or agencies with a single governmental unit or to other governmental units on a cost reimbursement basis.

JUDGMENT

An amount to be paid or collected as a result of a court decision.

LEVY

(Verb) To impose taxes or special assessments. (Noun) The total of taxes special assessments imposed by a governmental unit.

LONG-TERM BUDGET

A budget prepared for a period longer than a fiscal year. If the long-term budget is restricted to capital expenditures, it is called a CAPITAL PROGRAM OR A CAPITAL IMPROVEMENTS PROGRAM.

MAINTENANCE PLANT (PLANT REPAIRS AND REPAIRS AND REPLACEMENTS OF EQUIPMENT)

Those activities which are concerned with keeping the grounds, buildings, and equipment at their original condition of completeness or efficiency, either through repairs or by replacements or property (anything less than replacement of a total building).

M&O TAX RATE

The tax rate calculated to provide the revenues needed to cover Maintenance & Operations (M&O). M&O includes such things as salaries, utilities, and day-to-day operations.

MODIFIED ACCRUAL ACCOUNTING

A basis of accounting in which expenditures are accrued when incurred and revenues are accounted for when they become measurable and available.

PERSONNEL, ADMINISTRATION

Personnel on the school payroll who are primarily engaged in activities which have as their purpose the general regulation, direction, and control of the affairs of the school district that are system-wide and not confined to one school, subject, or narrow phase of school activity; for example, superintendent of schools, business manager and accountant.

Glossary of Terms – Cont'd

PERSONNEL, CLERICAL

Personnel occupying positions which have as their major responsibilities the preparing, transferring, transcribing, systematizing, or preserving of written communications and records. This also includes stock clerks, shipping clerks, etc.

PERSONNEL EXPENDITURES

For the purpose of budgeting, this term refers to all wages and related payroll costs: regular pay, extra duty pay, overtime pay, teacher career allotment, employee allowances, social security, group health and life insurance, workers' compensation insurance, unemployment insurance, and teacher retirement/TRS care.

PERSONNEL, FULL-TIME

School employees who occupy positions the duties of which require them to be on the job on school days, throughout the school year, at least the number of hours the schools in the system are in session.

PERSONNEL, GUIDANCE

Persons who have been assigned specific duties and school time to carry on recognized functions of the guidance programs in whole or in part. Classified here are: counselors, deans, placement counselors, guidance specialists, assessment staff, and similar personnel.

PERSONNEL, HEALTH

Persons in the field of physical and mental health such as physicians, psychiatrists, school nurses, dentists, dental hygienists, psychiatric social workers, and therapists, whose services are directed primarily at individuals, although sometimes used for group activities.

PERSONNEL, INSTRUCTIONAL ADMINISTRATION

Persons who manage, direct, and supervise the district-wide instructional program, and improve the quality of instruction and the curriculum. Included here are: supervisors of instruction, curriculum, research and development, etc.

PERSONNEL, MAINTENANCE

Personnel on the school payroll who are primarily engaged in repair and upkeep of grounds, buildings, and equipment.

PROGRAM

A group of related activities performed by one or more organizational units for the purpose of accomplishing a function or project for which the District is responsible.

PROGRAM BUDGET

A budget wherein expenditures are based primarily on programs of work and secondarily on character and object. A program budget is a traditional type of budget between the traditional character and object budget on the one hand, the performance budget on the other.

RECEIPTS, NON REVENUE

Amounts received which either incur an obligation that must be met at some future date or change the form of an asset from property to cash and thereafter decrease the amount and value of school property. Money received from loans, sale of bonds, sale of property purchased from capital funds, and proceeds from insurance loss settlements constitute most of the non revenue receipts.

RECEIPTS, REVENUE

Additions to assets which do not incur an obligation that must be met at some future date and do not represent exchanges of property for money.

REFINED ADA

Refined Average Daily Attendance is based on the number of days of instruction in the school year. The aggregate eligible days attendance is divided by the number of days of instruction to compute the refined average daily attendance. See also ADA.

Glossary of Terms – Cont'd

REFUNDING BONDS

Bonds issued to pay off bonds already outstanding.

RESERVED FUND BALANCE

The portion of fund equity which is not available for appropriation or which has been legally separated for a specific purposes.

RETIREMENT FUND SYSTEM

A plan whereby a fund of money, built up through contributions from participants and other sources, is used to make regular payments to those who retire from service in the educational system by reason of age, disability, or length of service.

REVENUE

The yield of taxes, tuition, interest earnings, and other monetary resources that the District collects and receives into the treasury for public use. For those revenues which are recorded on the accrual basis, this term designates additions to assets which (a) do not increase any liability; (b) do not represent the recovery of an expenditure; (c) do not represent contributions of fund capital in enterprise and internal service funds. The same definition applies to those cases where revenue are recorded on the modified accrual or cash basis, except that additions would be partially or entirely to cash. See Receipts, Reveue.

REVENUE BONDS

Bonds of the District which are supported by the revenue generating capacity of primarily athletic gate receipts.

ROLLBACK TAX RATE

A tax rate that exceeds the rollback tax rate will automatically trigger an election to limit school taxes on a date not less than 30 days or more than 90 days after the tax rate is adopted. If the election to limit school taxes is successful, the tax rate the district may impose for the current year is limited to the calculated rollback tax rate.

SCHOOL

A division of the school system consisting of a group of students composed of one or more teachers to give instruction of a defined type, and housed in a school plant of one or more buildings. More than one school may be housed in one school plant, as is the case when the elementary and secondary programs are housed in the same school plant.

SCHOOL, ELEMENTARY

A school classified as elementary by State and local practice and composed of any span of grades not above grade eight. In this handbook this term includes kindergartens and nursery schools if they are under the control of the local board of education.

SCHOOL, MIDDLE SCHOOL

A separately organized secondary school intermediate between elementary and senior high school.

SCHOOL, SENIOR HIGH

A school offering the final years of high school work necessary for graduation; invariably preceding by a middle school in the same system.

SCHOOL, SUMMER

The name applied to the school session carried on during the period between the end of the regular school term and the beginning of the next regular school term.

SCHOOL PLANT

The site, buildings, and equipment constituting the physical facilities used by a single school or by two or more schools sharing the use of common facilities.

SCHOOL SITE

The land and all improvements to the site, other than structure, such as grading, drainage, drives, parking areas, walks, plantings, play courts, and play fields.

Glossary of Terms – Cont'd

SERIAL BONDS

Bonds whose principal is to be repaid in periodic installments over the life of the issue.

SPECIAL REVENUE FUND

A governmental fund type with budgetary control, used to account for the proceeds of specific revenue sources, other than expendable trusts or for major capital projects, that are legally restricted to expenditures for specified purposes.

STUDENT-BODY ACTIVITIES

Direct and personal services for public school pupils, such as interscholastic athletics, entertainments, publications, clubs, band, and orchestra, that are managed or operated by the student body under the guidance and direction of an adult, and are not part of the regular instructional program.

SUCCESSOR-IN-INTEREST

The governing board of each county education district (CED), prior to August 31, 1993, designated a governmental entity or an officer of a governmental entity located within the boundaries of the CED as the successor-in-interest to the assets, liabilities, and records of the CED. The successor-in-interest primarily is responsible to collect the delinquent taxes and pay any just debts of the CED during the first five-year period subsequent to September 1, 1993.

SURETY BOND

A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through nonperformance or through defalcation; for example, a surety bond given by a contractor or by an official handling cash or securities.

TAX ANTICIPATION NOTES

Notes (sometimes called "warrants") issued in anticipation of collection of taxes, usually retireable only from tax collections, and frequently only from the tax collections anticipated with their issuance. The proceeds of tax anticipation notes or warrants are treated as current loans if paid back from the tax collections anticipated with the issuance of the notes.

TAX BASE

The total value of all real, personal and mineral property in the District as of January 1st of each year, as certified by the County Appraisal Board. The tax base represents net value after all exemptions.

TAXES

Compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit. The term includes licenses and permits. It does not include special assessments.

TAX RATE

Total tax rate is set by the Board of Trustees and is made up of two components: maintenance and operating and debt service rates. It is the amount levied for each \$100 of assessed valuation.

TAX RATE LIMITATION

A school may not impose a maintenance and operation tax rate that exceeds \$1.50 per \$100 valuation of taxable property. New debt approved after April 1, 1991, and issued after September 1, 1992, is limited to an additional \$.50. The total maintenance and operation and debt tax rate is limited to \$2.00. Old debt approved on or before April 1, 1991, and issued before September 1, 1992, is exempt from the \$2.00 limit.

TAX ROLL

The official list showing the amount of taxes levied against each taxpayer or property.

TEACHER

A person employed to instruct pupils or students. This term is not applied to principals, librarians or other instructional or non-instructional support personnel.

Glossary of Terms – Cont'd

TERM BONDS

Bonds of the same issue, usually maturing all at one time, ordinarily to be retired from sinking funds.

TEXTBOOKS

Books obtained primarily for use in certain classes, grades, or other particular student groups rather than for general school use.

UNDESIGNATED FUND BALANCE

For budget purposes, the undesignated fund balance is that portion of fund equity that is currently available for allocation.

USER CHARGES

The payment of a fee for direct receipt of a public service such as data processing services by the department benefiting from the service.

WADA

To treat school districts fairly in funding, a Weighted Average Daily Attendance (WADA) is used to measure the extend students are participating in special programs. The concept of WADA in effect converts all of a school district's students with their different weights to a calculated number of regular students required to raise the same amount of revenue. The greater the number of students eligible for special entitlements, the greater a school district's WADA will be.

WEALTH EQUILIZATION TRANSFER

The amount budgeted by districts for the cost of reducing their property wealth to the required equalization wealth level. Sometimes referred to as Robin Hood Funds.

WEALTH PER STUDENT

"Wealth per student" means the taxable value of property, as determined under Section 1 1.86, Texas Education Code, divided by the number of students in weighted average daily attendance.