



# **SCHOOL FINANCE TERMS**



1. **Budget:** An annual planning document that attempts to determine the revenue and expenses for the year in any particular fund. Budgets also include the ending balances from the prior year and several other component such as required reserves, contributions to other funds, etc.
2. **Fund Accounting:** School districts operate with a fund accounting methodology. That is, the budget is comprised of several funds each with their own revenue, expenditures and other components.
3. **General Fund:** The General Fund is typically the largest and most active of the funds. The General Fund includes both a restricted and unrestricted portion. We often refer to the General Fund unrestricted as the “fund of last resort” because it is where most of the district’s discretionary dollars reside. The majority of all salaries and benefits, on average approximately 84% of the district’s expenditures, reside in the General Fund.
4. **Other Funds:** In fund accounting, we have several other funds. Examples of these are the Cafeteria Fund, Adult Education, and Bond Funds. Each other fund has its own independent accounting process.
5. **Prior Year:** This refers to last year’s budget.
6. **Current Year:** This refers to the budget year a district is currently in.
7. **Budget Year:** This is next year’s budget
8. **Deficit Spending:** Simply having more expenditures than revenue in a single fiscal year. If a district spends more than it receives in regular, ongoing revenue in a single fiscal year, they are deficit spending. Deficit spending is the villain of solvency.
9. **Fund Balance-**The reconciliation of any fund including all revenues, expenditures, beginning and ending balances, and any other one-time monies.
10. **Ongoing vs. One-Time Money:** Ongoing dollars are those that continue over time such as revenue limit dollars. One-time money can only be received and spent once such as block grants, income from an insurance settlement, etc. Fund balances are an example of one-time money.
11. **Restricted vs. Unrestricted Funds:** Unrestricted funds are generated primarily by the Base Revenue Limit calculation and are available for the general and discretionary needs of the district. Restricted funds come from other state and federal sources and are available for use only within the programs and purposes for which they are granted, for example textbook funds. Restricted and unrestricted funds together make up the total general fund, but the flexibility afforded by the two different types of funding is very different.
12. **Reserves:** Reserves are one-time only funds held by a school district. They can have many different components, including the legally required reserve for economic uncertainty or a board designated reserve – funds set-aside by a Board for a specific purpose.

13. **Cash:** Cash is different from budget. Cash is the amount of actual dollars a district has in the bank or treasury at any given time. Most cash is received by school districts through a process of apportionment that occurs throughout the fiscal year. A district's budget is not necessarily a reflection of how much cash they have on hand at any given moment.
14. **Cash Flow:** This is the analysis of how much cash is available at any given time and how it will be utilized during the fiscal year.
15. **ADA vs Enrollment:** Average Daily Attendance (ADA) is the result of a formula that considers student enrollment at different periods during the school year. Enrollment is the number of students that are actually in attendance on any given day, month or other period. ADA is always lower than student enrollment and is the primary factor utilized in determining the revenue limit calculation.
16. **SACS:** This is an acronym for the Standardized Account Code Structure that California schools utilize for accounting. The SACS system generates many reports that reflect the status of a district's budget.
17. **Financial Statement:** The district's financial statement is always a part of their external audit process. It is similar to a private company's financial report but is also different; it reflects the fund accounting system under which school districts operate. The financial statement includes a balance sheet that shows the total assets and liabilities of the organization and an income statement that shows the revenues received and expenditures spent for each fund for the past fiscal year.
18. **GASB:** This is the acronym for the Governmental Accounting Standards Board. One of the things that GASB does is produce Basic Financial Statements that give direction to auditors, accountants, and business officials regarding the handling of certain transactions or functions. GASB Statement 34 addressed a district's fixed assets and how to account for them in the Financial Statement. GASB 45, in part, addresses unfunded liabilities as a result of post-employment benefits.
19. **Revenue Limit:** Revenue limit is a revenue calculation that determines, in part, the amount of discretionary money that a district receives in its unrestricted general fund. For most districts, this is the majority of their income.
20. **1st and 2nd Interim Reports:** Snapshot of a district's financial picture at two times during the fiscal year comparing actual revenues and expenditures to budgeted figures. The 1st Interim includes data through October 31st of the current year and is presented to the board in December. The 2nd Interim includes data through January 31st and is presented to the board in March. When a board accepts the Interim Reports, it also certifies as to the district's financial condition. There are three categories of financial condition:

**Positive Certification:** A certification based on current projections that the district will be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.

**Qualified Certification:** A certification based on current projections that the district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

**Negative Certification:** A certification based on current projections that the district will be unable to meet its financial obligations for the remainder of the fiscal year or for the subsequent fiscal year.