

SOLANCO SCHOOL DISTRICT

GLOSSARY OF TERMS

This glossary contains definitions of terms used in this report and such additional terms as seem necessary to enhance understanding concerning financial accounting procedures for schools. Several terms, which are not primarily financial accounting terms, have been included because of their significance to school financial accounting.

AAL (ACTUARIAL ACCRUED LIABILITY) - The present value of benefits promised to employees as compensation for services already rendered. Since it is an actuarial rather than an accounting liability, it is not reported in the basic financial statements but is included as required supplementary information in the Schedule of Funding Progress – Other Postemployment Benefits.

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 or 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.

ACCRUE - To record revenues when earned or when levies are made, and to record expenditures as soon as 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 ACCRUAL BASIS.

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

ARC (ANNUAL REQUIRED CONTRIBUTION) - represents the amount needed to fund the cost of Other Post-Employment Benefits attributed to the current year plus an amortized portion of the unfunded liability.

AUTHORITY, SCHOOL - Appointed body created by state law and vested with the responsibility of securing capital finances for school boards to build new buildings or additions.

BALANCE SHEET - A summarized statement as of a given date, of the financial position of a local education agency for a specific fund and/or all funds showing assets and other debits, liabilities, and equity and other credits.

BOARD OF SCHOOL DIRECTORS - The elected or appointed body that has been created according to state law and vested with the responsibility for educational activities in a given geographical area.

BOND RATING - An evaluation of credit-worthiness performed by an independent rating service.

BONDED DEBT – The portion of indebtedness represented by outstanding bonds.

SOLANCO SCHOOL DISTRICT

GLOSSARY OF TERMS

(Continued)

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.

BUILDINGS AND BUILDING IMPROVEMENTS - capital asset account that reflects the acquisition value of permanent structures used to house persons and property owned by the local education agency. If buildings are purchased or constructed, the amount includes the purchase or contract price of permanent buildings and fixtures attached to and forming a permanent part of such buildings. If buildings are acquired by gift, the amount reflects the appraised value of the buildings at the time of acquisition.

BUSINESS-TYPE ACTIVITIES – The financial activities of programs in which the School District charges fees and receives federal and state reimbursements to cover the costs of providing goods and services.

CAPITAL ASSETS - These are assets that are physical in nature (furniture, fixtures, equipment, buildings and land) and are used to help run or operate the government. Under ordinary circumstances, capital assets are expected to be held for long term and not to be converted to cash to pay bills.

CAPITAL PROJECT – A large effort resulting in a major asset such as construction of a building or purchase of a building is a capital project. The resulting asset will have a life longer than a year and entail a major expenditure.

CAPITAL OUTLAY - Expenditures resulting in the acquisition of or addition to the District's capital assets.

CAPITAL RESERVE - Funds appropriated for building maintenance and minor capital projects. A plan is set forth for each project or maintenance item to enable appropriate funds to be designated.

COMBINED FINANCIAL STATEMENT – This statement is the highest level of summarization or aggregation. For example, a government may have two or more capital projects funds. In the combined statement, these would be presented in one column as capital projects funds.

COMBINING FINANCIAL STATEMENT – This statement is at the second level of aggregation below the combined level. If each fund in a fund type is presented on one page this is a combining level.

COMPLIANCE – Compliance assesses whether actual money raising and spending adhere to budget mandates set by the legislative body. All financial statements can help judge compliance, but the one detailing budget versus actual is best used to assess compliance.

CONTRACTED SERVICES – The labor, material and other costs for services rendered by personnel who are not on the payroll of the local education agency. These are classified as either purchased professional & technical or purchased property service objects.

CURRENT – An accounting term to designate assets, liabilities and expenditures that are reasonably expected to be realized in cash, paid or consumed during the present fiscal year.

DEFEASED – Bonds in which the funding for future debt service has been forwarded to a third party custodian for administration on behalf of the bond issuer. A defeased bond is removed from the

SOLANCO SCHOOL DISTRICT

GLOSSARY OF TERMS

bond issuer's long-term debt obligation and ceases to be considered an outstanding liability on the bond issuer's financial statements.

(Continued)

DEBT – Debt is 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 SERVICE - Expenditures for the retirement of principal and for interest on debt, except principal and interest on current loans.

DEPRECIATION – The allocation of a capital asset's cost over its estimated useful life in a systematic and rational manner.

ENCUMBRANCES - Purchase orders, contract, and/or other commitments that are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid; when actual liability is established, as in accounts payable; or when canceled.

EQUIPMENT - Those moveable items used for school operation that are of a nonexpendable 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 attached 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 attributable to a given period regardless of whether or not it is all to be collected during the period.

EXPENDITURES - This includes total charges incurred, whether paid or unpaid, for current expense, capital outlay and debt service.

FIDUCIARY FUNDS – Funds in which the District serves as a trustee or agent for student organizations and scholarship trusts. The assets of these funds belong to the organization or trust and not the School District. These activities are excluded from the district-wide financial statements since the District cannot use the assets to finance its operations.

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.

FUND – A fund is usually established by legislation to provide an accounting mechanism for keeping track of money raised and spent for a specific activity or set of activities.

FUND, AGENCY - The fund used to account for assets held by the District as an agent for an individual or group.

FUND BALANCE - The difference between assets and liabilities of a governmental fund. A positive fund balance means there are more assets than liabilities; a negative fund balance means just the opposite. Fund balance can be complicated by the fact that part of the fund balance is reserved and part is unreserved. The difference between reserved and unreserved is that unreserved can potentially be authorized for future expenditures while the reserved cannot. Additionally, the fund balance is a residual and not necessarily a cash amount.

SOLANCO SCHOOL DISTRICT

GLOSSARY OF TERMS

FUND FINANCIAL STATEMENTS – Financial statements that focus on individual parts of the District and report operations in greater detail than the District-wide statements. Fund financial statements present the most significant funds or major funds individually with all other non-major funds presented in total in one column.

(Continued)

FUND, CAPITAL PROJECTS - The fund used to account for the proceeds from the sale of bonds and other revenues to be used for authorized acquisition or construction of major renovations.

FUND, DEBT SERVICE - The fund used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

FUND, ENTERPRISE - The fund used to account for operations that are financed or for costs that are recovered through user charges or reimbursement plans.

FUND, GENERAL - The fund used to finance the ordinary operations of the local education agency. It is available for a legally authorized purpose and consists of money not specifically designated for some other particular purpose.

FUND, INTERNAL SERVICE - The fund used to account for the financing of services provided by one department to other departments of the District on a cost reimbursement basis.

FUND, SPECIAL REVENUE - The fund used to account for specific revenues that are legally restricted to expenditures for specific purposes.

FUND, TRUST - The fund used to account for assets held by the District in a trustee capacity.

GAAP – GAAP means Generally Accepted Accounting Principles. These are principles that practitioners use to produce financial statements. They can become accepted via due process or via long-term practice or both. It is the GAAP that help make financial statements compatible from year to year and jurisdiction to jurisdiction.

GENERAL REVENUES – Revenues received by the School District that do not correlate to specific school programs. A significant portion of general revenues is derived from property taxes and state aid, which is determined through formula calculations, such as the basic education subsidy.

GOVERNMENTAL ACTIVITIES – Most of the School District's programs and services are reported here including regular and special education instruction, support services, administration, plant operation and maintenance, pupil transportation, community services and extracurricular activities. Property and Earned Income taxes in addition to state formula aid, finance most of these activities.

GOVERNMENTAL FUNDS – Funds, which focus on the inflow and outflow of money and the balance available for spending in future periods. Most of the district's activities are reported in these funds; including the General Funds, Capital Reserve, Capital Projects, Debt Service and Athletic funds.

INTERNAL BALANCES – A line item on the district-wide statement of net assets to report interfund receivables and payables in a net amount.

INVESTMENTS - Securities held for the production of revenues in the form of interest, dividends, rental and lease payments.

SOLANCO SCHOOL DISTRICT

GLOSSARY OF TERMS

LEVY – (verb) To impose taxes or special assessments. (noun) The total of taxes or special assessments imposed by a governmental unit.

(Continued)

LIABILITY - A future sacrifice 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.

LIEN - Attached to properties when delinquent taxes are not paid within a specific period of time as established by statute.

LONG-TERM – Refers to a period lasting more than one year.

MD&A – Management’s Discussion and Analysis is required supplementary information preceding the basic financial statements and notes. The MD&A introduces the financial statements and provides the reader with an analysis of the district’s financial activities.

MILL - One dollar per one thousand dollars of assessed valuation.

MILLAGE - Rate used in calculating taxes based upon the value of property; expressed in mills per dollar of property value.

NET ASSETS - The difference between the District’s assets and liabilities. Net assets are reported on the balance sheet.

NET OPEB OBLIGATION - The cumulative difference between the annual OPEB cost and the employer’s contributions to the plan. It is the amount that appears as a liability on the employer’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS - The notes are considered an integral part of the financial statements. The statements themselves are quantitatively presented; the notes are usually a verbal elaboration, although notes can be numerical in nature. Notes explain or expand on the financial statements.

OPEB (OTHER POSTEMPLOYMENT BENEFITS) - Benefits, other than pensions and termination incentives, provided to former employees. OPEB includes postemployment healthcare benefits.

PROGRAM - The definition of an effort to accomplish a specific objective or objectives consistent with funds or resources available. Budgets and actual revenue and expenditure records may be maintained per program.

PROGRAM REVENUES – Revenues received by the District, which are utilized for specific program expenditures. Grants and state subsidies utilized in the operation of school programs, which are not derived from formula calculations and monies received from the performance of District services are reported as program revenues. Food Service revenue, tuition and transportation fees and athletic event ticket sales are reported as program revenues.

PROPRIETARY FUNDS – An activity for which the district charges a fee and for which revenues are expected to cover all expenses is reported as a proprietary fund. The food service fund is a proprietary fund.

SOLANCO SCHOOL DISTRICT

GLOSSARY OF TERMS

PURTA – The Pennsylvania Utility Real Estate Tax Authority (PURTA) is the governing body authorized to assess real estate taxes on regulated public utility property.

REVENUES - Increases in the net current assets of a fund type from other than expenditure refunds and residual equity transfers.

(Continued)

(Continued)

SCHOOL - A division of the school system consisting of a group of pupils with 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 six. Solanco School District grade structure currently includes students in grades kindergarten through fifth.

SCHOOL, MIDDLE - A school offering the transition years between elementary and high school grades. Solanco School District grade structure currently includes students in grades six through eight.

SCHOOL, HIGH - A school offering the final years of education necessary for graduation invariably preceded by a middle school and elementary school in the same system. Solanco School District grade structure currently includes students in grades nine through 12.

STANDARD AND POORS - A division of McGraw Hill Companies which provides independent financial information, analytical services and credit ratings to the world's financial market. Standard and Poors analyzes state education performance in a national context and provides four-year trends on student achievement, spending and other statewide factors. The state education analysis is available to the public through the Standard and Poors' website.

STATEMENT OF ACTIVITIES – A district-wide statement that reports information about the district as a whole using accounting methods similar to those used by private-sector companies. Revenues, expenses and the change in net assets of the district during the fiscal year for governmental and business-type activities are presented in this statement.

STATEMENT OF NET ASSETS – A district-wide statement that reports information about the district as a whole using accounting methods similar to those used by private-sector companies. The district's assets, liabilities and net assets at fiscal year-end for governmental and business-type activities are presented in this statement.

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.

TRANSFERS - Since governmental financial statements are based on funds, there is often a transfer among the funds. For example, the general fund may transfer money to the debt service fund so that fund can pay interest due on bonds. Because funds are the main accounting entity in government no effort is made to eliminate any double counting among funds and produce a consolidated statement for the entire government.

SOLANCO SCHOOL DISTRICT

GLOSSARY OF TERMS

UAAL (UNFUNDED ACTUARIAL ACCRUED LIABILITY) - The difference between the actuarial accrued liability and the actuarial value of the resources accumulated to satisfy it. The unfunded actuarial accrued liability is not reported on the face of the financial statements because it is not an accounting liability but is included as required supplementary information in the Schedule of Funding Progress – Other Postemployment Benefits.

VOCATIONAL SCHOOL - A secondary school which is separately organized under a principal for the purpose of offering training in one or more skilled or semi-skilled trades or occupations.