



## GLOSSARY OF ACCOUNTING TERMS

### **Accounting System**

The recording and reporting of activities and events affecting the money of an administrative unit and its programs. Specifically, it describes: (1) what accounting records are to be maintained, how they will be maintained, and the procedures, methods, and forms to be used; (2) data recording, classifying, and summarizing activities or events; (3) analyzing and interpreting recorded data; and (4) preparing and initiating reports and statements which reflect conditions as of a given date, the results of operations for a specific period, and the evaluation of status and results of operation in terms of established objectives.

### **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.

### **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 in which it may be expended.

### **Balance Sheet**

A summarized statement, 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.

### **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.



## Mountain Education Charter High School

### **Budget Amendments**

An administrative procedure used to revise a budgeted amount after the Annual Budget has been adopted by the Board of Directors and approved by the State Board of Education.

### **Budget Calendar**

The schedule of key dates used in the preparation and adoption of the Annual Budget.

### **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. See also CAPITAL PROGRAM.

### **Capital Outlays**

Expenditures which result in the acquisition of or addition to fixed assets.

### **Capital Program**

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.

### **Cash Basis**

A basis of accounting in which transactions are recorded when cash is either received or expended.

### **Encumbrance Accounting**

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

### **Encumbrances**

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



**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.

**Fixed Assets**

Land, buildings, machinery, furniture and other equipment which the school district intends to hold or continue in use over a long period of time. "Fixed" denotes probability or intent to continue possession and does not indicate immobility of an asset.

**Fringe Benefits**

Total employer's share of FICA, taxes, hospitalization, dental, disability, workers' compensation, unemployment, and retirement contributions made on behalf of employees.

**FTE (Full-Time Equivalency-State Funding)**

Full-Time Equivalent (FTE) refers to data collected for Quality Basic Education funding and is based on student enrollment and the education services provided by local school systems to students.

**Function (Classifications)**

An accounting term relating to both the budget and the financial report. A "function" is a grouping of activities being performed for which salaries and other types of direct costs are expended and accounted. Functions and sub-functions consist of activities which have somewhat the same general operational objectives. Furthermore, categories of activities should be combinable, comparable, relatable and mutually exclusive. Both the budget and the financial reports group activities within "functions."

**Fund**

A fiscal and accounting entity which is comprised of a self-balancing set of accounts which reflect all assets, liabilities, equity, revenue, and expenditures or expenses necessary to disclose financial position and the results of operations. Funds are established as individual entities in order to segregate financial records for purposes of legal compliance, different natures of the activities performed, measurement of different objectives and to facilitate management control.



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### **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.

### **Fund, Capital Projects**

Used to account for all resources used for acquiring capital sites, buildings, and equipment as specified by the related bond issue or referendum. Capital project funds are designated to account for acquisition or construction of capital outlay assets which are not acquired directly by the general fund, special revenue funds, or enterprise funds. Capital project funds have been developed to account for the proceeds of a specific bond issue and revenue from other possible sources which is designated for capital outlay (i.e., land, buildings and equipment).

### **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, Special Revenue**

A fund used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditures for specific purposes.

### **Grant**

Contributions of either money or material goods given by a contributing unit (public or private) to another receiving unit and for which the contributing unit expects no repayment. Grants may be for a specific or general purpose.

### **Inter-Fund Transfers**

Amounts transferred from one fund to another fund.



### **Medicare Tax**

Under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), all employees of a state employer or a political subdivision employer, who were initially employed or reemployed after March 31, 1986, are subject to the Medicare Tax requirements. The percent of covered salary for the employee's and employer's contribution is 1.45% each of total salary.

### **QBE (Quality Basic Education) - Allotments**

Funds are allotted by the state on the basis of "Weighted FTE" (Full Time Equivalent students) to the local school system. The following are 19 Programs of allotment under QBE:

- |   |                                    |
|---|------------------------------------|
| 1. Kindergarten                               | 11. Special Education Category I   |
| 2. Kindergarten Early Intervention            | 12. Special Education Category II  |
| 3. Primary Grades (1-3)                       | 13. Special Education Category III |
| 4. Primary Grades (1-3) Early Intervention    | 14. Special Education Category IV  |
| 5. Elementary Grades (4-5)                    | 15. Special Education Category V   |
| 6. Elementary Grades (4-5) Early Intervention | 16. Gifted                         |
| 7. Middle Grades (6-8)                        | 17. Remedial Education             |
| 8. Middle School Programs                     | 18. Alternative Education          |
| 9. High School General Education (9-12)       | 19. ESOL Programs                  |
| 10. Vocational Labs (9-12)                    |                                    |

### **QBE Mid-Year Adjustment**

Because the QBE formula is based on FTE counts, which are taken primarily in the previous school year, there will be a need to adjust the total allotment as more recent counts become available. If the more recent counts result in an increase in funds needed, the State Board will request the additional funds from the General Assembly.

### **Reserve**

An account used to indicate that a portion of fund balance is restricted for a specific purpose.

### **Revised Budget**

An increase or decrease to the initial budget (original amount as adopted by the governing body).

### **Social Security**

Employees and MECHS pay 7.65% each for Social Security: 6.2% for FICA and 1.45% for Medicare on total earnings.

### **Source of Funds**

This dimension identifies the expenditure with the source of revenue (i.e., local, state, federal and others).