

Harris County Department of Education

Glossary of Financial Terms

AB School – Academic and Behavior School

Account Code – This is the second part of the Pentamation Account Code. It is an eight digit numerical sequence consisting of the 4-digit object code and 4-digit sub-object code used to accounting purposes. Follows the Budget Code. See **Object Code** and **Sub-object Code**.

Account Number (Budget Number) – Consists of the **Budget Code** and the **Account Code**; the numerical sequence necessary to reflect budget operations and conditions, such as estimate revenues, appropriations, and encumbrances, the net balance, and other related information.

Accounting Period – A period at the end of which and for which financial statements are prepared; for example, September 1 through August 31.

Accrual Basis – Accrual accounting attempts to records the financial effects on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the enterprise. Accrual accounting is concerned with the process by which cash expended on resources and activities is returned as more (or perhaps less) cash to the enterprise, not just with the beginning and end of that process. It recognizes that the buying, producing, selling, and other operations of an enterprise during a period, as well as other events that affect enterprise performance, often do not coincide with the cash receipts and payments of the period.

Adopted Tax Rate – The total adopted rate is composed of a maintenance and operation rate (M&O) and a debt service rate (sometimes referred to as the Interest and Sinking, or I&S, rate). Rates are expressed per \$100 of taxable value.

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

Appraisal – (1) The act of appraising; (2) The estimated value resulting from such action.

Appraise – To make an estimate of value, particularly of the value of property. Note: if the property is valued for purpose of taxation, the less-inclusive term “assess” is usually used.

Appropriation – Budget dollars that have been set aside for a particular expenditure.

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

Arbitrage – In the context of government finance, the reinvestment of the proceeds of tax-exempt securities in materially higher-yielding taxable securities.

Assess – To value property officially for the purpose of taxation. Note: the term is also sometimes used to denote the levy of taxes, but such usage is not correct because it fails to distinguish between the valuation process and the tax levy process.

Assessed Valuation – A valuation set upon real estate or other property by a government as a basis for levying taxes.

Assets/Personal Property – Property (fixed assets or capital assets) that is generally portable and owned by an entity (sometimes leased); which has a monetary value.

Assets/Real Property – Real estate or other property owned by an entity; which has a monetary value.

Balanced Budget – A budget with total expenditures not exceeding total revenues and monies available in the fund balance within an individual fund.

Bill – A term 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 – The elected or appointed body that 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, school trustees, etc.

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.

Bonded Debt – The part of debt which is covered by outstanding bonds. Sometimes called “Bonded Indebtedness.”

Bonds Issued – Bonds sold.

Bonds Payable – The face value of bonds issued and unpaid.

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.

Budget Code – This is the first part of the Pentamation Account Code. It is fourteen digit numerical sequence consisting of the 3-digit fund code, 1-digit year code, 2-digit function code, 3-digit location code, 2-digit program code, and the 3-digit budget manager code, used to accounting purposes; precedes the **Account Code**. See **Fund Code**, **Function Code**, **Location Code**, **Program Code**, and **Budget Manager Code**.

Budget Manager Code – Denotes a program, purpose, or division applicable to the revenue or expenditure; part of the **Budget Code**: XXX-X-XX-XXX-XX-XXX.

CAFR-Comprehensive Annual Financial Report

Capital Asset – Same as **Fixed Asset**. Usually depreciated in governmental accounting

Capital Budget – A plan of proposed capital outlays and the means of financing them for the fiscal period. It is usually a part of the current budget. A capital program is sometimes referred to as a capital budget.

Capital Outlay – Expenditures which result in the acquisition of or addition to fixed assets. A fixed asset is defined as a tangible item whose expected useful life is over one year and whose value is more than \$1,000

and less than \$5,000 per item. It is not depreciated. A capital asset is defined as a tangible item (fixed asset) whose expected useful life is over one year and whose value exceeds \$5,000 per item. It is depreciated if applicable.

Capital Expenditure – charges for the acquisition at the delivered price including transportation, costs of equipment, land, buildings, or improvements of land or buildings, fixtures and other permanent improvements of land or buildings, fixtures, and other permanent improvements with a value in excess of \$5,000 and a useful life expectancy of greater than 1 year.

Capital Project – 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. 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.

CASE – Center for Afterschool, Summer and Enrichment for Kids – A division of Harris County Department of Education formed in 1999, to mobilize the community to work together to ensure that every child in Harris County has access to an after-school program.

CDA – A HCDE investment policy that covers all financial assets under the direct control of the Department. Transactions involving the purchase, sale, and maintenance of all Department financial investments are included within the jurisdiction of this policy.

CH – A HCDE policy in which the Board delegates to the Superintendent or the Superintendent's designee the authority to determine the method of purchasing, in accordance with CH(LEGAL), and to make budgeted purchases. However, any purchase that costs or aggregates to a cost of \$50,000 or more shall require Board approval before a transaction is culminated.

Community Services – Those services, which are provided for the community as a whole, or some segment of the community and the activities are other than regular public education and adult basic education services.

Consultant – A resource person who provides assistance to the regular personnel through conference, demonstration, research, or other means.

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

CSSS - Center for Safe and Secure Schools

Current – As used in this manual, the term has reference to the fiscal year in progress.

Current Budget – The annual budget prepared for and effective during the present fiscal year.

Current Year's Tax Levy – Taxes levied for the current fiscal period.

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 Service Fund – A fund used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on all bonds.

Deficit – The excess of the expenditures of a fund over the fund’s resources.

Delinquent Taxes – Taxes remaining unpaid on and after the date on which they become delinquent by statute.

Depreciate/Depreciation – [Verb] to consider something as having less value each year over a fixed period, for the calculation of income tax; [Noun] the amount or percentage by which something decreases in value over time, usually one year.

Designated Fund Balance – Management’s intended use of available expendable financial resources in governmental funds reflecting actual plans approved by the Education Board.

Direct Debt – Debt that is to be repaid by the reporting government itself rather than by an overlapping or underlying government.

EFT – Electronic Funds Transfer – Electronic payments and collections.

Effective Tax Rate – tax rate would impose the same total taxes as last year if you compare properties taxed in both years

Encumbrance – Commitments related to unperformed contracts for goods or services.

Enterprise Fund – Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

FASRG – Financial Accountability System Resource Guide – Describes the rules for financial accounting for Charter Schools, Education Service Centers and School Districts. Texas Administrative Code (TAC) §109.41.

Fiduciary Funds – A category of funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government’s own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Final Amended Budget – Term used in connection with budgetary reporting. The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

Financial Resources – Resources that are or will become available for spending.

Fiscal Year (FY) – A twelve-month period of time to which the annual budget applies and at the end of which the entity determines its financial position and the results of its operations.

Fixed Asset – A permanently owned thing; an asset of a business that is central to its operation and is not traded. Usually not depreciated in governmental accounting.

Food Service – Function 35; those activities that have as their purpose the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Full-time Equivalent (FTE) – is a ratio that represents the number of hours that an employee works compared to 40 hours.

Function Code – As applied to expenditures, this term has reference to an activity or service aimed at accomplishing a certain purpose; for example, Instruction, Administration, etc.; part of the **Budget Code**: XXX-X-XX-XXX-XX-XXX.

Fund – A sum of money or other resources set-aside for specific activities of a school district. The fund accounts constitute a complete entity and all of the financial transactions for the particular fund are recorded in them.

Fund Code – 3-digit code assigned to accounts for funds with separate purposes; part of the **Budget Code**: XXX-X-XX-XXX-XX-XXX.

Fund Balance – The difference between assets and liabilities reported in a governmental fund.

Fund Balance:

Assigned – Amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Intent should be expressed by: the Texas Legislature, or a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the general fund

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the Texas Legislature)

Restricted – constraints placed on the use of resources are either: Externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Non-Spendable – classification includes amounts that cannot be spent because they are either: Not in spendable form, or legally or contractually required to be maintained intact.

GASB – Governmental Accounting Standards Board – An independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

General Fund – A 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.

GFOA – Government Finance Officers Association – An association that educates professionals about financial policy, best practices, education, training, networking, and leadership.

Governmental Funds – A generic classification used by the GASB to refer to all funds other than proprietary and fiduciary funds. The General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds are the types of funds referred to as *governmental funds*.

Grant – A contribution, either money or material goods, made by an outside entity or a governmental unit to another unit and for which the contributing unit expects no repayment. Grants may be for specific or general purposes.

HCAD – Harris County Appraisal District – Establishes the appraisal value of property within Harris County. This is done to allocate taxes fairly among all taxpayers.

HCDE - Harris County Department of Education

HCOEM – Harris County Office of Emergency Management – Helps prepare the residents and property of Harris County for disasters with training, education, and preparedness.

HCTO – Harris County Tax Office – Manages automobile registration, titling, property tax services, and voter registration for Harris County.

Internal Service Funds – Proprietary fund type that may be used to report any activities that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

I & S Tax – Interest and sinking is a term that is used interchangeably with debt service fund in discussing the components of the tax rate.

IGR – Internal Grant Resources – A program in HCDE’s Resource Development Division.

IRB – Institutional Review Board – A committee designated to review, monitor, and approve research involving humans.

ISS-Instructional Support Services

ITB – Invitation to Bid – A request made by a purchaser to prospective suppliers for their competitive price quotations on goods or services.

Location Code – Denotes the physical address of the revenue or expenditure; part of the **Budget Code**: XXX-X-XX-XXX-XX-XXX.

Levy – [Verb] To impose taxes or special assessments. [Noun] The total of taxes or special assessments imposed by a governmental unit.

Major Fund – Governmental fund or enterprise fund reported as a separate column in the basic fund financial statements and subject to separate opinion in the independent auditor’s report,

M & O Tax – Maintenance and operations is a term that is used interchangeably with general fund in discussing the components of the tax rate.

Modified Accrual Basis - Under the modified accrual basis of accounting, required for use by governmental funds, revenues are recognized in the period in which they become available and measurable, and expenditures are recognized at the time a liability is incurred pursuant to appropriation authority.

Nominal Rate – the rate that appears on the tax bills

Object Code – As applied to expenditures, this term has reference to an article or services received; for example, payroll costs, or purchased and contracted services; part of the **Account Code**: XXXX-XXXX.

Other Resources – An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends.

Other Uses – A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends.

PAFR - Popular Annual Financial Report

Pentamation Account Code – The Pentamation Account Code is divided into two codes: The Budget Code (14 digit numerical sequence) and the Account Code (an 8 digit numerical sequence) These are both further described in this glossary.

Principal of Bonds – The face value of bonds.

Professional Staff – This is a full time equivalent count of teachers, professional support staff, campus administrators, and central administrators.

Program Code – The definition of an effort to accomplish a specific objective or objectives consistent with funds or resources available; part of the **Budget Code**: XXX-X-XX-XXX-XX-XXX.

Proprietary Fund - Sometimes referred to as *income-determination, business-like, or commercial-type* fund of state or local government. Examples are enterprise funds and internal service funds.

PFC – stands for Public Facility Corporation

QZAB – Qualified Zone Academy Bonds – A Federal Grant Program that provides funding for schools to renovate building and developing curricular.

Refunding – The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time.

Reimbursement – Cash or other assets received as a repayment of the cost of work or services performed, or of other expenditures made for or on behalf of another governmental unit or department, or for an individual, firm, or corporation.

Reserve – An amount set aside for a specified purpose, or an account which records a portion of the fund balance that is to be segregated for some future use and, therefore, is not available for further appropriation and expenditure.

Rollback Rate – tax rate is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures

Sinking Fund – See Debt Service Fund

Special Education – This refers to the population served by programs for students with disabilities.

Special Revenue Fund – A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specific purposes.

Sub-object Code – A subdivision within an expenditure object classification.

TASB – Texas Association of School Boards – A nonprofit statewide educational association that serves and represents local Texas school districts.

TEA – Texas Education Agency.

TMS - Travel Management System

TRS – The **T**eacher **R**etirement **S**ystem of Texas is a public employee retirement system that is a multiple employer defined benefit pension plan. Based on salary and wages, for FY 2005-06 State law provides for a

- State or Federal grant contribution rate of 6.8% and a
- member contribution rate of 6.7% for TRS retirement and 0.65% for TRS active care, and
- reporting entity contribution of 0.55%.

Tax Rate Components – See I & S Tax (Interest and sinking) **M & O** (Maintenance and Operations) **Tax**.

Taxes – Compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit.

TxVSN - Texas Virtual School Network

Unreserved and Undesignated Fund Balance – Available expendable financial resources in a governmental fund that are not the object of tentative management plans.

WMS - Workshop Management System