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To enhance its usefulness, this document groups terms by seven broad categories. A complete alphabetic listing of all terms defined herein is provided in the index. Within the definitions, other terms defined in this document are italicized.

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Capital Outlay

Expenditures for assets such as land, buildings and certain equipment. Capital assets are generally characterized as those having a useful life of greater than one year and a cost greater than an amount established by the school district's business department.

Cash Balance

The actual cash on hand at a specific point in time. Many school districts will have a negative cash balance at some point in the year unless they borrow. Cash balance is contrasted to *Fund Balance* in that it includes only cash.

Cash Basis

Due to Other Funds

Amounts owed by one *fund* to another.

Generally Accepted Accounting Principles GAAP

Uniform standards and guidelines to financial accounting and reporting which govern the form and content of the basic financial statements of an entity. GAAP encompasses the conventions, rules, and procedures necessary to define accepted accounting practices.

Inter-governmental Cooperation Agreements

Agreements, formerly known as 66:30 Agreements to provide joint services with other governmental entities.

Local Education Agency

A term used by the state and fet7(n)0.1(m)svern tpa(s)15.3()809.5(t)and print-8a) goe s

Budgeting

Appropriation	A legal authorization granted by a school board to make <i>expenditures</i> and to incur obligations for specific purposes.
Budget	A plan of financial operation embodying an estimate of proposed <i>revenues</i> and <i>expenditures</i> for a given accounting period, usually July 1 st through June 30 th .
Budget Amendments	School boards may amend the adopted budget during the <i>fiscal year</i> with a two-thirds vote of the school board. Such amendments must be published in the district's official newspaper within 10 calendar days for common school districts.
Deficit Spending	The amount by which total <i>expenditures</i> exceed total <i>revenues</i> for the <i>fiscal year</i> . Deficit spending results in a reduction of <i>fund balance</i> .
Encumbrance	A budgetary procedure that reserves funds at the time a purchase order is issued or upon entering into a contract.
Entitlement	An apportionment, typically from the federal or state government, that is received based on specific qualifications rather than through a competitive process.
Site Based Budgeting	A method of allocating resources to individual schools within a school district. Most frequently, funds are allocated based on the number of pupils at each school site and a site governance council that determines how the budgeted amount will be allocated within the site. There are a number of methods for allocation of amounts to sites, such as the number of special needs students, grade levels served, nature of the physical facility, special programming offered, or other equalizing factors. There are several variations to site based budgeting, for instance, some districts only allocate non-personnel costs and continue to budget personnel centrally while other districts allocate the number of positions and allow the site some discretion as to how they are utilized.
Zero-based Budgeting	A method of budgeting that assumes all past <i>expenditures</i> are optional and must be re-authorized in the new budget in competition with all other budgetary requests.



Cost Calculations

Cost

In general, an *expenditure* for goods (supplies, materials, equipment, land, buildings) or services (salaries, benefits, utilities, professional fees). There are many different ways in which costs can be assembled for various purposes. The following are the ones most often used in Wisconsin school districts:

Gross Cost—The sum of all non-duplicative *expenditures* of a *fund* or a school district. In determining gross costs, care must be taken to avoid double counting. For example, if a school building is financed from borrowed money, the total cost should include either the payment to the building contractor or the repayment of the borrowed money, but not both. Similarly, if a school district spends money for a school lunch program out of the food service fund and also transfers money from the general fund to the food service fund to help pay for the school lunch program, it should not count the transfer as an additional cost.

Net Cost—The *gross cost* of a *fund* or a school district minus costs paid for by certain receipts (typically federal aid, state *categorical aid*, and local non-tax receipts) of that *fund* or district.

Shared Cost—The cost used as the basis for computing state *general aid*. This cost is funded by a combination of property taxes and state *general aid* and includes the net cost of the general fund plus the net cost of the debt service fund. Shared cost is computed using a 3-tier system that measures one district's *cost per pupil* and *equalized value* per pupil against an amount specified by the state.

Cost per Pupil

Costs for a specified period of time divided by the number of pupils. There are three primary measures of costs that are stated on a per pupil basis.

Current Educational Cost (CEC)—The overall cost for instru.1(s)--8.3(-m7.9(t.)6)JfJ0

Debt Transactions

Advance Refunding

Debt issued to refinance existing debt where the proceeds are received by the school district more than 90 days prior to the date the existing *bonds* will be retired. These proceeds are put into a “trust” and invested until they are utilized to pay off the existing debt. These transactions are typically done to either save money by refinancing at lower interest rates or to restructure the payment streams of the existing issue to more favorable terms. *NOTE: Tax-exempt municipal debt issued after 1986 may not be advance refunded more than once.*

Arbitrage

The difference between the combined interest rates on the investment of *bond* or *note* proceeds and the combined interest rates of the *bonds* or *notes* themselves. The ability of a school district to engage in arbitrage is heavily regulated by federal income tax regulations.

Bank Qualified Debt

A debt issued in a year where the school district issues less than \$10 million of *general obligation debt*. Because there are certain tax benefits for banks that purchase bank qualified debt, banks may offer a lower interest rate.

Bond

A written obligation to pay a specified sum of money at a fixed time in the future, called the date of maturity. Bonds generally carry interest at a fixed rate, but may carry variable rates. Principal and interest payments are usually payable periodically. A bond can have a final maturity of no greater than twenty years.

Bond Anticipation Note

Short-term debt incurred to provide funds on an interim basis in anticipation of *long-term debt* being issued on a future date. This type of note is most commonly issued to provide interim funds for a capital project.

Bond Counsel

A law firm experienced in the Wisconsin Statutes applicable to the issuance of school district obligations and federal income tax law applicable to debt transactions. Bond counsel usually prepares the documents for a debt transaction, and gives an opinion that the obligations are properly issued, are enforceable under state law, and are exempt from income taxation under federal tax law.

Bond Insurance

Insurance that protects the purchaser of the *bonds* in the event the school district defaults. This added security results in the bond issuer receiving the highest possible *credit rating*, which results in lower interest rates on the *bonds*. School districts may decide to obtain bond insurance when the cost to do so is less than the interest savings.

Competitive Sale

A sale of obligations where bids are received from interested *underwriters* at a certain time and date. Most of the terms of the obligations are set prior to the competitive sale, and are announced in an official notice of sale. The bids of each *underwriter* reflect the interest rates proposed by such *underwriter*, with the lowest combined interest rate being the winner.



Credit Rating	A rating that establishes the school districts relative risk to a purchaser of debt in comparison with other debt issued by other entities. Debt of public entities is rated by one or more of three rating agencies – Moody's Investors Service, Standard and Poor's and Fitch Investment Services.
Current Refunding	Debt issued to refinance existing debt where the proceeds are received by the school district less than 90 days prior to the date the existing <i>bonds</i> will be retired. These transactions are typically done to either save money by refinancing at lower interest rates, or to restructure the payment streams of the existing issue to more favorable terms. Unlike <i>advance refunding</i> issues, <i>tax-exempt</i> municipal debt may be current refunded as many times as deemed practical by the issuer.
Debt Limit	The maximum amount of debt that a school district is legally permitted to incur. The school district debt limit is 10% of <i>equalized value</i> for K-12 school districts and 5% of <i>equalized value</i> for K-8 and union high school districts.
Debt Margin	The difference between the <i>debt limit</i> and total outstanding debt.
Debt Service	<i>Expenditures</i> for the payment of principal and interest on <i>long-term debt</i> .
General Obligation Debt	The debt incurred by a school district, the repayment of which is secured by the district's general taxing authority.
Long-term Debt	

Promissory Notes

A written obligation to pay a specified sum of money, called the face value, at a fixed time in the future, called the date of maturity. Notes generally carry interest at a fixed rate, but may carry variable rates. Principal and interest payments are usually payable periodically. A note can have a final maturity of no greater than ten years.

Revenue Bonds

Debt incurred, the repayment of which is secured by anticipated future *revenues*, such as food service sales.

Short-term Debt

Debt that is issued for short periods of time. Most short-term borrowing is in the form of *Tax and Revenue Anticipation Notes* for cash flow purposes or *Bond Anticipation Notes* as an intermediary step to issuing long-term debt for capital projects.

Taxable Debt

Obligations issued by the school district where the interest payments are NOT exempt from inclusion on federal income tax returns. School districts rarely issue taxable debt obligations, however, the refinancing of the Wisconsin Retirement System Prior Years Service Obligation is an example of a type of debt issue that is considered taxable.

Tax Exempt Debt

Obligations issued by the school district where interest payments are exempt from federal income taxation. Wisconsin school district debt is usually exempt from federal income taxes, but not from state income taxes. Double exempt debt is exempt from both federal and state income taxes.

Tax and Revenue

Pupil Counting & Reporting

Aggregate Days of Attendance

The total number of days pupils are enrolled and actually present for all pupils for all days in session during a reporting period.

For instance; if a school has 100 pupils who were enrolled the entire year, 180 days of school and perfect attendance, the aggregate days of attendance would be 1800. If the total number of absences for all pupils was 100 days, the aggregate days of attendance would be 1700. If 1 of the pupils did not enroll until the 5th day of school, the aggregate days of attendance would be reduced by 4.

Aggregate Days of Membership

The total number of days pupils are actually enrolled for all pupils for all days in session during a reporting period. A pupil may be counted in membership even if not in attendance. However, the first and last days of enrollment for any pupil are determined as the first and last days, respectively, of that pupil's attendance during a given reporting period.

For instance; if a school has 100 pupils who were enrolled and present on the first and last days during a 180 day school year, the aggregate days of membership would be 1800. Membership would be unaffected by pupil absences that occur during the year, however, if 10 of those pupils did not enroll or were not present until the 11th day of school, the aggregate days of membership would be reduced by 100 (10 pupils times 10 days).

Average Daily Attendance (ADA)

The aggregate days of attendance during a given reporting period (typically a school year) divided by the number of days school is in session during that period.

Average Daily Membership (ADM)

The aggregate days of membership during a given reporting period (typically a school year) divided by the number of days school is in session during that period. However, for summer school, this formula is modified. An aggregate day of membership in summer school is determined by dividing the aggregate class minutes of membership for the summer session by 48,600. (The value 48,600 represents the number of class minutes in a typical school year, assuming six periods per day and 180 days per year.)

Enrollment

The total number of pupils enrolled, whether part-time, full-time, resident or non-resident. For state reporting purposes, students must be enrolled in a qualifying program. A pupil is considered enrolled whether in attendance on a specific count date or not, plus pupils enrolled in home bound instruction and non-graduates enrolled in qualifying alternative programs. If a pupil is absent without excuse for more than 20 consecu-

School Funding

Capital Assistance Formula	A reference in various proposals for school finance reform that provides state financial assistance for qualified capital projects.
Categorical Aid	<p>State or federal aid which is intended to finance or reimburse a specific category of instructional or supporting program or to aid a particular target group of pupils. The district may use the aid only for the purpose for which it is paid.</p> <p>Wisconsin categorical aids include special education, library (Common School Fund), driver education aid, integration aid, food service, bilingual/bicultural and other state aids.</p> <p>Federal categorical aids include No Child Left Behind, IDEA (special education), vocational education, food service, and other programs.</p>
Equalized Aid	A component of <i>general state aids</i> distributed to school districts based on a formula that takes into consideration each individual district's <i>equalized valuation, membership</i> and <i>costs</i> .
Foundation Plan	A school funding system that, generally, allocates a uniform per pupil amount to local school districts. Proposals for a foundation plan often provide a process whereby a school district may obtain additional funding related to specific populations served or through local school board or elector approval. <i>Also known as Basic Educational Grant</i>
General Aid	State aid which is not limited to any specific program, purpose, or target population but which may be used to finance the general educational program as determined by the recipient district.
General Aid Membership	The average of <i>membership</i> on the third Friday in September and the second Friday in January, plus: the prior year <i>ADM</i> for summer school, foster/group home equivalents and <i>FTE</i> for part-time high school pupils.
General Purpose Revenue (GPR)	The category of <i>revenues</i> raised by the state that is not designated for specific purposes. GPR generally includes <i>revenues</i> raised from sales and use taxes and state income taxes.
Impact Aid	Federal funds (unrestricted) paid to districts predominantly based on the number of federally (usually military) employed parents in the district or students of Native American descent. Impact aid may also be received as a payment in lieu of property taxes for federal forest land.
Indirect Cost Rate	The rate used to recover a portion of the general expenses of operating the district (overhead costs) to a specific grant or program. School districts may assess indirect costs to some state and federal grants.

Integration Aid

A state aid provided to encourage racial desegregation.

Lottery Credit

A portion of lottery earnings designated for property tax relief. The lottery credit was discontinued as it was determined to be unconstitutional in October 1996.

Mill Rate

An amount, stated in “dollars and cents per thousand” that is calculated by dividing the total tax *levy* by the total value of property to be taxed.

Property Valuation

The dollar value placed on land and buildings for purposes of assessing and collecting property taxes. There are two commonly used methods of describing property valuation: *assessed and equalized*. Equalized valuation may either include or exclude a *Tax Incremental Finance* district.

Real Property

Property consisting of land, buildings, minerals, timber, landscaping, and all improvements thereto.

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