

California State University Channel Islands

Glossary of Selected Governmental Accounting and Financial Terminology

A

ACCOUNTING SYSTEM. The total structure of records and procedures which discover, record, classify, and report information on the financial position and operations of a governmental unit or any of its funds, balanced account groups, and organizational components.

ACCRUE. To record revenues when earned and to record expenditures as soon as they result in liabilities for benefits received, notwithstanding that the receipt of cash or payment of cash may take place, in whole or in part, in another accounting period.

AGENCY FUND. A fund consisting of resources received and held by the governmental unit as an agent for others; for example, taxes collected and held by a municipality for a school district.

Note. Sometimes resources held by one fund of a governmental unit for other funds of the unit are handled through an agency fund. An example would be taxes held by an agency fund for redistribution among other funds.

ALLOCATE. To divide a lump-sum appropriation into parts which are designated for expenditure by specific organization units and/or for specific purposes, activities, or objects.

ALLOCATION. A part of a lump-sum appropriation which is designated for expenditure by specific organization units and/or special purposes, activities, or objects. In Federal usage, a transfer of obligational authority from one agency to another.

ALLOT. To divide an appropriation in amounts which may be encumbered or expended during an allotment period.

ALLOTMENT. A part of an appropriation (or, in Federal usage, parts of an apportionment) which may be encumbered (obligated) or expended during an allotment period.

ALLOTMENT LEDGER. A subsidiary ledger which contains an account for each allotment showing the amount allotted, expenditures, encumbrances, the net balance, and other related information.

APPROPRIATION. An authorization from a specific fund to a specific agency to make expenditures/incur obligations for a specified purpose and period of time. In California State Government, the Budget Act contains many appropriations, or items. These appropriation items are limited to one year, unless otherwise specified. Appropriations are made by the State Legislature in the annual Budget Act and in other legislation. Legislation can provide for continuing appropriations (which require no subsequent legislative action) and are also provided by the California Constitution.

APPROPRIATIONS LIMIT. In California State government as defined in Section 8 of Article XIII B of the California Constitution, enacted by the passage of Proposition 4 at the November 6, 1979 general election and amended with the

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passage of Proposition 111 at the June 5, 1990 primary election, the growth in the level of certain appropriations from tax proceeds are generally limited to the level of the prior year's appropriation limit as adjusted for changes in California per-capita personal income and population. Other adjustments may be made for such reasons as the transfer of services from one government entity to another.

ASSETS. Financial representations of economic resources owned by an organization or individual.

"[P]robable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events." Statement of Financial Accounting Concepts No. 3, "Elements of Financial Statements of Business Enterprises," Financial Accounting Standards Board, Stamford, Conn.

AUDIT. The examination of documents, records, reports, systems of internal control, accounting and financial procedures, and other evidence for one or more of the following purposes:

- a. To ascertain whether the statements prepared from the accounts present fairly the financial position and the results of financial operations of the constituent funds and account groups of the governmental unit in accordance with generally accepted accounting principles and on a basis consistent with that of the preceding year.
- b. To determine the compliance with applicable laws and regulations of a governmental unit's financial transactions.
- c. To review the efficiency and economy with which operations were carried out.
- d. To review effectiveness in achieving program results.

AUXILIARY ENTERPRISES. Activities of a college or university which furnish a service to students, faculty, or staff on a user-charge basis. The charge is directly related to, but not necessarily equal to, the cost of the service. Examples include college unions, residence halls, stores, faculty clubs, and intercollegiate athletics.

B

BASELINE ADJUSTMENTS. One of the three CSU categories formerly used for development and presentation of the Board of Trustees Support Budget request. Effective with the 1992/93 fiscal year this format was discontinued. This category consisted of adjustments made to the previous year's appropriations to provide for mandatory increases such as price inflation, staff benefit increases, and salary step increases for employees. This category also included the deletion of non-recurring items and additions to finance the implementation of recent legislation. The result of these adjustments to the previous year's appropriations was the Baseline Budget. See Program Maintenance Proposals and Program Change Proposals.

BALANCE SHEET. A statement which discloses the assets, liabilities, reserves, and equities of a fund or governmental unit at a specified date, properly classified to exhibit financial position of the fund or unit at that date.

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BOOKS OF ORIGINAL ENTRY. The record in which the various transactions are formally recorded for the first time, such as the cash journal, check register, or general journal. Where electronic data processing methods are used, it may happen that one transaction is recorded almost simultaneously in several records, one of which may be regarded as the book of original entry.

BUDGET. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year.

BUDGET BILL and BUDGET ACT. In California State government, the Budget Bill is prepared by the State Department of Finance and is submitted to the Legislature in January accompanying the Governor's Budget. The Budget Bill is the Governor's proposal for spending authorization for the subsequent fiscal year for on-going programs authorized by the Legislature. The State Constitution requires the Legislature to pass the Budget Bill and send it to the Governor for signature by June 15. After signature by the Governor, the Budget Bill becomes the Budget Act.

BUDGETARY ACCOUNTS. Those accounts which reflect budgetary operations and condition, such as estimated revenues, appropriations, and encumbrances, as distinguished from proprietary accounts.

C

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.

CAPITAL OUTLAY. In California State government, the term capital outlay includes purchase of land and related costs, construction projects and related costs, and equipment related to a construction project. Construction projects include new construction, alteration, and extension or betterment of existing structures. Capital outlays are classified as either Major Projects or Minor Projects. Each State department or agency must submit to the State Department of Finance, by February 1 of each fiscal year, a five-year plan for capital outlay.

CAPITAL OUTLAY - GROUP 1 AND GROUP 2 EQUIPMENT. In California State government, all equipment related to a capital outlay project is classified as a Major Capital Outlay. Equipment, when used in connection with a capital outlay project, shall include Group 1 and Group 2 equipment. Group 1 equipment is defined as installed (permanently attached to the facility) and shall be budgeted as part of the construction phase. Group 2 is defined as moveable equipment and shall be budgeted as a separate phase.

CAPITAL OUTLAY - MAJOR PROJECTS. In California State Government, these are construction projects for new construction, alteration, extension or betterment of existing structure, estimated to cost in excess of \$250,000. The purchase of equipment related to a specific construction project, irrespective of amount, is classified as a Major Capital Outlay. The purchase of land (including

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related cost such as condemnation and court costs, legal fees, and title reports, etc.), irrespective of amount, is classified as Major Capital Outlay.

CAPITAL OUTLAY - MINOR PROJECTS. In California State Government, these are construction projects for new construction, alteration, extension or betterment of existing structure, estimated to cost \$250,000 or less.

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 government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

CASH. Currency, coin, checks, money orders, and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits.

CHARACTER CLASSIFICATION. A grouping of expenditures on the basis of the fiscal periods they are presumed to benefit. The three groupings are: (1) current expenditures, presumed to benefit the current fiscal period; (2) debt service, presumed to benefit prior fiscal periods primarily but also present and future periods; and (3) capital outlays, presumed to benefit the current and future fiscal periods.

CONTINUING APPROPRIATION. An appropriation which, once established, is automatically renewed without further legislative action, period after period, until altered or revoked.

COST ACCOUNTING. That method of accounting which provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job.

COST CENTER. A grouping of operating costs having some common characteristics for measuring performance and assigning responsibility.

CURRENT ASSETS. Those assets which are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and taxes receivable which will be collected within about a year from the balance sheet date.

CURRENT BUDGET. The annual budget prepared for and effective during the present fiscal year; or, in the case of some state governments, the budget for the present biennium.

CURRENT FUNDS. Funds the resources of which are expended for operating purposes during the current fiscal period. In its usual application in plural form, it refers to General, Special Revenue, Debt Service, and Enterprise Funds of a governmental unit. In the singular form, the current fund is synonymous with the general fund.

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CURRENT LIABILITIES. Liabilities which are payable within a relatively short period of time, usually no longer than a year.

CURRENT REVENUE. Revenues of a governmental unit which are available to meet expenditures of the current fiscal year.

D

DECENTRALIZED MANAGEMENT. An organizational approach in which the headquarters function maintains minimal direction and authority over operations and policies relating to a number of identifiable separate activities and operations. Decentralized management allows great freedom for decision making at the level of the separate units.

DEFICIT. (1) The excess of liabilities and reserved equity of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period; or, in the case of Enterprise and Internal Service Funds, the excess of expense over income during an accounting period.

DEPRECIATION. (1) Expiration in the service life of fixed assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a fixed asset, other than a wasting asset, which is charged as an expense during a particular period.

Note. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the cost of the asset less salvage value is ultimately charged off as an expense.

DESIGNATED. Assets, or equity, set aside by action of the governing board are *designated*; as distinguished from assets or equity set aside in conformity with requirements of donors, grantors, or creditors, which are properly referred to as *restricted*.

DISBURSEMENTS. Payments in cash.

E

ENCUMBRANCES. Contingent liabilities in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when the actual liability is recorded.

ENDOWMENT FUND. A fund whose principal must be maintained inviolate but whose income may be expended. An endowment fund is accounted for as a trust fund.

ENTERPRISE FUND. A fund established to finance and account for the acquisition, operation, and maintenance of governmental facilities and services which are entirely or predominantly self-supporting by user charges; or where the governing body of the governmental unit has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate. Government owned utilities and hospitals are ordinarily accounted for by enterprise funds.

EQUIPMENT. Tangible property of a more or less permanent nature (other than land, buildings, or improvements other than buildings) which is useful in carrying on operations. Examples are machinery, tools, trucks, cars, furniture, and

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furnishings. See Capital Outlay for the definition of equipment related to capital outlay projects in California State Government.

EXPENDITURES. An outlay of cash or cash equivalent for goods or services or in settlement of an obligation. In governmental accounting, expenditures measure the using up of appropriated resources. See Expenses.

EXPENSES. The cost of goods, services, and facilities used or absorbed in the generation of current revenue.

"[O]utflows or other using up of assets or incurrences of liabilities (or a combination of both) during a period from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations." Statement of Financial Accounting concepts No. 3, "Elements of Financial Statements of Business Enterprises," Financial Accounting Standards Board, Stamford, Conn.

F

FINANCIAL ACCOUNTING SYSTEM. The Financial Accounting System, or FAS, was purchased by the CSU in 1982 from Westinghouse Information Systems. It is CSU policy that all campuses utilize FAS. FAS uses a combination of account numbers and pre-defined system data elements, or "attributes," to provide a financial accounting and reporting system.

FISCAL YEAR. A twelve-month period of time to which the annual budget applies and at the end of which a governmental unit determines its financial position and the results of its operations. In California State government, the fiscal year runs from July 1 through the following June 30. It is the period during which obligations are incurred, encumbrances are made and appropriations are expended.

FIXED ASSETS. Assets of a long-term character which are intended to continue to be held or used, such as land, buildings, machinery, furniture, and other equipment.

Note. The term does not indicate the immobility of an asset, which is the distinctive character of "fixture."

FUND. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

In California State Government, a fund is a legal entity that provides for the segregation of monies or other resources in the State Treasury for specific activities or obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves, and surplus (fund balance), as well as its income and expenditures. The assets of a fund may also be placed into separate accounts to provide for limitations on specified fund income or expenditures.

FUND BALANCE. The portion of Fund Equity available for appropriation.

FUND EQUITY. The excess of fund assets and resources over fund liabilities. A portion of the equity of governmental fund may be reserved or designated; the remainder is referred to as Fund Balance.

G

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GENERAL FUND. A fund used to account for all transactions of a governmental unit which are not accounted for in another fund. In California State Government, the General Fund is the predominant fund for financing State operations. The primary sources for the State General Fund are the personal income tax, sales tax and bank and corporation taxes.

Note: The General Fund is used to account for the ordinary operations of a governmental unit that are financed from taxes and other general revenues.

GENERAL LEDGER. A book, file, or other device which contains the accounts needed to reflect, in summary and in detail, the financial position and the results of financial operations of the governmental unit.

Note. In double entry bookkeeping, the debits and credits in the general ledger are equal, and therefore the debit balances equal the credit balances.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. (GAAP) The body of accounting rules, methods, and procedures that is sanctioned by the accounting profession, either by convention or by the authoritative literature, as a guide to the preparation of financial statements.

GOVERNMENTAL ACCOUNTING. The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governmental units and agencies. The term generally is used to refer to accounting for state and local governments, rather than the U.S. federal government.

H I J K

INTERNAL SERVICE FUND. A fund established to finance and account for services and commodities furnished by a designated department or agency to other departments and agencies within a single governmental unit, or to other governmental units. Amounts expended by the fund are restored thereto either from operating earnings or by transfers from other funds, so that the original fund capital is kept intact. Formerly called a Working Capital Fund or Intragovernmental Service Fund.

L M N

LEDGER. A group of accounts in which are recorded the financial transactions of a governmental unit or other organization. A ledger is a summary of transactions according to the accounts affected.

LIABILITIES. Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date.

LINE ITEM BUDGET. A detailed expense or expenditure budget, generally classified by object within each organizational unit, and, often, classified within each object as to authorized number of employees at each salary level within each job classification, etc.

MANAGEMENT ACCOUNTING. "Management accounting is the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control within an organization and to assure appropriate use of and accountability for its resources. Management accounting also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies, and tax authorities." Statement Number 1A, March 19, 1981, National Association of Accountants.

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O

OBJECT (OBJECT-OF-EXPENDITURE). As used in expenditure classification, this term applies to the article purchased or the service obtained (as distinguished from the results obtained from expenditures). Examples are personal services, contractual services, materials, and supplies.

OPERATING BUDGET. A budget which applies to all outlays other than capital outlays.

OPERATING EXPENSES. (1) As used in the accounts of governmental enterprises, the term means those costs which are necessary to the maintenance of the enterprise, the rendering of services, the sale of merchandise, the production and disposition of commodities produced, and the collection of enterprise revenues. (2) The term is also sometimes used to describe expenses for general governmental purposes.

OPERATING STATEMENT. A statement summarizing the financial operations of a governmental unit for an accounting period as contrasted with a balance sheet which shows financial position at a given moment in time.

OVERHEAD. Those elements of cost necessary in the production of an article or the performance of a service which are of such a nature that the amount applicable to the product or service cannot be determined accurately or readily. Usually they relate to those objects of expenditures which do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management, supervision, etc.

P Q

PERFORMANCE BUDGET. A budget format that relates the input of resources and the output of services for each organizational unit individually. Sometimes used synonymously with *program budget*.

POST-AUDIT. An audit made after the transactions to be audited have taken place and have been recorded or have been approved for recording by designated officials if such approval is required.

PRE-AUDIT. An examination for the purpose of determining the propriety of proposed financial transactions and financial transactions which have already taken place but which have not yet been recorded; or, if such approval is required, before the approval of the financial transactions by designated officials for recording.

PROGRAM BUDGET. A budget wherein inputs of resources and outputs of services are identified by programs without regard to the number of organizational units involved in performing various aspects of the program.

PROGRAM CHANGE PROPOSALS (PCP). One of the three CSU categories formerly used for development and presentation of the Board of Trustees Support Budget request. Effective with the 1992/93 fiscal year this format was discontinued. This category presented all costs for new programs and for changes in the quality of existing programs. The projection defined changes in the authorized programs of The California State University. See also Baseline Adjustments and Program Maintenance Proposals.

PROGRAM MAINTENANCE PROPOSALS (PMP). One of the three CSU categories formerly used for development and presentation of the Board of Trustees Support Budget request. This category identified costs attributable to changes in enrollments, facilities and other measures of workload. The calculation of the costs of these revised workload factors were based upon

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formulas and standards used in past support budgets as approved by the legislative and executive branches of State government. This projection reflected expenditures required to "maintain" the quality of existing programs at approved levels. See Baseline Adjustments and Program Change Proposals.

PROPRIETARY ACCOUNTS. Those accounts which show actual financial position and operations, such as actual assets, liabilities, reserves, fund balances, revenues, and expenditures, as distinguished from budgetary accounts.

R

REAPPROPRIATION. In California State Government, a re-appropriation is an extension of the availability of an appropriation for expenditure beyond its set termination date and/or for a new purpose. Re-appropriations are usually authorized by the State Legislature for one year extensions at a time.

RECEIPTS. Describes an increase in the assets of a fund including revenues as well as transfers from other funds, federal receipts and fund reimbursements.

RECHARGES. An expenditure made for or on behalf of another governmental unit, fund, or department, or for a private individual, firm, or corporation which will subsequently be recovered in cash or its equivalent. At Cal Poly the term "chargebacks" is used synonymously with recharges.

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 account which records a portion of the fund equity which must be segregated for some future use and which is, therefore, not available for further appropriation or expenditure.

RESPONSIBILITY ACCOUNTING. A system of reporting tailored to an organizational structure so that costs and revenues are reported at the level having the related responsibility within the organization.

RETAINED EARNINGS. The accumulated earnings of an Enterprise or Internal Service Fund that have been retained in the fund and are not reserved for any specific purpose.

REVENUE. The addition to cash or other current assets of governmental funds (receipts) which do not increase any liability or reserve and do not represent the recovery of an expenditure, i.e., reimbursements. Generally, revenue is derived from taxes, licenses and fees or investment earnings.

REVERSION. The return of the unused portion of an appropriation to the fund from which the appropriation was made. In California State government, the undisbursed portion of an appropriation reverts two years after the last day of availability (normally June 30) for encumbrance. The Budget Act often provides for the reversion of unused portions of appropriations when such reversion is to be made prior to the statutory limit.

S

SALARY SAVINGS. In California State government, the amount of budgeted salary savings is to reflect personnel cost savings resulting from vacancies and downward reclassification as a result of turnover of employees. The budgeted salary savings for the CSU is computed at 3.3 percent for non-faculty salaries and staff benefits, and 1.17 percent for faculty salaries and staff benefits.

SPECIAL FUND. Any fund which must be devoted to some special use in

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accordance with specific regulations and restrictions. Generally, the term applies to all funds other than the General Fund.

SPECIAL REVENUE FUND. A fund used to account for revenues from specific taxes or other earmarked revenue sources which by law are designated to finance particular functions or activities of government. After the fund is established, it usually continues year after year until discontinued or revised by proper legislative authority. An example is a motor fuel tax fund used to finance highway and road construction.

STAFF BENEFITS. In California State Government, staff benefits represents the State (employer) costs of contributions for employees' retirement, OASDI, health and welfare benefits, worker's compensation, unemployment insurance, industrial disability leave benefits, and non-industrial disability leave benefits.

SUBSIDIARY LEDGER. A group of subsidiary accounts the sum of the balances of which is equal to the balance of the related control account in the general ledger. For example, the general ledger contains a control account for "Appropriations" (i.e., the approved budget) while the subsidiary ledger contains the detail of subsidiary accounts where the appropriations are allotted and allocated. For this reason, the subsidiary ledger that records the approved budget appropriations is sometimes referred to as the "allotment ledger" or the "allotment-expenditure ledger."

TUVWXYZ

TRADITIONAL BUDGET. A term sometimes applied to the budget of a governmental unit wherein appropriations are based entirely or primarily on objects of expenditure. The focus of a traditional budget is on input of resources, rather than the relationship between input of resources and output of services.

TRUST FUND. A fund consisting of resources received and held by the governmental unit as trustee, to be expended or invested in accordance with the conditions of the trust.

UNLIQUIDATED ENCUMBRANCES. Encumbrances outstanding

WARRANT. An order drawn by the legislative body or an officer of a governmental unit upon its treasurer, directing the latter to pay a specified amount to the person named or to the bearer. It may be payable upon demand, in which case it usually circulates the same as a bank check; or it may be payable only out of certain revenues when and if received, in which case it does not circulate as freely.

ZERO-BASED BUDGET. A budget based on the concept that the very existence of each activity must be justified each year, as well as the amounts of resources requested to be allocated to each activity.