

## Dictionary of Accounting and Budget Terms

---

### **Abatement**

The cancellation of part or all of a receipt or expense previously recorded.

### **Accounts Payable**

Amounts due and owing to persons, business firms, governmental units or others for goods or services purchased and received but unpaid as of June 30. This is different from an *encumbrance*, which is goods or services purchased but not received or paid by June 30.

### **Accounts Receivable**

Amounts due and owing from persons, business firms, governmental units or others for goods or services provided but uncollected prior to June 30.

### **American Recovery and Reinvestment Act of 2009 (ARRA)**

Also known as The Recovery Act or Stimulus, this act was signed into law as a direct result of the economic crisis and intended to restart the economy. The stimulus contained extensive funding for science, engineering research, and infrastructure, and more limited funding for education, social sciences and the arts.

### **Apportionments**

Allocations of state or federal aid, local taxes, or governmental units. Solano Community College's *base revenue* provides most of the district's revenue. The state general apportionment is equal to the base revenue less budgeted property taxes and student fees. There are other, but smaller, apportionments for programs such as special education, apprenticeship, and EOPS.

### **Appropriations**

Funds set aside or budgeted for a specific time period and specific purpose. The state legislature sets the appropriations for community colleges and other agencies through the Budget Act each year. The deadline for the Budget Act to be passed is July 1, but the legislature and governor rarely adhere to this deadline. The Board of Trustees sets the appropriations limits for the district when it approves the budget. The tentative budget must be approved prior to July 1, and the final budget must be approved prior to September 15. The trustees must approve revisions and changes to the appropriations limits by resolution.

### **Appropriation for Contingency**

An official budget category established by the state for schools to budget contingency funds. Expenditures are not to be made from this category. Rather, transfers are made as required to the appropriate expenditure categories.

### **Appropriations Limitation**

See Gann Limitation.

**Assessed Valuation**

A value of land, residential or business property set by the county assessor for property tax purposes. The value is the cost of any newly built or purchased property, or the value on March 1, 1975, of continuously owned property plus an annual increase of 2% (see Proposition 13). The assessed value is not equivalent to the market value, due to limitations of annual increase.

**Associated Students Funds**

These funds are designated to account for monies held in trust by the district for organized student body associations established pursuant to Chapter 1, Division 7, Part 47, of the Education Code (commencing with Section 76060). The governing board must provide for the supervision of all monies raised by any student body or student organization using the name of the college (ECS 76065).

**Audit**

An examination of documents, records and accounts for the purpose of determining (1) that all present fairly the financial position of the district; (2) that they are in conformity with prescribed accounting procedures; and (3) that they are consistent with the preceding year.

**Balance Sheet**

A statement that shows assets, liabilities, reserves and fund balance or fund deficit of the community college district as of a specified date. It exhibits the financial condition of a district. Balance sheets are provided in the "311" report and in the district's external auditor's report.

**Basic Skills**

This program provides funding for pre-collegiate courses to correct skills deficiencies. Districts can get additional funding for basic skills enrollment only when the total district enrollment exceeds its regularly funded enrollment "cap."

**Board Financial Assistance Program (BFAP)**

The purpose of BFAP is to offset the impact of the mandatory community college enrollment fee on low-income students who cannot afford to pay. AB 1XX (Chapter 1, Statutes of 1984, Second Extraordinary Session) imposed a mandatory fee for community college credit courses.

**Bonded Debt Limit**

The maximum amount of bonded debt for which a community college district may legally obligate itself. The total amount of bonds issued cannot exceed a stipulated percent of the assessed valuation of the district. General Obligation Bond issues require a 55% vote of the electorate. These are known as Prop 39 Bonds, replacing the law that lowered the approval limit from 66-2/3 to 55%.

**Bonded Indebtedness**

A district's debt obligation incurred by the sale of bonds.

**Bookstore Fund**

This fund has been classified as an enterprise fund designated to receive the proceeds derived from the district's operation of the colleges' bookstores. All necessary expenses, including salaries, wages, and costs of capital improvements for the bookstores may be paid from generated revenue.

**Capital Outlay**

Capital outlay expenditures are those that result in the acquisition of, or addition to, fixed assets. They are expenditures for land or existing buildings, improvement of sites, construction of buildings, additions to buildings, remodeling of buildings, or initial or additional equipment. Construction-related salaries and expenses are included.

**Capital Project Funds**

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of capital outlay items.

**Categorical Funds**

Money from the state or federal government granted to qualifying districts for special programs, such as Matriculation or Vocational Education. Expenditure of categorical funds is restricted to the fund's particular purpose. The funds are granted to districts in addition to their general apportionment.

**Child Development Fund**

The Child Development Fund is the fund designated to account for all revenues for or from the operation of childcare and development services under Chapter 2, Division 1, Part 5, of the Education Code (commencing with Section 8200).

**COLA**

Cost of Living Adjustment – change in state apportionment funding related to the CPI.

**Consumer Price Index (CPI)**

A measure of change in the cost of living compiled by the United States Bureau of Labor Statistics. Consumer price indices are calculated regularly for the United States, California, some regions within California, and selected cities. (See Gann Limit.)

**COP**

Certificates of Participation are used to finance the lease/purchase of capital projects. Essentially, they are the issuance of shares in the lease for a specified term.

**Current Assets**

Assets that are available to meet the cost of operations or to pay current liabilities.

**Current Expense of Education**

Usually regarded as expenses other than capital outlay, community services, and selected categorical funds.

**Current Liabilities**

Amounts due and payable for goods and services received prior to the end of the fiscal year.

**Debt Service Funds**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Disabled Student Programs & Services (DSP&S)**

The purpose of these special programs and services is to integrate disabled students into the general college population; to provide educational intervention leading to vocational preparation, transfer or general education; to increase independence; or to refer students to the community resources most appropriate to their needs.

**Employee Benefits**

Examples are (1) group health or life insurance payments; (2) contributions to employee retirement (STRS-State Teachers Retirement System or PERS-Public Employees Retirement System); (3) OASDI (Social Security) and Medicare taxes; (4) workers' compensation payments; and (5) unemployment insurance.

**Encumbrances**

Obligations in the form of purchases, contracts, and other commitments that have been ordered but not yet received. At year-end, there are often many such orders. For year-end encumbrances, the budgets are carried over to the next fiscal year to cover the expenses that are recorded when the items have been received or services rendered. Year-end encumbrances tend to distort both the year-end balance of the just-completed fiscal year and the new year's expense budget. When reviewing year-end reports and new budgets, one must be especially careful regarding encumbrances so as not to misinterpret the true financial condition of the district.

**EOPS**

Extended Opportunity Programs and Services. Amounts apportioned for the purpose of providing allowable supplemental services through EOPS to encourage enrollment of students challenged by language, social and/or economic disadvantages.

**Equalization Aid**

State funds, included in the general apportionment, to help bring a district's funding up to the statewide average.

**Fifty Percent Law**

Section 84362 of the Education Code, commonly known as the Fifty Percent Law, requires each community college district to spend at least half of its "current expense of education" each fiscal year on the "salaries of classroom instructors." Salaries include benefits and the salaries of instructional aides.

**Fiscal Year**

Twelve calendar months; in California, it is the period beginning July 1 and ending June 30. Some special projects use a fiscal year beginning October 1 and ending September 30, which is consistent with the federal government's fiscal year.

**Fixed Assets**

Property of a permanent nature having continuing value; e.g. land, buildings and equipment.

**Full-time Equivalent Student (FTES)**

The number of students in attendance as determined by actual count for each class hour of attendance or by prescribed census periods. Every 525 hours of actual attendance counts as one FTES. The number 525 is derived from the fact that 175 days of instruction are required each year, and students attending classes three hours per day for 175 days will be in attendance for 525 hours. That is, three times 175 equals 525. FTES has replaced ADA.

Districts complete Apportionment Attendance Reports (CCFS-320) and Apprenticeship Attendance Reports (CCFS-321) to report attendance. These are carefully reviewed by auditors. The importance of these reviews lies in the fact that the two reports serve as the basis for allocating state general apportionment to community college districts.

**Funds, Restricted**

Those monies designated by law or a donor agency for specific purposes, such as Matriculation, Vocational Education or Health Services. Some restricted fund monies which are unspent may be carried over to the next fiscal year. The use of the carryover funds is usually limited by law to the specified purpose(s) for which the funds were originally collected. The Board of Trustees may *designate* funds for a restricted purpose, but the funds remain *unrestricted* and must be reported as such on state documents.

**Funds, Unrestricted**

Generally, those monies of the general fund that are not designated by law or a donor agency for a specific purpose. Unrestricted funds may need to be accounted for separately or may have been designated by the Board for a specific purpose, but they are still legally regarded as unrestricted since the designation may be changed at the Board's discretion.

**Gann Limitation**

A ceiling on each year's appropriations supported by tax dollars. The limit applies to all governmental entities, including school districts. The base year was 1978/79. The amount is adjusted each year, based on a price index and the growth of the student population.

**General Ledger**

A basic group of accounts in which all transactions of a fund are recorded.

**General Purpose Tax Rate**

The district's tax rate, determined by statute as interpreted by the county controller. Base rate was established in 1978, after the passage of Proposition 13, and changes have occurred based on a complex formula using tax rate areas.

**Governmental Funds**

These are accounting segregations of financial resources for attaining institutional objectives. Expendable assets are assigned to the various governmental funds according to the purposes for which they may, or must, be used. Governmental accounting measurements focus on determining financial flow of operating revenues and expenditures, rather than net income.

**Income**

Includes both revenue and non-revenue receipts. Revenue receipts are derived from taxation. Nonrevenue receipts come from the sale of an asset, product or service. The general apportionment is *revenue*; money from community education registration is *income*.

**Inflation Factor**

Adjustments for inflation, which are prescribed by law for school district apportionments. The factor is more commonly referred to as COLA (Cost of Living Adjustment).

**LEA**

Local Educational Agency.

**Mandated Costs**

School district expenses which occur because of federal or state laws, decisions of federal or state courts, federal or state administrative regulations, or initiative measures (See SB 90, 1977).

**Matriculation**

The Seymour-Campbell Matriculation Act of 1986 was enacted through Chapter 1467 of the California Statutes of 1986. The purpose of Matriculation is to promote and sustain the efforts of students to reach their educational goals through a program of support services tailored to the needs of the individual students. Students are obligated to express at least a broad educational intent upon entrance, and to declare a specific educational objective within a reasonable time after enrolling.

**Non-Resident Tuition**

A student who is not a resident of California is required, under the uniform student residency requirements, to pay a tuition fee as prescribed by ECS 76140.

### **Objects of Expenditure**

Objects of expenditure are articles purchased or services obtained by a school district, such as: Certificated Salaries (account series 1000). Includes expenditures for full-time, part-time and prorated portions of salaries for all certificated personnel.

Classified Salaries (account series 2000). Includes expenditures for full-time, part-time and prorated portions of salaries for all classified personnel. Employee Benefits (account series 3000). Includes all expenditures for employers' contributions to retirement plans, and for health and welfare benefits for employees or their dependents, retired employees, and Board members. Books, Supplies & Misc. (account series 4000). Includes expenditures for books, supplies, materials, and miscellaneous. Operating Expenses (account series 5000). Includes expenditures for consultants, travel, conferences, memberships dues, insurance, utilities, rentals, leases, elections, audits, repair, and maintenance contracts, and other contracted services. Capital Outlay (account series 6000). Includes expenditures for sites, improvement of buildings, books and media for libraries, and new equipment. Other Outgo (account series 7000). Includes expenditures for retirement of debt, interfund transfers, other transfers, appropriations for contingencies, and student financial aid.

### **Partnership for Excellence**

The Partnership for Excellence is a mutual commitment by the state of California and the California Community Colleges system to significantly expand the contributions of community colleges to the social and economic success of California.

### **PERS**

Public Employees' Retirement System. State law requires school district classified employees, school districts and the state to contribute to the fund for full-time classified employees.

### **Prior Years Taxes**

Amounts provided from tax levies of prior years and adjustments to taxes reported in prior years. These include delinquent secured and unsecured tax receipts, applicable penalties and any tax sale proceeds of prior years.

### **Proceeds of Taxes**

Defined in the Gann Amendment as revenues from taxes plus regulatory licenses, user charges and user fees, to the extent that such proceeds exceed the costs reasonably borne in providing the regulation, product or service.

### **Program-Based Funding**

Under the provisions of AB 1725, beginning in 1991/92, community colleges were no longer funded on the basis of ADA. Rather, the allocation of general apportionment revenue resources is based upon "workload" measures in the categories of: Instruction, Student Services, Instructional Administration, Facilities and Instructional Administration.

### **Proposition 13 (1978)**

An initiative amendment passed in June 1978, which added Article XIII A to the California Constitution. Tax rates on secured property are restricted to no more than 1% of full cash value. The measure also defines assessed value and the voting requirements to levy new taxes.

**Proposition 98 (1988)**

An amendment to the California Constitution establishing minimum funding levels for K-14 education and changing some of the provisions of Proposition 4 (Gann limit).

**Reserves**

Funds set aside to provide for estimated future expenditures or deficits, for working capital, or for other purposes. Districts that have less than a 5% reserve are subject to a fiscal 'watch' to monitor their financial condition.

**Revenue**

Addition to assets not accompanied by an obligation to perform services or deliver products. This is in contrast to *income*, which is accompanied by an obligation to perform services or deliver products. General apportionment is generally regarded as revenue while categorical funds are treated as income. Proceeds, on the other hand, are cash receipts recorded appropriately as revenue or income. The three terms are often treated, albeit incorrectly, as interchangeable terms.

**Revolving Fund**

The district is authorized (ECS 85400-85405) to establish a revolving cash account for the use of the chief business official in securing or purchasing services or materials.

**Scheduled Maintenance**

For several years, the state has provided special funding to community colleges for approved projects. The state provides for half the cost and the district provides for the other half. In instances of financial hardship, some districts may qualify for 90% state funding.

**Secured Property**

Property that cannot be moved, such as homes and business buildings (business property that is leased is unsecured property). Secured taxes are assessed against secured property.

**Senate Bill 90 (1977), Chapter 1135/77**

A law passed by the California legislature in 1977 that allowed districts to submit claims to the state for reimbursement for increased costs resulting from increased services mandated by the state or by executive orders. Mandated cost provisions were added to the California Constitution upon the passage of Proposition 4 in 1979.

**STRS**

State Teachers' Retirement System. State law requires school district employees, school districts, and the state to contribute to the fund for full-time certificated employees.

**Student Financial Aid Funds**

Funds designated to account for the deposit and direct payment of government-funded student financial aid. Federal Aid: Pell Grants, SEOG (Supplemental Educational Opportunity Grant), Perkins

State Aid: EOPS (Extended Opportunity Programs & Services), CAL Grants



## **TOP**

Taxonomy of Program. This was formerly called the Classification of Instructional Disciplines. Districts are required for state purposes to report expenditures by categories identified in the “311.” The major categories are: Instructional, Instructional Administration, Instructional Support Services, Admissions and Records, Counseling and Guidance, Other Student Services, Operations and Maintenance, Planning and Policymaking, General Institutional Support, Community Services, Ancillary Services, Property Acquisitions, Long-term Debt, Transfers, Appropriation for Contingencies

## **TRANS**

Tax Revenue Anticipation Notes. These are issued to finance short-term cash flow needs. The notes are paid off within a 13-month period using the proceeds of current fiscal year taxes.

## **Unsecured Property**

Moveable property such as boats, airplanes, furniture, and equipment in a business. This property is taxed at the previous year’s secured property tax rate.

## **Vocational Training Education Funds**

Amounts provided through the Vocational Training Education Act (VTEA) for special studies, demonstration projects, and improvement and expansion of vocational instruction programs, special student service programs, etc.

## **Warrant**

A written order drawn to pay a specified amount to a designated payee. For example, the district issues payroll warrants to employees each month. Payroll warrants are commonly referred to as “A” warrants, while warrants for goods and services are referred to as “B” warrants. When there aren’t enough funds to back warrants, they may be *registered*. That means they act as IOUs. In July of 1992, for example, the state issued registered warrants until it had enough cash to pay for them.