Glossary of Accounting Terminology
San Jose/Evergreen CCD
February 26, 2002

50 Percent Law
Section 84362 of the Education Code, commonly known as the Fifty Percent Law, requires that a minimum of 50% of the District’s current expense of education be expended during each fiscal year for “salaries of classroom instructors.” Salaries include benefits and the salaries of instructional aides.

Abatements
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 and services purchased and received but unpaid on June 30.

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

Allocation of Costs
Districts regularly incur costs that are not exclusively for one program. These costs generally must be assigned to the programs incurring such costs, using an acceptable allocation method.

Apportionments
Allocation of state or federal aid, local taxes or other moneys among school districts or other governmental units.

Appropriations
Funds set aside or budgeted by the state or community college for a specific time period and specific purpose.

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.

Appropriation Limit
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 build or purchased property, or the value on March
1, 1975, or continuously owned property plus an annual increase of up to 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 moneys 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 moneys 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 of the community college district as of a specified date. It exhibits the financial condition of a district. Balance sheets are provided in the CCFS-311 report and in the District’s external auditor’s report.

**Basic Skills**
The program provides funding for pre-collegiate courses to correct skills deficiencies.

**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. AB1XX (Chapter 1, Statutes of 1984, Second Extraordinary Session) imposed a mandatory fee for community college credit courses.

**Bonded Indebtedness**
A district’s debt obligation incurred by the sale of bonds.

**Bookstore Fund**
This fund is 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 cost of capital improvement, for the bookstore may be paid from generated revenue.

**Budget Document**
A written statement translating the educational plan or programs into costs, usually for one future fiscal year, and estimating income by sources to meet these costs.

**Capital Outlay**
Capital outlay expenditures are those which result in the acquisition of or addition to fixed assets. They are expenditures for land or existing buildings, additions to buildings, remodeling of buildings, or initial or additional equipment. Construction-related salaries and expenses are included.
CARE
Cooperative Agencies Resources for Education, established in 1982 to provide educational support services to Extended Opportunity Programs and Services (EOPS) students who are welfare-dependent single parents with preschool-aged children. CARE provides academically high-risk students with educational support services, including supplemental counseling and advisement, peer support and networking with other single parents, and special classes and activities designed to enhance their personal development, self-esteem, parenting skills, and employability.

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

Capital Projects Funds
The fund accounts for financial resources to be used for the acquisition or construction of capital outlay items.

Collective Bargaining - SB 160 (1975)
A law passed by the California legislature which sets the manner and scope of negotiations between school districts and employee organizations. The law also mandates a regulations board. (See PERB)

Consumer Price Index (CPI)
A measure of change in the costs 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)
COPs are used to finance the lease/purchase of capital projects. Essentially, they are the issuance of shares in the lease for a specified term.

Costs
The California Community College Accounting Manual gives specific guidelines as to what costs shall be considered direct, direct support or indirect support, and how they shall be accounted for.

Costs, Direct
Costs charged to a program most clearly identified with the program.
Costs, Direct Support
Charges which constitute a reallocation of portions of the direct costs accumulated in support programs for services rendered directly to other programs. Examples might be for maintenance or printing services costs charged back to a college or department.

Costs Indirect Support
Those costs of support programs remaining after the direct and direct support costs have been identified.

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, student transportation and categorical funds.

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

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

Deferred Maintenance
Major repairs of buildings and sites which have been postponed by districts, usually due to a shortage of funds. 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 the other half. In instances of financial hardship, some districts may qualify for 90% State funding.

Defunding (or BA Defunding)
This is the term applied to the proposal to eliminate all apportionment support for students who already have earned baccalaureate or graduate degrees and are taking community college courses for credit.

Disabled Student Programs and Services (DSP&S)
The purpose of these special programs and services is to integrate the disabled student into the general college program; to provide educational intervention leading to vocational preparation, transfer or general education; and to increase independence or to refer students to the community resources most appropriate to their needs.

Drug-free Workplace
All institutions receiving grants from any federal agency must certify that they will provide a drug-free workplace.
**Employee Benefits**  
Amounts paid by the community college district on behalf of employees. These amounts are not included in the gross salary, but are over and above. They are fringe benefit payments and, while not paid directly to employees, they are nevertheless a part of the employee costs. Examples are group health or life insurance payments; contributions to employee retirement systems (STRS or PERS); OASDI (Social Security) and Medicare taxes; workers’ compensation; and unemployment insurance.

**Encumbrances**  
Obligations in the form of purchase orders, contracts, salaries and other commitments that have been made but not yet paid.

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

**Equalization Aid**  
State funds, included in the General Apportionment, to help bring up a District’s fund to the statewide average.

**Excess Tax Revenue**  
Tax revenues which are greater than a governmental entity’s allowable Gann Appropriation limitation. The State had excess revenues a few years ago, and had to return money to the taxpayers. Proposition 98 revised the formula, and it is unlikely that excess revenues will be realized during the 1990’s.

**Faculty and Staff Diversity**  
Funding is provided to local districts to assist them in meeting the costs related to affirmative action. The goal is to achieve, by the year 2005, a work force that will reflect proportionately the adult population of the state.

**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; i.e., 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 ADA. The number 525 is derived from the fact that 175 days of instruction are required each year, and students attending classes 3 hours per day for 175 days will be in attendance 525 hours. That is, 3 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 review lies in the fact that the two reports serve as the basis for allocation State General Apportionment to community college districts.

**Funds, Restricted**
Those moneys designated by law or a donor agency for specific purposes, such as Matriculation, Vocational Education or Heath Services. Some restricted fund moneys which are unspent may be carried over to the next fiscal year. The use of carryover moneys is usually limited by law to the specified purpose(s) for which the moneys were originally collected.

**Funds, Unrestricted**
Generally, those moneys 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.

**GAIN**
Greater Avenues for Independence (GAIN) is a comprehensive effort by the State of California to provide education, job and support services to eligible welfare recipients. The California Community Colleges is one of the major systems that provides GAIN services to welfare clients, in cooperation with county welfare departments.

**Gann Amendment**
An initiative passed in November 1979 adding Article XIIIIB to the California Constitution. It establishes limits on annual appropriations from the proceeds of taxes by the State, cities, counties, school districts and most special districts. Implementing legislation, SB 1352 (Marks), was passed in 1980. Proposition 98, approved by the voters in November 1988, made modifications to the Gann Amendment.

**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. The 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. Non-revenue 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 the COLA (cost of living adjustment).

**LEA**
Local Education Agency.

**Leveling Down**
Decreasing the level of per-student expenditure statewide toward that of the lower spending districts.

**Leveling Up**
Increasing the level of per-student expenditure statewide toward that of the higher spending districts.

**Low Expenditure Districts**
Districts whose General Apportionment per student is less than the state average for similar size districts. Low expenditure districts are allowed a larger inflation adjustment to their General Apportionment than high expenditure districts. Most low expenditure districts were formerly called “low wealth” because of their low assessed valuation per ADA. Neither “high” not “low” refers to the income of district residents.

**Mandated Costs**
School district expenses which occur because of federal or state laws, decisions of state or federal 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 effort 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 at entrance, and to declare a specific educational objective within a reasonable time after enrolling.
Minimum Qualifications and Hiring Criteria
Chapter 973, Section 28, of the Statutes of 1989, requires a Board of Governors to establish and maintain minimum qualifications for hiring community college faculty. Further, the Board is to establish a process to review, at least every three years, the continued appropriateness of such qualifications and the adequacy of the means by which they are administered.

Nonresident 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. The fee shall not be less than the average statewide cost per student.

Objects of Expenditure
Objects of expenditure are articles purchased or services obtained by a school district, such as:

Certificated Salaries (object series 51000)
Includes expenditures for full-time, part-time and prorated portions of salaries for all certificated personnel.

Classified Salaries (object series 52000)
Includes expenditures for full-time, part-time and prorated portions of salaries for all classified personnel.

Employee Benefits (object series 53000)
Includes all expenditures for employer’s contributions to retirement plans, and for health and welfare benefits for employees or their dependents, retired employees and Board members.

Books and Supplies (object series 54000)
Includes books, supplies, and materials.

Other Operating Expenses (object series 55000)
Includes expenditures for consultants, travel, conferences, membership dues, insurance, utilities, rentals, leases, elections, audits, repair and maintenance contracts, and other contracted services.

Capital Outlay (object series 56000)
Includes expenditures for sites, improvement of buildings, books and media for libraries and new equipment.

Other Outgo (object series 57000)
Includes expenditures for retirement of debt, interfund transfers, other transfers, appropriations for contingencies, and student financial aid.

PERB
Public Employment Relations Board, established to regulate collective bargaining between school districts and employees. Formerly called EERB.

**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.

**Per Capita Personal Income**
Income before taxes for individuals, as estimated by the US Department of Commerce.

**Prior Year Taxes**
Amounts provided from tax levies of prior years and adjustments to taxes reported in prior years. These included 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 4 (1979)**
See Gann Amendment

**Proposition 13 (1978)**
An initiative amendment passed in June 1978 which added Article XllIA 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).
**Proposition 111 (1990)**
A Senate Constitutional Amendment which modified Proposition 98 and made numerous changes to the way the appropriations limit is calculated and how the minimum funding guarantee for public schools and community colleges is determined; this includes the appropriations limit formula, the K-14 education funding guarantee and the allocation of excess revenues.

**Reserves**
Funds set aside to provide for estimated future expenditures or deficits, for working capital or other purposes.

**Revenue**
Addition to assets not accompanied by an obligation to perform service or deliver products.

**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.

**SEA**
State Education Agency.

**Secured Property**
Property which 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 which 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.

**Serrano-Priest Decision**
The California Supreme Court decision which holds that a school finance system that relies heavily on local property tax is discriminatory and, therefore, in violation of the California Constitution. The Court said that the level of spending for a student’s education must not be a function of the property wealth of the district in which the student lives. Shortly after this decision (1972), funding for K-14 education changed from a property tax/assessed valuation system to a revenue limit perstudent system. The per-student funding system exists basically as it has since then, with the most fundamental change occurring in 1991-92 when program-based funding was imposed.

**STRS**
State Teachers’ Retirement System. State law requires that school district employees, school districts, and the State, 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. The following are the various types of financial aid:

- **Federal Aid:**
  - Pell Grants (formerly BEOG)
  - SEOG (Supplemental Educational Opportunity Grant)
  - Perkins (formerly NDSL)
- **State Aid:**
  - EOPS (Extended Opportunity Programs and Services)
  - CAL Grant

**Subventions**
Provision of assistance or financial support, usually from a higher governmental unit, for reimbursement of tax exemptions such as Homeowners’ Property Tax Exemptions.

**Tax Rate**
The amount of tax stated in terms of a unit of the tax base. The basic rate is 1% of property assessed valuation. Additional amounts are added to property tax bills to retire bonded indebtedness.

**Tax Rate Limit**
The maximum rate of tax that a governmental unit may levy. (See Proposition 13.)

**TOP**
Taxonomy of Program. This was formerly called Classification of Instructional Disciplines. Districts are required for State purposes to report the expenditures by categories identified in the CCFS-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 Policy Making
- General Institutional Support
- Community Services
- Ancillary Services
- Property Acquisitions
- Long-term Debt
- Transfers
- Appropriations for Contingencies

**Trailer Coach Fees**
Amounts provided from the county’s allocation of trailer coach registration fees.
**TRANs**
Tax and 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.

**Transfer Centers**
The purpose of the transfer centers is to assist, encourage and facilitate the transfer of community college students to four-year institutions.

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

**Vocational Education Funds**
Amounts provided through the Vocational and Applied Technology Education Act (VATEA) for special studies, demonstration projects, 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.