

Glossary¹

50 Percent Law. The “50 Percent Law”, as defined in *Education Code* Section 84362 and *California Code of Regulations* Section 59200 et seq., requires California Community College districts to spend each fiscal year 50% of the current expense of education for payment of salaries of classroom instructors. The intent of the statute is to limit class size and contain the relative growth of administrative and noninstructional costs. The *Annual Financial and Budget Report* (CCFS-311) includes actual data on the district’s current expense of education and compliance with the 50% Law. (See Current Expense of Education.)

Abatement. A complete or partial cancellation of an item of income or expenditure.

Academic employee. A district employee who is required to meet minimum academic standards as a condition of employment.

Account code. A sequence of numbers and/or letters assigned to ledger accounts to classify transactions by fund, object, activity, etc..

Accounting. (1) The special field concerned with the design and implementation of procedures for the accumulation and reporting of financial data. (2) The process of identifying, measuring, and communicating financial information to permit informed judgments and decisions by users of the information.

Accounting period. Any period of time at the end of which a district determines its financial position and results of operations.

Accounting procedures. All processes which identify, record, classify, and summarize financial information to produce reports and to provide internal control.

Accounting system. The total structure of records and procedures which identify, record, classify, and report information on the financial operations of an agency through its funds, account groups, and organizational components.

Accounts payable. A short-term liability account reflecting amounts due to others for goods and services received prior to the end of an accounting period (includes amounts billed, but not paid).

¹Most of these definitions are from *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR).

Accounts receivable. An asset account reflecting amounts due from others for goods and services provided prior to the end of an accounting period (includes amounts advanced but not repaid).

Accrual basis. The method of accounting which calls for recognizing revenue/gains and expenses/losses in the accounting period in which the transactions occur regardless of the timing of the related cashflows. (Contrast with Cash Basis.)

Activity. A set of institutional functions or operations related to an academic discipline or a grouping of services.

Actuarial basis. A basis used in computing the amount of contributions to be made periodically to a fund or account so that the total contributions plus the compounded earnings thereon will equal the required payments to be made out of the fund. The factors considered in arriving at the amount of these contributions include the length of time over which each contribution is to be held and the rate of return compounded on such contribution over its life.

Ad Valorem Tax. A tax on the value of a product or property.

Administrator. For the purpose of *Education Code* Section 84362, “Administrator” means any employee in a position having significant responsibilities for formulating district policies or administering district programs.

Agency Fund. A fund used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governments, and/or other funds; for example, taxes collected and held by the county for a college district.

Allocation. Division or distribution of resources according to a predetermined plan.

Amortization. (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

Amount Available in Debt Service Fund. An “other debit” account in the General Long-Term Debt Account Group designating the amount of assets available in Debt Service Funds for the retirement of outstanding amounts in the General long-term liabilities.

Amount to Be Provided. An “other debit” account in the General Long-Term Debt Account Group that represents the amount to be provided from taxes of other general revenues to retire outstanding general long-term liabilities.

Annual Appropriation Limit (Gann Limit). In California, all governmental jurisdictions, including community college districts, must compute an annual appropriation limit based on the amount in prior years adjusted for changes in population, cost-of-living, and other factors, if applicable (Article XIII-B of the *State Constitution*).

Annuity. A series of equal money payments made or received at equal intervals during a designated period of time.

Apportionment. Allocation of State or federal aid, district taxes, or other moneys to community college districts or other governmental units.

Apportionment notice. A document notifying community college districts of moneys deposited on their behalf with the county treasurer.

Appraisal. An estimate of value made by the use of systematic procedures based upon physical inspection and inventory, engineering studies, and other economic factors.

Appropriation. A legal authorization granted by a legislative or governing body to make expenditures and incur obligations for a specified time and purpose.

Appropriation for contingencies (formerly termed *Undistributed Reserve*). That portion of current fiscal year's budget not appropriated for any specific purpose and held subject to intrabudget transfer, i.e., transfer to other specific appropriations as needed during the fiscal year.

Appropriation ledger. A set of accounts for amounts allocated or budgeted. Such accounts usually show the amount originally appropriated, transfers to or from other accounts, amounts charged against the appropriation, encumbrances, unencumbered balances, and other related information.

Arbitrage. Classically, the simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

Assessed valuation. Value placed upon personal and real property by a governmental unit as a basis for levying taxes.

Assessment. (1) The process of making the official valuation of property for purposes of taxation. (2) The valuation placed upon property as a result of this process.

Assessment roll. In the case of real property, the official list containing the legal description of each parcel of property and its assessed valuation. The name and address of the last known owner are usually listed. In the case of personal property, the assessment roll is the official list containing the name and address of the owner, a description of the personal property, and its assessed value.

Asset. A probable future economic benefit obtained or controlled by an entity as a result of past transactions or events. (See also Current assets and Fixed assets.)

Associated Students Fund. The fund designated to account for moneys held in trust by the district for student body associations.

Audit. An examination of financial statements and related documents, records, and accounts for the purpose of determining the propriety of transactions, whether transactions are recorded properly and whether statements drawn from accounts reflect an accurate picture of financial operations and financial status. Audits may also include reviews of compliance with applicable laws and regulations, economy and efficiency of operations and effectiveness in achieving program results. The general focus of the annual audit conducted on the district is usually a financial statement examination and compliance review.

Audit report. The report prepared by an auditor. As a rule, the report includes: (a) a statement of the scope of the audit; (b) explanatory comments (if any) concerning exceptions by the auditor as to application of generally accepted auditing standards; (c) opinions; (d) explanatory comments (if any) concerning verification procedures; (e) financial statements and schedules; and (f) sometimes statistical tables, supplementary comments, and recommendations.

Auditor's opinion. A statement signed by an auditor which states that she or he has examined the financial statements of the entity in accordance with generally accepted auditing standards (with exceptions, if any) and expresses an opinion on the financial position and results of operations of some or all of the constituent funds and balanced account groups.

Available cash. Cash on hand or on deposit in a given fund that is unencumbered and can be utilized for meeting current obligations.

Average Daily Attendance (ADA). The student workload unit formerly used as the basis for computation of State support for California Community Colleges. An ADA represents 525 class (contact) hours of student instruction/activity. The term ADA has been replaced by Full-time Equivalent Students (FTES). For details on ADA or FTES, see the Chancellor's Office *Student Attendance Accounting Manual* and form CCFS-320.

Balance sheet. A basic financial statement that shows assets, liabilities, and equity of an entity as of a specific date conformity with GAAP.

Basis of Accounting. A term used to refer to *when* revenues, expenditures, expenses, and transfers—and the related assets and liabilities—are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

Bond. Most often, a written promise to pay a specified sum of money, called the face value, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate.

Bond discount. The excess of the face value of a bond over the price (exclusive of accrued interest) for which it is acquired or sold.

Bond Interest and Redemption Fund. The fund designated to account for receipt and expenditure of property tax revenue specified for payment of the principal and interest on outstanding bonds of the district. (See Revenue Bond Interest and Redemption Fund.)

Bond premium. The excess of the purchase or sale price of a bond, exclusive of accrued interest, over its face value.

Bonded debt. The portion of district indebtedness represented by outstanding bonds.

Bonds authorized and unissued. Legally authorized bonds that have not been sold.

Book value. Value as shown in the “book” of accounts. In the case of assets subject to reduction by valuation allowances, “book value” refers to cost or stated value less any appropriate allowance. A distinction is sometimes made between “gross book value” and “net book value,” the former designating value before allowances and the latter after their deduction. In the absence of any modifier, however, “book value” is synonymous with “net book value.”

Books of original entry. The ledgers in which transactions are formally recorded for the first time (e.g. the cash journal, check register, or general journal). With automated bookkeeping methods, one transaction may be recorded simultaneously in several records, one of which may be regarded as the book of original entry. Memorandum books, check stubs, files of duplicate sales invoices, etc., whereon first or prior business notations may have been made, are not books of original entry in the accepted meaning of the term, unless they are also used as the medium for direct posting to the ledgers.

Bookstore Fund. The fund designated to account for operation of the college store.

Budget. A plan of financial operation for a given period consisting of an estimate of expenditures and the proposed means of financing them.

Budget document. The instrument used by the budget-making authority to present a comprehensive financial program to the governing authority (form CCFS-311 for California Community Colleges). Included is a balanced statement of revenues and expenditures (both actual and budgeted), as well as other exhibits.

Budgetary control. The management of business affairs in accordance with an approved plan of estimated income and expenditures.

Budgeting. The process of allocating available resources among potential activities to achieve the objectives of a organization.

Building Fund. See Capital Outlay Projects Fund.

Cafeteria Account. Receipts and disbursements of the cafeteria operation processed through a bank.

Cafeteria Fund. The fund designated to account for food services.

Capital assets. See fixed assets.

Capital outlay. The acquisition of or additions to fixed assets, including land or existing buildings, improvements of grounds, construction of buildings, additions to buildings, remodeling of buildings, or equipment.

Capital Outlay Projects Fund. The fund designated to account for the accumulation of receipts and disbursements for the acquisition or construction of capital outlay items. A fund established under Capital Projects Funds.

Capital Projects Funds. Category of funds in the Governmental Funds Group used to account for the acquisition or construction of capital outlay items.

Cash. An asset account reflecting currency, checks, money orders, bank deposits, and banker's drafts either on hand or on deposit with an official or agent designated as custodian of cash. Any restrictions or limitations as to the use of cash must be indicated.

Cash advance. Money received or paid out before the goods or services.

Cash basis. Method of accounting in which income and expenditures are recorded only when cash is actually received or disbursed.

Cash collections awaiting deposit. Receipts on hand awaiting deposit in the county treasury or bank.

Cash discount. An allowance received or given for payment made on an account within a stated period. The term is not to be confused with "trade discount."

Cash in bank. Cash balances in bank accounts.

Cash in County Treasury. Cash balances in the county treasury.

Cash with Fiscal Agent. An asset account reflecting deposits with fiscal agents, such as a commercial bank or a trust company, designated by the district to act as a fiduciary and as the custodian of moneys relating to debt financing.

Certified Public Accountant. An accountant to whom a state has granted a certificate showing that he or she has met prescribed educational, experience, and examination requirements designed

to insure competence in the practice of public accounting. The accountant holding such a certificate is permitted to use the designation Certified Public Accountant.

Chart of Accounts. A systematic list of accounts applicable to a specific entity.

Check. A written order on a bank to pay on demand a specific sum of money to the order of the named payee(s) out of money on deposit to the credit of the maker (payor).

Child Development Fund. The fund designated to account for child development services.

Classification. Assignment of items into a system of categories.

Classification by activity. Categorization of district activities according to the unique function or purpose served.

Classified employee. A district employee who is not required to meet minimum academic standards as a condition of employment.

Clearing accounts. Accounts used to accumulate total receipts or expenditures for later distribution among the accounts to which such receipts or expenditures are properly allocable or for recording the net differences under the proper account (See also revolving cash account, prepaid expenses, and petty cash).

Code. (1) A distinguishing reference number or symbol. (2) A statement of the laws of a specific field; e.g., *Education Code (EC)*, *Penal Code (PC)*, *Civil Code (CC)*, *Labor Code (LC)*, etc.

Coding. A system of numbering or otherwise designating accounts, entries, invoices, vouchers, etc., in such a manner that the symbol used reveals quickly certain required information. An example is the numbering of monthly recurring journal entries to indicate the month and the nature of the entry and the numbering of invoices or vouchers so that the number reveals the date of entry.

Community services. Educational, cultural, and recreational services which an educational institution may provide for its community in addition to its credit and noncredit programs. Community college districts receive no direct State apportionment for community services.

Compensated Absences. Absences, such as vacation, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance and long-term disability pay.

Contingent liabilities. Items which may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending law suits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. All contingent liabilities should be

disclosed within the basic financial statements, including the notes thereto when there is a reasonable possibility a loss may have occurred.

Contracted services. Services rendered by personnel who are not on the payroll of the college system, including all related expenses covered by the contract.

Contributed Capital. The permanent fund capital of a proprietary fund. Contributed capital forms one of two classifications of equity found on the balance sheet of a proprietary fund. Contributed capital is created when a residual equity transfer is received by a proprietary fund, when a general fixed asset is “transferred” to a proprietary fund or when a grant is received that is externally restricted to capital acquisition or construction. Contributions restricted to capital acquisition and construction and fixed assets received from developers and customers, as well as amounts of tap fees in excess of related costs, also would be reported in this category.

Controlling account. A summary account, usually maintained in the general ledger, in which is recorded the aggregate of debit and credit postings to a number of identical, similar, or related accounts called subsidiary accounts. Its balance equals the sum of the balances of the detailing accounts.

Cost. The amount of money or other consideration exchanged for goods or services. Cost may be incurred even before money is paid; that is, as soon as liability is incurred.

Cost accounting. The 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 of Goods Sold. The dollar amount incurred for materials, labor, etc., used in producing a good sold during the period. For example, amount paid for lumber, labor, and utilities used to manufacture a chair would be the cost of that item.

Credit. The right side of a double-entry accounting entry. A credit reduces assets or expenditures and increases income, liabilities, or fund balance.

Current assets. Assets that are available or can be made readily available to pay for the cost of operations or to pay current liabilities.

Current Expense of Education (CEE)—EC §84362, CCR §§59200 et seq. The Unrestricted General Fund expenditures of a community college district in Objects of Expenditure 1000 through 5000 and 6400 (Equipment Replacement Subobject) for activity codes 0100 through 6700. Excluded from the current expense of education are expenditures for student transportation, food services, community services, lease agreements for plant and equipment, and other costs specified in law and regulations. Amounts expended from State Lottery proceeds are also excluded. (See 50 Percent Law.)

Current liabilities. Amounts due and payable for goods and services received prior to the end of the fiscal year. Current liabilities are paid within a relatively short period of time, usually within a year.

Current loan. A loan payable in the same fiscal year in which the money was borrowed.

Current taxes. Taxes levied and becoming due within one year.

Data processing. (1) The preparation and handling of information and data from source media through prescribed procedures to obtain such end results as classification, problem solution, summarization, and reports. (2) The preparation and handling of financial information wholly or partially by mechanical or electronic means. (See Electronic Data Processing [EDP].)

Debit. The left side of a double-entry accounting entry. A debit increases assets or expenditures and reduces income, liabilities, or fund balance.

Debt limit. The maximum amount of bonded debt for which an entity may legally obligate itself.

Debt service. Expenditures for the retirement of principal and interest on long-term debt.

Deferred charges. Expenditures that are not chargeable to the fiscal period in which they are made, but that are carried as an asset on the balance sheet pending amortization or other disposition (e.g., bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time and are not regularly recurring costs of operations which are paid for prior to their occurrence. Examples include discounted bonds sold and prepaid expenses, such as insurance.

Deferred Revenue. Revenue received prior to being earned such as bonds sold at a premium, advances received on federal or State program grants, or enrollment fees received for a subsequent period.

Deficit. 1. The excess of liabilities over assets. 2. The excess of expenditures or expenses over revenues during an accounting period.

Delinquent taxes. Taxes remaining unpaid on or after the date on which a penalty for nonpayment is attached (see also prior years' taxes).

Depreciation. 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. 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 entire cost of the asset is ultimately charged off as an expense.

Designated income. Income received for a specific purpose.

Direct activity charges. Charges for goods or services that exclusively benefit the activity.

Direct expenses or costs. Expenses specifically traceable to specific goods, services, activities, programs, functions, units, or departments. Direct expenses or costs differ from indirect expenses or costs in that the latter cannot be specifically traced and so must be allocated on some systematic and rational basis.

Disbursements. Payments by currency, check, or warrant (the term is not synonymous with expenditures).

Double entry. A system of bookkeeping that maintains equality of debits and credits.

Due from “ ” Fund. An asset account used by the lender fund to reflect short-term obligations owed by another fund.

Due to “ ” Fund. A liability account used by the borrowing fund to reflect short-term obligations owed to another fund.

Interest income. A sum of money received or due to be received for the use of money loaned or invested.

Educational Administrator. *Education Code* Section 87002 and *California Code of Regulations* Section 53402(c) define “educational administrator” as an administrator who is employed in an academic position designated by the governing board of the district as having direct responsibility for supervising the operation of or formulating policy regarding the instructional or student services program of the college or district. Educational administrators include, but are not limited to, chancellors, presidents, and other supervisory or management employees designated by the governing board as educational administrators.

Effective interest rate. The rate of earning on a bond investment based on the actual price paid for the bond, the coupon rate, the maturity date, and the length of time between interest dates, in contrast with the nominal interest rate.

Electronic data processing (EDP). Data processing by means of electronic equipment. (See data processing.)

Eminent domain. The power of a government to acquire private property for public purposes. It is frequently used to obtain real property which cannot be purchased from owners in a voluntary transaction. Where the power of eminent domain is exercised, owners are compensated by the government in an amount determined by the courts.

Employee benefits. Amounts paid by an employer on behalf of employees. Examples are group health or life insurance payments, contributions to employee retirement, district share of O.A.S.D.I. (Social Security) taxes, and worker’s compensation payments. These amounts are not

included in the gross salary, but are over and above. While not paid directly to employees, they are a part of the total cost of employees.

Encumbrances. Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

Enterprise Funds. A subgroup of the Proprietary Funds Group used to account for operations when the governing board has decided either that the total cost of providing goods and services on a continuing basis (expenses including depreciation) be financed or recovered primarily through user charges; or that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Entitlement. The amount of payment to which an entity is entitled pursuant to an allocation formula contained in applicable statutes

Entry. (1) The record of a financial transaction in its appropriate book of account. (2) The act of recording a transaction in the books of account.

Equipment. Tangible property with a purchase price of at least \$200 and a useful life of more than one year, other than land or buildings and improvements thereon. See Appendix E, Guidelines for Distinguishing Between Supplies and Equipment.

Estimated revenue. Expected receipt or accruals of moneys from revenue or nonrevenue sources during a given period.

Expendable Trust Fund. A Trust Fund whose resources, including both principal and earnings, may be expended. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds.

Expenditures. Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlements and share revenues. Accounts kept on an accrual basis include all charges whether cash has been paid or not. Accounts kept on a cash basis include only actual cash disbursements.

Expense of Education. This includes all General Fund expenditures, restricted and unrestricted, for all objects of expenditure 1000 through 5000 and all expenditures of activity from 0100 through 6700.

Expenses. Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

Face value. The value stated on a negotiable instrument. As applied to securities, the amount stated in the security document.

Farm Operation Fund. The fund designated to account for the operation of the college farm.

Fees. Amounts collected from or paid to individuals or groups for services or for use of facilities.

Fidelity bond. A written promise to indemnify an employer for losses arising from theft, defalcation, or misappropriation of moneys by government officers and employees.

Fiduciary Funds Group. A group of funds used to account for assets held by the district in a trustee or agent capacity on behalf of individuals, private organizations, student organizations, other governmental units, and/or other funds.

Financial and Compliance Audit. An examination leading to the expression of an opinion on (1) the fairness of presentation of the audited entity's basic financial statements in conformity with GAAP, and (2) the audited entity's compliance with the various finance-related legal and contractual provisions used to assure acceptable governmental organizational performance and effective management stewardship. Public sector oversight bodies typically require independent auditors to include responses to standardized legal compliance audit questionnaires in financial and compliance audit reports.

Fiscal year. A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. For governmental entities in the State of California, the period beginning July 1 and ending June 30.

Financial Resources. Cash and other assets that, in the normal course of operations, will become cash.

Fiscally Independent/Fiscally Dependent Government. A government is fiscally independent if it can (1) determine its budget without another government having the substantive authority to approve and modify that budget, (2) levy taxes or set rates or charges without substantive approval by another government and (3) issue bonded debt without substantive approval by another government. A government is fiscally dependent if it is unable to complete one or more of these procedures without the substantive approval of another government.

Fixed assets. Long-lived tangible assets having continuing value such as land, buildings, machinery, furniture, and equipment.

Fixed costs. Costs of providing goods and services that do not vary proportionately to enrollment or to the volume of goods or services provided (e.g., insurance and contributions to retirement systems).

Fixtures. Attachments to buildings that are not intended to be removed and cannot be removed without damage to the buildings. Those fixtures with a useful life presumed to be as long as that of the building itself are considered a part of the building; all others are classified as equipment.

Flow of Current Financial Resources. A measurement focus that recognizes the net effect of transactions on current financial resources by recording accruals for those revenue and expenditure transactions which have occurred by year end that are normally expected to result in cash receipt or disbursement early enough in the following year either (a) to provide financial resources to liquidate liabilities recorded in the fund at year end or (b) to require the use of available expendable financial resources reported at year end.

Flow of Economic Resources. The measurement focus used in the commercial model and in proprietary and similar trust funds to measure economic resources, the claims to those economic resources and the effects of transactions, events and circumstances that change economic resources and claims to those resources. This focus includes depreciation of fixed assets, deferral of unearned revenues and prepaid expenses, and amortization of the resulting liabilities and assets. Under this measurement focus, all assets and liabilities are reported on the balance sheet, whether current or noncurrent. Also, the accrual basis of accounting is used, with the result that operating statements report expenses rather than expenditures.

Flow of Financial Resources Measurement Focus. A new measurement focus proposed for governmental funds in the GASB's exposure draft *Measurement Focus and Basis of Accounting - Governmental Funds* (December 1987). It is:

a measure of the extent to which financial resources obtained during a period are sufficient to cover claims incurred during that period against financial resources, and the net financial resources available for future periods. This is accomplished by measuring the increases and decreases in net financial resources and the balances of and claims against financial resources using an accrual basis of accounting.

This definition uses the term "financial resources" in a way that differs from its current use. See Financial Resources. In this instance, the term means cash, claims to cash (e.g., accounts and taxes receivable), and claims to goods or services (e.g., prepaid items) obtained or controlled as a result of past transactions or events. See Flow of Current Financial Resources.

Force account. A method employed in the construction and/or maintenance of fixed assets whereby a district's own personnel are used instead of an outside contractor. This method also calls for the purchase of materials by the district and the possible use of its own equipment, but the distinguishing characteristic of the force account method is the use of the district's own personnel subject to specified limits.

Full-time Equivalent (FTE) Employees. Ratio of the hours worked based upon the standard work hours of one full-time employee. For example, classified employees may have a standard

work load of 40 hours per week, if several classified employees worked 380 hours in one week, the FTE conversion would be $380/40$ or 9.5 FTE.

Full-time Equivalent Students (FTES). An FTES represents 525 class (contact) hours of student instruction/activity in credit and noncredit courses. Full-time equivalent student (FTES) is one of the workload measures used in the computation of state aid for California Community Colleges. (See form CCFS-320, "Apportionment Attendance Report.")

Functional accounting. A system of accounting in which records are maintained to accumulate income and expenditure data by purpose and usually are further classified within generalized functional areas such as instruction, administration, or operations.

Fund. An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein.

Fund balance. The difference between fund assets and fund liabilities of governmental and similar trust funds.

Fund group. Compilation of two or more individual funds used to report sources and uses of resources in providing some major service or group of services.

Funded debt. See bonded debt, the preferred term.

Gann Limit. See Annual Appropriation Limit.

General Fixed Asset Account Group (GFAAG). A self-balancing group of accounts used to account for fixed assets used in operations accounted for in governmental funds. General fixed assets include all fixed assets not accounted for in Proprietary Funds or in Trust and Agency Funds.

General Fund. The fund used to account for the ordinary operations of the district. It is available for any legally authorized purpose not specified for payment by other funds.

General ledger. A record containing the accounts needed to reflect the financial position and the results of operations. General ledger accounts may be kept for any group of items of receipts or expenditures.

General Long-Term Debt Account Group (GLTDAG). A self-balancing group of accounts used to account for the district's unmatured general long-term debt expected to be repaid from governmental funds. The GLTDAG is also used to report that portion of the liabilities for claims, judgments, compensated absences and unfunded pension contributions of governmental and expendable trust funds not expected to be liquidated through the use of expendable available financial resources.

General Reserve. An account to record the reserve budgeted to provide operating cash in the succeeding fiscal year until taxes and State funds become available.

Generally Accepted Accounting Principles (GAAP). Uniform minimum standards and guidelines for financial accounting and reporting.

Gift. Anything of value received from any source for which no repayment or service to the contributor is expected.

Governmental accounting. The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of a governmental entity.

Governmental Accounting Standards Board (GASB). The authoritative accounting and financial reporting standard-setting body for governmental entities.

Governmental funds. Grouping of funds used to account for activities directly related to an institution's educational objectives.

Governmental-Type Activities. Those activities of a government that are carried out primarily to provide services to citizens and that are financed primarily through taxes and intergovernmental grants.

Grade level. Classification of students based on completion of units of credit or some other measure.

Grants. Contributions or gifts of cash or other assets from another government or private organization to be used or expended for a specified purpose, activity or facility.

Gross profit. Net sales less cost of goods sold exclusive of selling and general expenses.

Gross Sales. Total sales before deduction of sales returns and sales allowance.

Imprest account. An account into which a fixed amount of money is placed to make minor disbursements or for a specific purpose (e.g., payroll). As disbursements are made, a voucher is completed to record their date, amount, nature, and purpose. At periodic intervals, or when the money is completely expended, a report with substantiating vouchers is prepared and the account is replenished for the exact amount of the disbursements, and appropriate general ledger accounts are charged. The total of cash plus substantiating vouchers must at all times equal the total fixed amount of money set aside in the imprest account. (See Petty cash and Revolving cash account.)

Income. A term used in proprietary fund-type accounting to represent (1) revenues or (2) the excess of revenues over expenses.

Independent Audit. An audit performed by an independent auditor.

Independent Auditor. An auditor meeting the independence criteria set forth in GAAS or GAGAS.

Indirect expenses or costs. Those elements of cost necessary in the production of a good or service which are not directly traceable to the product or service. Usually these costs relate to objects of expenditure that do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management and supervision.

Instructional aide. A person employed to assist classroom instructors and other certificated personnel in the performance of their duties; in the supervision of students; and in instructional tasks which, in the judgment of the certificated personnel to whom the instructional aide is assigned, may be performed by a person not licensed as a classroom instructor (EC §88243).

Interest. A fee charged a borrower for the use of money.

Interfund accounts. Accounts in which transactions between funds are reflected.

Interfund transfers. Money that is taken from one fund and added to another fund without an expectation of repayment.

Internal audit. An examination made by one or more employees to make continuous or periodic checks to determine whether acceptable policies and procedures are followed, established standards are met, resources are used efficiently and economically, accounting and reporting procedures are reliable, and the organization's objectives are being achieved.

Internal control structure. A plan of organization in which employees' duties are arranged and records and procedures designated to provide a system of self-checking, thereby enhancing accounting control over assets, liabilities, income, and expenditures. Under such a system the employees' work is subdivided so that no one employee performs a complete cycle of operation; such procedures call for proper delegation by designated officials.

Internal Service Funds. A subgroup of the Proprietary Funds Group used to account for the financing of goods or services provided on a cost reimbursement basis by one department to other departments within or outside the community college district.

Intrabudget transfers. Amounts transferred from one appropriation account to another within the same fund.

Intrafund transfer. The transfer of moneys within a fund of the district.

Inventory. A detailed list showing quantities and description of property on hand at a given time. It may also include units of measure, unit prices, and values.

Investments. Securities, real estate, etc., held for the production of revenues in the form of interest, dividends, rentals, or lease payments. The term excludes fixed assets used in governmental operations.

Investment in General Fixed Assets. An account in the GFAAG representing the book value of fixed assets.

Invoice. An itemized statement of charges from the vendor to the purchaser for merchandise sold or services rendered.

Job account. An account established to record the accumulation of costs of a specific piece of work; work orders showing charges for material and labor used.

Journal. Any accounting record in which financial transactions of an entity are formally recorded for the first time; e.g., the cash receipts book, check register, and journal voucher.

Journal voucher. A form provided for the recording of certain transactions or information in place of, or supplementary to, the journal or registers.

Judgments. Amounts due to be paid or collected by an entity as the result of court decisions.

Ledger. A group of accounts in which the financial transactions of a governmental unit or other organization are recorded. (See also General ledger and Appropriation ledger.)

Levy. The imposition of taxes, special assessments, or service charges for the support of governmental activities; also, the total amount of taxes, special assessments, or service charges imposed by a governmental unit.

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

Long-term debt. A loan that extends for more than one year from the beginning of the fiscal year.

Marginal costs. Costs incurred as a result of adding one unit of enrollment or production.

Measurement Focus. The accounting convention that determines (1) which assets and which liabilities are included on a government's balance sheet and where they are reported there, and (2) whether an operating statement presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).

Modified accrual basis (modified cash basis). The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available" to finance expenditures of the current

period.” “Available” means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred except for (1) inventories of materials and supplies that may be considered expenditures either when purchased or when used, and (2) prepaid insurance and similar items that may be considered expenditures either when paid for or when consumed. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

Multiyear Financial Plan (MYFP). A plan that presents financial estimates of programs in tabular form for a period of years. These estimates would reflect the future financial impact of current decisions. Data in the MYFP should be organized along the lines of the program structure.

Net profit. Gross profit less selling and general expenses.

Nonexpendable Trust Fund. A Trust Fund, the principal of which may not be expended. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Nonrevenue receipts. Amounts received that either incur an obligation that must be met at some future date or change the form of an asset from property to cash and therefore decrease the amount and value of property. Money received from loans, sale of bonds, sale of property purchased from capital funds, and proceeds from insurance adjustments constitute most nonrevenue receipts.

Object. Expenditure classification category of an item or a service purchased.

Obligations. Amounts that an entity may be legally required to pay out of its resources. Included are not only actual liabilities, but also unliquidated encumbrances. (See also Liabilities.)

Operating expenses. Proprietary fund expenses related directly to the fund’s primary activities.

Operating income. The excess of proprietary fund operating revenues over operating expenses.

Opportunity costs. The value of an activity or opportunity that must be foregone to implement an alternative.

Order (for payment). See Warrant.

Overdraft. The amount by which checks, drafts, or other demands for payment on the treasury or on a bank account exceed the amount of the balance upon which they are drawn; or the amount by which encumbrances and expenditures exceed the appropriation to which they are chargeable.

Par value. The nominal or face value of a security.

Payroll register. A document accompanying one or more orders on a fund for the payment of salaries or wages to employees which contains the names of such employees and provides information substantiating such orders.

Payroll warrant. A document used as an order or a requisition on funds of an entity to pay salaries or wages.

Petty cash. A sum of money set aside on an imprest basis to make change or to pay small accounts for which the issuance of a formal voucher and check would be too expensive and time-consuming. (See also Imprest account and Revolving cash account.)

Posting. The act of transferring data in an account in a ledger the data, either detailed or summarized, from a book or document of original entry to an account in a ledger.

Prepaid expenses. Goods or services for which payment has been made, but for which benefits have not been realized as of a certain date; e.g., prepaid rent, prepaid interest, and premiums on unexpired insurance. Expenses are recorded in the accounting period in which the related benefits are received.

Prior Years' Taxes. Taxes received in the current fiscal year for delinquencies or impounds in previous fiscal years.

Program. Category of activities with common outputs and objectives. A program may cut across existing departments and agencies.

Program accounting. A system of accounting in which records are maintained to accumulate income and expenditure data by program rather than by organization or by fund.

Program costs. Costs incurred and allocated by program rather than by organization or by fund.

Property tax rate. See Tax rate.

Proprietary Funds Group. A group of funds used to account for those ongoing government activities which, because of their income-producing character, are similar to those found in the private sector.

Proration. Allocation of expenditures or income from a single source to two or more accounts to show the correct distribution of charges or income.

Protested (impounded) taxes. Tax money paid under protest and held by the county auditor pending settlement of the protest.

Purchase order. A document authorizing the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

Real property. Property consisting of land, buildings, minerals, timber, landscaping, and related improvements.

Rebate. Abatement or refund which represents the return of all or part of a payment.

Reclassification. Redesignation of current year's income or expenditure items previously posted to one account and later determined to be more properly charged to a different account.

Refund. (*Noun*) An amount paid back or credit allowed on account of an overcollection. (See Rebate.) (*Verb*) To pay back or allow credit for an amount because of an overcollection or because of the return of an object sold. (*Verb*) To provide for the payment of an obligation through cash or credit secured by a new obligation.

Registered warrant. A warrant that is registered for future payment on account of a present lack of funds and that is to be paid with interest in the order of its registration number.

Registers. A listing of transactions of like kind that may be totaled and summarized for convenience in posting; e.g., payroll registers, warrant registers, and attendance registers.

Reimbursement. (1) Repayments of amounts remitted on behalf of another party. (2) Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund (e.g., an expenditure properly chargeable to a special revenue fund is initially made from the general fund, and is subsequently reimbursed). These transactions are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures or expenses in the fund reimbursed. (See also Refund.)

Replacement cost. The amount of cash or other consideration that would be required today to obtain the same asset or its equivalent.

Requisition. A written demand or request, usually from one department to the purchasing officer or to another department, for specified articles or services.

Reserve. An amount set aside to provide for estimated future expenditures or losses, for working capital, or for other specified purposes.

Reserve for Encumbrances. The segregation of a portion of a fund balance to provide for unliquidated encumbrances. Separate accounts may be maintained for current and prior year encumbrances.

Resources. All assets owned including land, buildings, cash, estimated income not realized, and, in certain funds, bonds authorized but unissued.

Restricted accounts. Cash or other assets which are limited as to use or disposition by their source. Their identity is therefore maintained and their expenditure or use is also recorded separately.

Revenue. Increase in net assets from other than expense or expenditure refunds or other financing sources (e.g., long-term debt proceeds, residual equity and operating transfers, and capital contributions). See nonrevenue receipts.

Revenue Bond Construction Fund. The fund designated to account for receipts and disbursements of the proceeds from the sale of community college revenue bonds for the acquisition or construction of authorized auxiliary or supplementary facilities.

Revenue Bond Interest and Redemption Fund. The fund designated to pay current interest and principle on bonds issued from receipts recorded in the Revenue Bond Project Fund.

Revenue Bond Project Fund. The fund designated to receive revenues from operation and disburse moneys for operation and maintenance of auxiliary or supplementary facilities for individual or group accommodation acquired or constructed from authorized community college revenue bonds.

Revenue bonds. Bonds whose principal and interest are payable exclusively from earnings of the funded facilities operation.

Revolving Fund. A stated amount of money authorized by the district governing board to be used primarily for emergency or small sundry disbursements. The fund is reimbursed periodically through properly documented expenditures, which are summarized and charged to proper account classifications.

Sales and use tax. A tax imposed upon the sale of goods and services. The use tax is paid in lieu of the sales tax on goods purchased outside the state, but intended for use in the state.

Schedules. Explanatory or supplementary statements that accompany the balance sheet or other financial statements.

Scholarship and Loan Fund. The fund designated to account for moneys received and disbursed for scholarships, grants, and loans to students.

Secured roll. Assessed value of real property, such as land, buildings, secured personal property, or anything permanently attached to land as determined by each county assessor plus the value of the property of public utilities as determined by the State Board of Equalization.

Securities. Bonds, notes, mortgages, or other forms of negotiable or nonnegotiable instruments.

Self-Insurance Fund. An Internal Service Fund designated to account for income and expenditures of self-insurance programs.

Serial annuity bonds. Consecutively numbered or otherwise identified notes or other evidence of obligation in which the annual payment of principal and interest combined are approximately the same each year.

Serial bonds. Consecutively numbered or otherwise identified notes or other evidences of obligation redeemable by installment, each of which is to be paid out of income of the year in which it matures.

Shared revenue. Revenue collected by one governmental unit but shared, usually in proportion to the amount collected, with another unit of government or class of governments.

Short-Term Debt. Debt with a maturity of one year or less after the date of issuance. Short-term debt usually includes variable-rate debt, bond anticipation notes, tax revenue anticipation notes and revenue anticipation notes.

Site. Land which has been acquired or is in the process of being acquired.

Source document. Any voucher or other document that supports an entry in the accounting records.

Special Populations. Used to identify individuals with the same or similar characteristics. Commonly used in connection with categorical funding sources to identify eligible recipients. More specific information about certain categories of special populations may be obtained with the assistance of college staff working in those program areas.

Special Revenue Funds. A category of funds used to account for proceeds of specific legally restricted revenue for and generated from activities not directly related to the educational program of the college.

Specifications. Those particular qualities required of products or services.

Statements. Formal written presentations setting forth financial information. The term includes exhibits, schedules, and written reports.

State School Fund–Section B. Moneys appropriated by the Legislature for distribution to community college districts.

Stores. (1) A system that enables supplies to be purchased in large quantities and charged to an asset account. The supplies are charged to the department when distributed. (2) The stockpiling of large amounts of supplies usually in a warehouse for future use. (3) Large quantities of supplies in storage.

Student Body Fund. A fund to control the receipts and disbursements for student association activities.

Student Financial Aid Fund. The fund designated to account for the deposit and payment of student financial aid including grants and loans or other moneys intended for similar purposes and excluding administrative costs.

Subsidiary account. A related account that supports in detail the debt and credit summaries recorded in a controlling account.

Subsidiary ledger. A group of subsidiary accounts, the sum of the balances of which equal the balance of the related controlling account.

Subvention. A grant or provision of assistance or financial support, usually from one governmental unit to a subordinate jurisdiction.

Summary. Consolidation of like items for accounting purposes.

Supervisor. For the purpose of *Education Code* Section 84362 (the Fifty Percent Law), “Supervisor” means any employee having authority, on behalf of the district, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, discipline other employees, adjust their grievances, or effectively recommend such action, if the exercise of such authority is not of a merely routine or clerical nature.

Supplanting. To use one type of funds to provide goods or services previously paid for with another type of funds. Generally, this practice is prohibited when State or federal funds are used to replace local funds.

Supply. A material item of an expendable nature that is consumed, wears out, or deteriorates in use; or one that loses its identity through fabrication or incorporation into a different or more complex unit or substance.

Surety bond. A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document through nonperformance or through defalcation. For example, a surety bond might be required of a contractor or an official who handles cash or securities.

Suspense Account. An account to which postings are made temporarily pending determination of the proper account to be charged or credited.

Tax Revenue Anticipation Notes (TRAN). Instruments issued to secure short-term moneys borrowed in expectation of collection of taxes.

Tax liens. Claims by governmental units upon properties for which taxes levied remain unpaid.

Tax rate. The amount of tax stated in terms of a unit of the tax base; for example, 25 mills per dollar of assessed valuation of taxable property.

Tax rate limit. The maximum rate of tax that a governmental unit may levy.

Tax redemption. Proceeds from the sale of tax-delinquent property.

Tax relief subventions. Amounts received to compensate community colleges for revenues lost due to tax exemptions, such as for business inventory or owner occupied property.

Tax roll. The list showing the amount of taxes levied against each taxpayer or property.

Taxes. Compulsory charges levied within its boundaries by a governmental unit against the income or property of persons, natural or corporate, to finance services performed for the common benefit.

Taxes Receivable. An asset account representing the collected portion of taxes not yet apportioned to an entity at the close of the fiscal year.

Term bonds. Bonds of the same issue maturing at specified times.

Test check. The verification of selected items on the assumption that those selected are representative of the entire group from which they are selected. If no errors are found, the unchecked items in the group are assumed to be correct. Also known as Sampling.

Trade discount. A reduction of the list price, usually expressed as a percent and related to volume of business transacted (not to be confused with cash discount).

Trial Balance. A list of the balances of the accounts in a ledger kept by double entry with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or if their net balance agrees with a controlling account, the ledgers from which the figures are taken are said to be “in balance.”

Trust Fund. A fund consisting of resources received and held by an entity as trustee to be expended or invested in accordance with the conditions of the trust.

Tuition. An amount charged for instructional services provided to a student.

Unencumbered balance. That portion of an appropriation or allotment not yet expended or obligated.

Unit cost. The total expenditure for a product, program, or service divided by the total quantity obtained or some other quantitative measure; e.g., total expenditure divided by number of students equals cost per student.

Unrealized income. Estimated income less income received to date; also, the estimated income for the remainder of the fiscal year.

Unsecured roll. Assessed value of personal property other than secured property.

Useful life. The period of time that an asset is of physical useful value. It is established primarily for depreciation and insurance purposes.

Variable costs. Those costs that fluctuate directly with enrollment or volume of business, as opposed to fixed cost.

Vocational and Technical Education Act (VTEA) of 1998. Federal act which provides funds for special studies, demonstration projects, and supplemental services to special populations in identified educational programs, etc.

Voucher. A written document that evidences the propriety of transactions and usually indicates the accounts in which they are to be recorded.

Voucher warrant. A form embodying a warrant and voucher in one document.

Warrant. A written order drawn by the governing board or its authorized officer(s) or employee(s) and allowed by the county auditor, directing the county treasurer to pay a specified amount to a designated payee. A warrant may or may not be payable on demand and may or may not be negotiable.

Warrants payable. The face amount of warrants outstanding and unpaid.

Withhold. Money deducted from an amount payable to an employee or a business (e.g., federal and State income taxes withheld from employee payroll checks and by contract agreement the amount retained until final inspection and acceptance on construction projects).

Work in Process. An asset representing the value of partially completed work.

Work order. A written authorization for the performance of a particular job containing a description of the nature and location of the job and specifications for the work to be performed. Such authorizations are usually assigned job numbers and provision is made for accumulating and reporting labor, material, and other costs.

Common Acronyms

AB	Assembly Bill
AICPA	American Institute of Certified Public Accountants
BAM	Budget and Accounting Manual
BFAP	Board Financial Assistance Program
CA	Controlling Account
CalWORKs	California Work Opportunity and Responsibility to Kids
CARE	Cooperative Agencies Resources for Education
CCR	<i>California Code of Regulations (Title 5)</i>
COP	Certificate Of Participation
CPF	Capital Projects Fund
DSPS	Disabled Students Programs and Services
DSF	Debt Service Fund
EC	<i>California Education Code</i>
EF	Enterprise Fund
EOPS	Extended Opportunity Programs and Services, Parts A and B
FASB	Financial Accounting Standards Board
FTES	Full-Time Equivalent Student
GAAFR	<i>Governmental Accounting, Auditing, and Financial Reporting</i>
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GC	<i>Government Code</i>
GF	General Fund
GFAAG	General Fixed Assets Account Group
GLTDAG	General Long-Term Debt Account Group
IBNR	Incurred But Not Reported
IRS	Internal Revenue Service
ISF	Internal Service Fund
JPA	Joint Powers Agreement
LAIF	Local Agency Investment Fund
NCGA	National Council on Governmental Accounting
PCC	Public Contract Code
PERS	Public Employees Retirement System
SEOG	Supplemental Educational Opportunity Grant
SMSR	Scheduled Maintenance and Special Repairs
SRF	Special Revenue Fund
STRS	State Teachers Retirement System
TANF	Temporary Assistance for Needy Families
TOP	Taxonomy Of Programs
TRAN	Tax Revenue Anticipation Note
TTIP	Telecommunications and Technology Information Programs
VTEA	Vocational and Technical Education Act

Common Categorical and Restricted Programs

General Programs

CalWORKs
CARE
Child Development
Childcare Permissive Tax Bailout
College Work Study
Disabled Students Programs and Services (DSPS)
Economic Development
Extended Opportunity Programs and Services (EOPS), Parts A and B
Employer-based Training
Enrollment Fee Administration
Faculty and Staff Diversity
Foster Care/Parent
Instructional Equipment
Instructional Improvement Grant
Matriculation
Part-time Faculty Health
Part-time Faculty Office Hours
Student Fees – Restricted (e.g., parking, health)
Temporary Assistance for Needy Families (TANF)
Vocational and Technical Education Act (VTEA)
Vocational Education Counselor In-Service Training
Title 2, Parts A and B
Title 3, Parts A and B
Workability 2 and 3 (including local match)

Capital Outlay Programs

Construction Act
Hazardous Substances
Scheduled Maintenance and Special Repairs (SMSR)
Telecommunications and Technology Information Programs (T-TIP)

Student Financial Aid

Federal

Pell Grants
Supplemental Educational Opportunity Grant (SEOG)
Direct Student Loan (DSL)
Nursing Loan (NL)
Bureau of Indian Affairs (BIA)

State

Board Financial Assistance Program (BFAP) Administrative Allowance
Cal Grants B and C
Extended Opportunity programs and Services (EOPS), Part C
Direct Aid to Students (loans and grants, excluding work-study)

Guidelines for Distinguishing Between Supplies and Equipment

One common accounting challenge districts face is that of distinguishing between supplies and equipment, between equipment and improvement of grounds, and between equipment/building fixtures and service systems. Nevertheless, districts must correctly identify each expenditure if they are to achieve the necessary uniformity of accounting.

Whether an item should be classified as equipment or as supplies is determined on the basis of the length of time the item is serviceable and on its contribution to the value of the district. For example, supplies are constantly being consumed and replaced without increasing the value of the physical properties of the district. Equipment has relatively permanent value, and its purchase increases the value of the physical assets of the district.

Expenditures made by districts for equipment, improvement of sites, building fixtures and service systems are charged as capital outlay; expenditures for supplies are charged as current expense. The purchase of equipment either as direct purchase or lease-purchase must be recorded in object classification 6400, Equipment.

Supplies are items of expendable nature that are consumed or worn out, deteriorate in use, or are easily broken, damaged or lost. Examples include paper, pencils, cleaning materials, nails, scissors, test tubes and keys.

Items that have a relatively short service life (less than one year) and that, therefore, must be replaced frequently are also charged as supplies. Examples include brooms, tools and rubber stamps.

Computer software and hardware could fall into either category, supplies or equipment, depending on the cost and useful life. To determine which category of expenditure an item belongs, follow the questions and/or guidelines listed below.

Some articles clearly cannot be classified as either supplies or equipment. They have the characteristics of equipment, but they have a low unit cost or are frequently lost, broken or worn out and replaced in normal use. To obtain uniformity, the district should assign items to the various classifications on the basis of the answers to the questions in the list below:

1. Does the item lose its original shape and appearance with use?
2. Is it consumable, with a normal service life of less than one year?

3. Is it easily broken, damaged or lost in normal use?
4. Is it usually more feasible to replace it with an entirely new unit than to repair it?
5. Is it an inexpensive item? Does the small unit cost make it inadvisable to inventory the item? See *Education Code* Section 81600.

If the answer to one of the above five questions is yes, the item should be classified as a supply item and the expenditure should be recorded within object classification 4000. If all answers are no, the item should be classified under object classification 6400, Equipment.

Another method of distinguishing equipment from supplies is to follow the useful flowchart below.

Guidelines for Distinguishing Equipment from Supply Items
(Listed in Priority Order)

Lasts more than two years	⇒	NO	
⇓ YES			
Repair rather than replace	⇒	NO	
⇓ YES			
Independent unit rather than being incorporated into another unit item	⇒	NO	At first NO
⇓ YES			item is declared to be SUPPLY
Cost of tagging and inventory small percent of item cost	⇒	NO	
⇓ YES			
Exceeds minimum dollar value established by the Budget and Accounting Manual (\$200)	⇒	NO	
⇓ YES			

EQUIPMENT

By way of example, let us classify both a personal computer and a calculator. The computer is likely to last more than one year, and if it did break down, it is most likely to be repaired. The calculator may last more than one year, but in the event that the calculator stopped working, it

would be replaced, not repaired. Thus, it would be declared a supply. Although it is not necessary to continue down the list of other criteria, note that many of them support the classification of calculator as supply rather than equipment. It would not be subject to special control, because the cost of keeping inventory on it would represent a large percentage of the cost. Nor is the cost in excess of the minimum dollar value established by the Budget and Accounting Manual. All of these criteria strengthen the classification of calculators as supplies.

NOTE: It is important to note that the policies of a district may override any of these guidelines. Districts may also wish to include in their historical inventories, audit trace inventory system, or any other acceptable inventory system those items whose acquisition costs are less than the amount cited in the Budget and Accounting Manual (\$1,000). It may be desirable for individual districts to establish and maintain Capital Accounts for charging noninventoriable equipment that do not warrant the keeping of inventory records.

Repair parts that the district purchases for buildings, equipment and grounds, regardless of cost, are normally charged as supplies and would be accounted for under object 4000. Examples include plumbing fixtures; compressors, if part of a larger unit; bus transmissions; engines; and timer devices for automatic sprinkling systems.

Repair costs are those outlays which are necessary to keep an asset in its intended operating condition but which do not materially increase the value or physical properties of the asset. These costs would be accounted for under object 5000.

In contrast, all additions and betterments to fixed assets should be charged to a Capital Outlay account when acquired or when construction or installation is completed. An addition refers to a physical extension of some existing asset. A betterment exists when part of an existing asset is replaced by another and the replacement provides a significant increase in the life or value of the asset.

Capital Outlay expenditures are those that result in the acquisition of capital assets or additions to capital assets. They are expenditures for sites, improvement of sites, buildings, improvement of buildings, building fixtures, service systems and purchase of initial or additional equipment.