

## Glossary of Selected Governmental Accounting and Financial Terminology

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

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

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

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



## Glossary of Selected Governmental Accounting and Financial Terminology

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

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

## Glossary of Selected Governmental Accounting and Financial Terminology

**CAPITAL BUDGET.** A plan of proposed capital outlays and the means of financing them for the current fiscal period. It is usually a part of the current budget. If a Capital Program is in operation, it will be the first year thereof. A Capital Program is sometimes referred to as a Capital Budget.

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

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

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

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

**CAPITAL PROGRAM.** A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or otherwise. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

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

# Glossary of Selected Governmental Accounting



## Glossary of Selected Governmental Accounting and Financial Terminology

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

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

## Glossary of Selected Governmental Accounting and Financial Terminology

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

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

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

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

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

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

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

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

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



## Glossary of Selected Governmental Accounting and Financial Terminology

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

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

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

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

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

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

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

**OVERHEAD**

## Glossary of Selected Governmental Accounting and Financial Terminology

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

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

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

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

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

**PROGRAM MAINTENANCE PROPOSALS (PMP).** One of the three CSU categories formerly used for development and presentation of the Board of Trustees Support Budget request. This category identified costs attributable to changes in enrollments, facilities and other measures of workload. The calculation of the costs of these revised workload factors were based upon formulas and standards used in past support budgets as approved by the legislative and executive branches of State government. This projection reflected expenditures required to "maintain" the quality of existing programs at approved levels. See Baseline Adjustments and Program Change Proposals.

**PROPRIETARY ACCOUNTS**

Glossary of Selected Governmental Accounting  
and Financial Terminology

## Glossary of Selected Governmental Accounting and Financial Terminology

proper legislative authority. An example is a motor fuel tax fund used to finance highway and road construction.

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

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

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

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

**UNLIQUIDATED ENCUMBRANCES.** Encumbrances outstanding

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

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