Planning Overview/Budget Recommendations Terms and Definitions

**Terms**

**Appropriation** is used to describe the amount of funding received from or "appropriated" by the State to be used for a specific purpose. Ferris receives appropriations from the State of Michigan for general operations, designated programs (such as the King/Chavez/Parks programs funding), and for physical construction or maintenance.

*Appropriation for Operations* is that amount appropriated by the State to be used for the general operation of Ferris State University. An authorization granted by the constitution or the legislature to make expenditures and to incur obligations for a specific purpose. An appropriation is usually limited in amount and as to the time when it may be expended, normally calendar year or fiscal year. In the case of Michigan, October 1 to September 30.

*Capital appropriations* are those funds provided for a specific physical plant related project. Capital and operating appropriations each must be used for the specific purpose for which funds were provided. Funds may not be transferred between capital and operating appropriations.

**Function of expense** is a State codification system that prescribes how Michigan's State universities will account for and report on the spending of the university. These functions are described briefly as follows:

* *Instruction* -- This functional category includes all costs associated with direct classroom instruction: faculty, department heads, support staff, general supplies and expense, instructional equipment, and part-time wages expended by instructional departments.
* *Research* -- all research activity organized to produce research outcomes. Currently, all research at Ferris is classified as Individual Project Research.
* *Public Service* -- activities established primarily to provide instructional and non-instructional services beneficial to groups external to the institution (Criminal Justice Institute, as an example).
* *Academic Support* -- Academic administration (deans' offices), library, museums and galleries, audio visual services, academic computing, course and curriculum development, faculty development, and faculty advisory groups.
* *Student Services* -- Social and cultural development, counseling and career guidance, financial aid administration, admissions and records, deans of students, preparatory and adult education, and intramurals.
* *Institutional Support* -- President's Office, Vice Presidents, centralized planning, fiscal operations, central administrative support, such as administrative data processing, space management, personnel, purchasing, transportation, public safety, community relations including alumni, public affairs, and commencement.
* *Mandatory Transfers* -- money paid out on long-term bonding and grant commitments for physical facilities -- federal financial aid match monies.
* *Plant Operations* -- administration of physical plant, custodial, engineering, and maintenance services, insurance, preventative and deferred maintenance.
* *Student Assistance* (Financial Aid) -- all university supported grants to students.
* *Intercollegiate Athletics* -- athletics program operations. Athletic scholarships are reported within the Student Assistance category.

A **fund** represents a distinct phase of the activities of a unit and the fund is controlled by a self-balancing group of accounts in which all of the financial transactions of the particular phase are recorded. For instance, the General Fund is established to account for the general educational and related support activities of the university. The fund groups within which Ferris accounts for all fiscal transactions are prescribed by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB). These fund groups include: general, designated, expendable restricted, endowment, student loan, plant, auxiliary, and agency. Descriptions of each of these fund groups follow.

* **General Fund** -- The General Fund accounts for those transactions related to academic and instructional programs and their administrations, student services, operation and maintenance of the general plant and scholarships. This fund receives its main support from state appropriations and student tuition and fees.
* **Designated Fund** -- The Designated Fund accounts for special project activities designated by the Board of Control from available revenue sources. Among these revenue sources are noncredit workshops, investment income, and unrestricted gifts and grants.
* **Auxiliary Activities Fund** -- This fund accounts for those activities that are maintained with revenue derived from their own operations (self-supporting). The main sources of revenue are room and board charges for student housing.
* **Expendable Restricted Fund** -- This fund accounts for private support from individuals, industry and foundations; and contracts and grants from federal and state governments for educational and general purposes. As implied by the fund name, these monies are restricted in their use by the various donors and sponsors.
* **Student Loan Fund** -- This fund provides students with the means to help meet their financial obligations as they obtain a college education. The major sources of revenue are private gifts and government grants.
* **Foundation** -- Holds University endowment and funds functioning as endowments.
* **Plant Fund** -- The Plant Fund consists of four separate divisions. The Unexpended Appropriations division is used for recording assets available for new construction or major repairs/replacement projects. The Reserve for Maintenance and Replacement division represents assets held for renewal and replacement of facilities and equipment. The Reserve for Debt Service division represents assets for the servicing of outstanding debt obligations. The Physical Properties division represents the University's investment in land, land improvements, buildings and equipment.
* **Agency Fund** -- The Agency Fund represents funds held in custody for others. The fund includes amounts withheld from payrolls and amounts held in custody for students and University related organizations.

**Definitions**

**Academic Year** -- August through May

**Allocation** -- A method used to apportion support costs to benefiting cost centers (departments).

**Auxiliary Enterprise** -- An entity that furnishes a service directly or indirectly to students, faculty, or staff, and charges a fee directly related to, but not necessarily equal to, the cost of the service. The public may be served incidentally by some auxiliary enterprises. The services are essential elements in support of the institution's program and conceptually should be regarded as self supporting.

**Assets** -- Any item of economic value owned by a governmental unit. The item may be physical in nature (tangible) or a right to ownership (intangible) that is expressed in terms of cost or some other value.

**Audit** -- The examination of some or all of the following items: documents, records, reports, systems of internal control, accounting procedures, and other evidence, for one or more of the following purposes: (1) determining the propriety, legality, and mathematical accuracy of proposed or consummated transactions; (b) ascertaining whether all transactions have been recorded; and (c) determining whether transactions are accurately reflected in the accounts and in the statements drawn therefrom in accordance with accepted accounting principles.

**Balanced budget** -- A budget in which receipts are equal to or greater than outlays (expenses).

**Budget** -- A statement of proposed expenditures for a fixed period or for a specific project or program and the proposed means of financing the expenditures. or A plan of financial operations embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them.

**Calendar Year** -- January 1 through December 31.

**Capital Outlay** -- Expenditures which result in the acquisition of or additions to fixed assets, i.e., land acquisition, building and construction, addition, renovation.

**Carryover/Carry Forward** -- A portion or total of the unexpended balance of an appropriation which is made available for expenditure in the succeeding year.

**Cash Basis of Accounting** -- The basis of accounting whereby revenues are recorded when received in cash and expenditures (outlays) are recorded when paid, without regard to the accounting period to which the transactions apply.

**Compensation** -- An allocation base that is the total dollar amount, including gross salaries and employee benefits, paid directly to or on behalf of all personnel.

**Cost Center** -- The smallest unit of activity or area of responsibility into which an operating organization is divided for control and accountability purposes and to which costs are assigned or allocated.

**Current Funds** -- Resources to be expended in the near term and used for operating purposes. Current funds include the following fund groups: general fund, designated fund; auxiliary activities fund; and expendable restricted fund.

**Deficit** -- The excess of the liabilities and reserves of a fund over its assets, or excess of expenses over revenues.

**Direct Costs** -- Those expenses that are readily identifiable with a specific cost objective or center, generally through the institution's financial records.

**Divisions** -- Organizational administrative units which include: Academic Affairs, Administration and Finance, Executive, FSU-Grand Rapids, General, Governmental Relations and General Council, Student Affairs, and University Advancement and Marketing.

**Encumbrances** -- An amount of the available balance of an allotment earmarked for paying anticipated or known obligations.

**Ensuing Year** -- The year following the current fiscal year.

**Fiscal Year** -- Any yearly accounting period. The State's fiscal year begins on October 1 and ends on the following September 30. The University's fiscal year begins on July 1 and ends on the following June 30.

**Full Year Equated Students** (FYES) -- This represents 30 semester credit hours per year or 45 quarter terms hours per year. One student taking 30 semester credit hours in an academic year equals one full-year equated student.

**Full Time Equivalent** (FTE) -- This represents 2,080 hours of employee compensated time (2,088 in a leap year) including all annual leave and used sick leave or, as with faculty, a full contract year is considered an full time equated year (nine month contract).

**Fund Accounting** -- A sum of money and other assets constituting a separate accounting entity, created and maintained for a particular purpose and having transactions subject to legal or administrative limitations. Its double-entry accounts are self-balancing, and from there a balance sheet and operating statement may be prepared.

**Fund Balance** -- The difference between assets and liabilities in a fund group.

**Fund Group** -- A group of resources having similar purposes. (See description of FSU fund groups within the document.)

**Grant** -- In governmental terminology a grant is defined as a contribution to or from a unit of government for specific or general purposes. This may take the form of donations, bequests, payments to or for local units, aid, reimbursements, etc.

**Liabilities** -- Amounts owed for items received, services rendered, expenses incurred, assets acquired, construction performed (regardless of whether invoices have been received), and amounts received but as yet unearned. Included are amounts owed for goods in the hands of contractors under the construction delivery concept (when the records of the agency provide such information), and amounts owed under grants, pensions, awards, and other indebtedness not involving the furnishing of goods and services. The two classifications occurring most frequently are the following:

* *Current Liabilities* -- Liabilities that will be due within a short time (usually one year or less) and that are to be paid out of current assets. Includes all amounts owed on the basis of invoices or other evidence of receipt of goods and services, other amounts owed for the purchase of goods and services even if not "due and payable," and deferred income (received but not earned).
* *Long-term and Unfunded Liabilities* -- Liabilities that will not be due for a comparatively long time (usually more than one year). However, as they come within the one-year range, and are to be paid, such liabilities become current.
* Includes bonded debt, notes payable, and liabilities that will not become obligations until a later time (e.g., accrued annual leave in the case of appropriation accounts).

**Operating Expenses** -- Non-compensation expenses such as supplies and equipment.

**Over Expenditures** -- An over expenditure occurs when actual expenditures of a state agency or program exceed the level authorized by the legislature. This exceeding of an authorization can occur on the total appropriation authorization, or when one or more earmarked fund source contained in an appropriation line-item exceeds the level authorized.

**Ratio of Change** -- Method of comparing relative change in specific numeric measures from a common starting base. The ratio of change in tuition, state funding, spending, and other budget components provides trend information used for future projections and is particularly helpful in looking at the relative change in multiple variables in relationship to one another. As an example, a ratio of change of 1.15 indicates a 15 percent increase in that specific item.

**Reallocation** -- Moving dollars between specified control categories such as salaries and equipment, for example; or moving resources (positions for example) from one area to another.

**Reserve** -- An account that records a portion of the fund balance that is allocated or set aside for some eventuality or future use and is thus not otherwise available.

**Reserves** -- While the State operates on the principle that unexpended appropriation balances are canceled at the end of the fiscal year, constitutional and statutory provisions create a number of deviations from this general rule. These exceptions include appropriations for capital additions, repair and alterations; special projects; and purchase orders on which the State is obligated, but on which delivery has not been made at June 30. In addition, included are amounts received from certain revenue sources which by law may be used only for specified purposes.

**Restricted Revenue** -- That income of a fund which by law is earmarked (appropriated) to finance some specific activity or group of related activities.

**Revenue** -- The income attributable to a designated fiscal accounting period which will affect the balance (surplus) or deficit resulting from the operations of that period. Certain items earned during that period are also considered revenue of that period even though the cash is not received until a subsequent period.

**Supply and Expense** -- Materials and supplies, travel and recruiting, contracted services, and maintenance and repair.

**Surplus** -- The excess of the assets of a fund over its liabilities and necessary reserves. Whereas, the liabilities represent amounts owed or payable or in process of payment; the reserves are segments set aside for special use, due to constitutional or statutory provisions, or contracts and agreements with other governmental units or private grantors.

**Transfer** -- A transaction that, pursuant to law and University policy, withdraws balances from one appropriation account for credit to another.

* *Mandatory transfers* are transfers arising out of (1) binding legal agreements related to financing the educational plant, such as amount for debt retirement, interest, and required provisions for renewals and replacements of the plant, not financed from other sources, and (2) grant agreements with agencies of the federal government, donors, and other organizations to match gifts and grants to Loan Funds and other funds.
* *Non-mandatory Transfers* are transfers to other fund groups made at the discretion of the governing board to serve a variety of objectives, such as additions to loan funds, additions to quasi-endowment funds, general or specific plant additions, voluntary renewals and replacements of plant, and prepayments on debt principal.

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| **ACRONYMS** | |
| AVG11 | Average of the eleven primarily teaching Michigan Universities (indicated with \* by name) |
| AVG15 | Average of the fifteen Michigan Public Universities |
| CMU | Central Michigan University\* |
| CPI | Consumer Price Index |
| EMU | Eastern Michigan University\* |
| FASB | Financial Accounting Standards Board |
| FSU | Ferris State University\* |
| FT | Full Time |
| FTE | Full-Time Equivalent (positions) |
| FY | Fiscal Year |
| FYES | Full Year Equated Student (also Fiscal Year Equated Student) |
| GASB | Governmental Accounting Standards Board |
| GF | General Fund |
| GVU | Grand Valley State University\* |
| HEIDI | Higher Education data system |
| HEPI | Higher Education Price Index |
| MPU | Michigan Public Universities\* |
| MSU | Michigan State University |
| MTU | Michigan Technological University |
| NGF | Non-General Fund |
| NMU | Northern Michigan University\* |
| OAK | Oakland University\* |
| PT | Part Time |
| SVU | Saginaw Valley State University\* |
| UMA | University of Michigan - Ann Arbor |
| UMD | University of Michigan - Dearborn\* |
| UMF | University of Michigan - Flint\* |
| WMU | Western Michigan University\* |
| WSU | Wayne State University |

<http://www.ferris.edu/HTMLS/administration/president/budget-office/planning-terms.htm>