

## APPENDICES

### Glossary of Accounting Terms

#### Abatement

A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments, and service charges.

#### Account Number

See *Coding*.

#### Accountability (Accountable)

The state of being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry to justify the raising of public resources and the purposes for which they are used.

#### Accounting Period

A period at the end of which and for which financial statements are prepared. See *Fiscal Period*.

#### Accounting System

The total structure of records and procedures designed to discover, record, classify, summarize, and report information on the financial position and results of operations of a government or any of its funds or organizational components. See *Internal Control*.

#### Accounts Receivable (Courts)

Financial obligations owing on a superior court Legal Financial Obligation (LFO) or courts of limited jurisdiction costs, fines, penalties, and restitution.

#### Accrual Basis

The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash receipts and disbursements. See *Flow of Economic Resources Measurement Focus*.

#### Accrued Expenses

Expenses incurred but not due until a later date.

#### Accrued Payables

Liability accounts reflecting costs incurred but not due until a later date.

#### Activity

A specific and distinguishable line of work performed by one or more organizational units of a government for the purpose of accomplishing a function for which the government is responsible. For example, *food inspection* is an activity performed in the discharge of the *health* function. The element portion of the BARS account code classifies activities.

#### 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 taken into account 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. A pension trust fund for a public employee retirement system is an example of a fund concerned with actuarial basis data.

**Additions**

Increases in the net position of fiduciary funds.

**Administrative Control**

See *Internal Control*.

**Advance Refunding Bonds**

Bonds issued to refund an outstanding bond issue prior to the date on which the outstanding bonds become due or callable. Proceeds of the advance refunding bonds are deposited with a trustee, invested in U.S. Treasury Bonds or other authorized securities, and used to redeem the underlying bonds at maturity or call date and to pay interest on the bonds being refunded or the advance refunding bonds.

**Adverse Opinion**

An auditor's opinion stating that financial statements do not present fairly financial position, results of operations and (when applicable) cash flows in conformity with generally accepted accounting principles (GAAP).

**Agency Fund**

A fund used to account for assets held by a government as an agent for individuals, private organizations, other governments, and/or other funds; for example, taxes collected and held by a county for a fire district. The funds may be used for suspense, clearing, or custodial purposes. See the classification of funds in [Fund Types and Accounting Principles](#).

**Allotment**

Portion of an annual or biennial budget appropriation allocated to an interim period.

**Amortization**

(1) Gradual reduction, redemption, or liquidation of the balance of an account according to a specified schedule of times and amounts. (2) Provision for the extinguishment of a debt by means of a debt service fund.

**Annual Budget**

A budget applicable to a single fiscal year. See *Budget* and *Operating Budget*.

**Annual Covered Payroll**

Term used in connection with defined benefit pension plans. All elements included in annual compensation paid to active employees on which contributions to a pension plan are based.

**Annual Required Contribution (ARC)**

Term used in connection with defined benefit pension plans. The employer's mandated contribution for the year, calculated in accordance with certain parameters. The parameters include requirements for the frequency and timing of actuarial valuations as well as for the actuarial methods and assumptions that are acceptable for financial reporting.

**Annuity**

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

**Annuity Amount Of**

The total amount of money accumulated or paid during an annuity period. This total includes compound interest at a designated rate.

### **Annuity Period**

The designated length of time during which the amount of an annuity is accumulated or paid.

### **Appraise**

To make an estimate of value, particularly of the value of property. If the property is valued for purposes of taxation, the less inclusive term *assess* is substituted for this term.

### **Appropriated Budget**

The expenditure authority created by the appropriation bills or ordinances that are signed into law and related estimated revenues. The appropriated budget would include all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes.

### **Appropriation**

A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended.

### **Appropriation Expenditure**

An expenditure chargeable to an appropriation. Since virtually all expenditures of governments are chargeable to appropriations, the term *expenditures* by itself is widely and properly used.

### **Appropriation Ledger**

A subsidiary ledger containing an account for each appropriation. Each account usually shows the amount originally appropriated, transfers to or from the appropriation, amounts charged against the appropriation, the net balance, and other related information.

### **Appropriation Ordinance or Resolution**

An ordinance or resolution by means of which appropriations are given legal effect. It is the method by which the expenditure side of the annual operating budget is enacted into law by the legislative body.

### **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.

### **Assess**

To value property officially for the purpose of taxation.

### **Assessed Valuation**

A valuation set upon real estate or other property by a government 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 (Courts)**

A monetary amount imposed by the court for a law violation.

### **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 also usually shown. 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.

### **Assets**

Resources owned or controlled by a government, as a result of a past transaction or other event, that have a recognizable monetary value.

### **Assigned Fund Balance**

Amounts that are constrained by the government's *intent* to be used for specific purposes, but that are neither restricted nor committed (excluding stabilization arrangements).

### **Audit**

An examination to determine the accuracy and validity of records and reports or the conformity of procedures with established policies. See *Internal Audit, Independent Audit, Financial and Compliance Audit, Program Compliance Audit, Single Audit, Performance Audit, Pre-Audit, and Post-Audit*.

### **Audit Program**

A detailed outline of work to be done and procedures to be followed in any given audit.

### **Audit Report**

The report by an auditor furnished at the conclusion of internal audits, independent audits, and investigations. As a rule, the report would include: (1) a statement of the scope of the audit; (2) explanatory comments or findings (if any) concerning exceptions by the auditor; (3) opinions; (4) financial statements and schedules; and (5) sometimes statistical tables, supplementary comments, and recommendations.

### **Audit Scope**

In the context of a financial statement audit, the coverage provided by the independent auditor's opinion on the financial statements.

### **Audited Voucher**

A voucher which has been examined and approved for payment.

### **Auditor's Opinion**

A statement signed by an auditor in which he/she states that he/she has examined the financial statements in accordance with generally accepted auditing standards (with exceptions, if any) and in which he or she expresses an opinion on the financial position and results of operations of some or all of the funds of the government as appropriate. See *Unmodified Opinion, Qualified Opinion* and *Adverse Opinion*.

### **Auditor's Report on Internal Controls and Compliance over Financial Reporting**

Report issued in conjunction with a financial audit performed in accordance with Generally Accepted Governmental Auditing Standard (GAGAS). In this report, the independent auditor reports on internal control weaknesses and instances of noncompliance discovered in connection with the financial audit, but does not offer an opinion on internal controls or compliance.

**Authority**

A government or public agency created to perform a single function or a restricted group of related activities. Usually such units are financed from service charges, fees, and tolls, but in some instances they also have taxing powers. An authority may be completely independent of other governments or partially dependent upon other governments for its creation, its financing, or the exercise of certain powers.

**Availability Criterion**

Principle of the modified accrual basis of accounting according to which revenues may only be recognized when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**Availability Period**

A specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized in accordance with the availability criterion of modified accrual accounting.

**Bail (Courts)**

An amount of money determined by the judge and posted with the courts as security to ensure the defendant's appearance in court at a specific time.

**Balance Sheet**

The basic financial statement which discloses the assets, liabilities, and equities of an entity at a specified date in conformity with GAAP.

**Basic Financial Statements**

The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.

**Basis Differences**

Differences that arise through the employment of a basis of accounting for budgetary purposes that differs from the basis of accounting prescribed by GAAP for a given fund type.

**Basis of Accounting**

The timing of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus.

**Betterment**

An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset. The term *improvement* is preferred.

**Blending (Blended)**

The method of reporting the financial data of a component unit that presents the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government.

**Blue Book**

A term commonly used to designate the Government Finance Officers Association's publication *Governmental Accounting, Auditing, and Financial Reporting*.

**Bond**

A written promise to pay a specified sum of money, called the face value or principal amount, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a longer period of time and requires greater legal formality.

**Bond (Courts)**

An agreement by a party or third party to pay a certain sum of money if the defendant fails to appear in court.

**Bond Anticipation Note**

Short-term interest-bearing note issued by a government in anticipation of bond proceeds to be received at a later date. The note is retired from proceeds of the bonds to which it is related.

**Bond Discount**

The excess of the face value of a bond over the price for which it is sold or acquired. The price does not include accrued interest at the date of sale or acquisition.

**Bond Ordinance or Resolution**

An ordinance or resolution authorizing a bond issue.

**Bond Premium**

The excess of the price at which a bond is sold or acquired over its face value. The price does not include accrued interest at the date of sale or acquisition.

**Bonded Debt**

That portion of indebtedness represented by outstanding bonds.

**Bonds Authorized and Unissued**

Bonds which have been legally authorized but not issued and which can be issued and sold without further authorization. This term must not be confused with the term *legal debt margin*, which represents the difference between the legal debt limit of a government and the debt outstanding against it.

**Bonds Issued**

Bonds sold.

**Bonds Payable**

The face value of bonds issued and unpaid.

**Books of Original Entry**

The record in which the various transactions are formally recorded for the first time, such as the cash journal, warrant register, or general journal. Where electronic bookkeeping methods are used, it may happen that one transaction is recorded simultaneously in several records, one of which may be regarded as the book of original entry.

### **Book Value**

Value as shown by books of account. In the case of assets which are subject to reduction by valuation allowances such as depreciation, book value refers to cost or stated value less the appropriate allowance. Sometimes a distinction is made between *gross book value* and *net book value*, the former designating value before deduction of related allowances and the latter after their deduction. In the absence of any modifier, however, the term book value means, net book value.

### **Budget**

A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term *budget* is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating body for adoption and sometimes the plan finally approved by that body. It is usually necessary to specify whether the budget under consideration is preliminary and tentative or whether the appropriating body has approved it. See *Annual Budget, Capital Budget, Capital Program, Operating Budget*.

### **Budget Document**

The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. The budget document usually consists of two parts. The first part contains a message from the budget-making authority, together with a summary of the proposed expenditures and the means of financing them. The second consists of schedules supporting the summary. These schedules show in detail the information as to the past years' actual revenues, expenditures, and other data used in making the estimates. In addition to the budget document, an appropriation ordinance or resolution and revenue and borrowing measures will be necessary to put the budget into effect.

### **Budget Message**

A general discussion of the proposed budget as presented in writing by the budget-making authority to the legislative body. The budget message should contain an explanation of the principal budget items, an outline of the government's experience during the past period and its financial status at the time of the message, and recommendations regarding the financial policy for the coming period.

### **Budgetary Accounts**

Special accounts used to achieve budgetary integration, but not reported in the financial statements. By convention, all caps commonly are used to designate budgetary accounts. The most common budgetary accounts are Estimated Revenues, Appropriations, Budgetary Fund Balance, and Encumbrances.

### **Budgetary Basis of Accounting**

The method used to determine when revenues and expenditures are recognized for budgetary purposes.

### **Budgetary Control**

The control or management of a government or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

### **Budgetary Expenditures**

Same as *Expenditures*.

### **Budgetary Reporting**

The requirement to present budget-to-actual comparisons in connection with general purpose external financial reporting. Budgetary reporting is required in connection with the basic financial statements for both the general fund and individual major special revenue funds with legally adopted annual budgets. Budgetary reporting also is required within the comprehensive annual financial report to demonstrate compliance at the legal level of control for all governmental funds with legally adopted annual budgets.

### **Business-Type Activities**

One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.

### **CAFR**

See *Comprehensive Annual Financial Report*.

### **Call Options**

A contract giving the buyer (owner) the right, but not the obligation, to purchase from (call option) the seller (writer) of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable *strike* price on a given date or at any time on or before a given date.

### **Callable Bond**

A type of bond which permits the issuer to pay the obligation before the stated maturity date by giving notice of redemption in a manner specified in the bond contract.

### **Capital Assets**

Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

### **Capital Budget**

A plan of proposed capital outlays and the means of financing them. See *Capital Program*.

### **Capital Expenditures**

See *Capital Outlays*.

### **Capital Grants**

External grants which are restricted by the grantor for the acquisition and/or construction of capital assets. Although the concept applies to all funds, the classification is used only in proprietary funds. See also *Operating Grants*.

### **Capital Improvement Program**

See *Capital Program*.

### **Capital Outlays**

Expenditures which result in the acquisition of or addition to capital assets.

### **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.

### **Capital Projects Fund**

Funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

### **Capital Resources**

Resources of a fixed or permanent character, such as land and buildings, which cannot ordinarily be used to meet current expenditures.

### **Capitalization Threshold**

The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

### **Cash**

An asset account reflecting currency, coin, checks, postal and express money orders, and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits. All cash must be accounted for as a part of the fund to which it belongs. Any restrictions or limitations as to its availability must be indicated in the records and statements. It is not necessary; however, to have a separate bank account for each fund unless required by law.

### **Cash Basis**

A basis of accounting under which transactions are recognized only when cash is received or disbursed.

### **Cash Discount**

An allowance received or given if payment is completed within a stated period of time. This term is not to be confused with Trade Discount.

### **Cash Equivalent**

Short-term, highly liquid investments that are both (1) readily convertible to known amounts of cash and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

### **Certificate of Achievement in Excellence in Financial Reporting Program**

A voluntary program administered by the Government Finance Officers Association (GFOA) to encourage governments to publish efficiently organized and easily readable CAFRs and to provide peer recognition and technical assistance to the finance officers preparing them.

### **Character Classification**

Expenditure classification according to the time period's expenditures are presumed to benefit. The four groupings are: (1) current operating expenditures, presumed to benefit the current fiscal period; (2) debt service, presumed to benefit prior fiscal periods primarily, but also present and future periods; (3) capital outlays presumed to benefit the current and future fiscal periods; and (4) intergovernmental, where one government purchases from another government services not normally available from outside sources. See account definitions of objects in *Structure*.

### **Check**

A bill of exchange drawn on a bank and payable on demand; a written order on a bank to pay on demand a specified sum of money to a named person, to his/her order, or to bearer out of money on deposit to the credit of the maker. A check differs from a warrant in that the latter is not necessarily payable on demand and may not be negotiable. It differs from a voucher in that the latter is not an order to pay. A voucher-check combines the distinguishing characteristics of a voucher and a check; it shows the propriety of a payment and is an order to pay.

### **Classified Presentation**

The separate presentation on the statement of position of the current and long-term portions of assets and liabilities. A classified presentation is required for the proprietary fund statement of net position.

**Clearing Account**

An account used to accumulate charges or credits that are to be allocated to other accounts later, or to accumulate a net difference for transfer to another account.

**Clearing Fund**

See *Agency Fund*.

**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. The BARS numbers are an example of the coding of accounts. Other examples are 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.

**Collateral**

Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit.

**Combining Financial Statements**

Financial statements that report separate columns for individual funds or component units. Combining financial statements normally are required in a CAFR to support each column in the basic financial statements that aggregates information from more than one fund or component unit.

**Committed Fund Balance**

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

**Comparability**

The principle according to which differences between financial reports should be due to substantive differences in the underlying transactions or the governmental structure rather than due to selection of different alternatives in accounting procedures or practices.

**Comparative Data**

Information from prior fiscal periods provided to enhance the analysis of financial data of the current fiscal period.

**Comparative Financial Statements**

Financial statements providing all of the information required by GAAP for two or more fiscal periods.

**Compliance Supplement**

A publication of the U.S. Office of Management and Budget outlining compliance requirements for federal awards programs. The publication is designed to assist independent auditors performing Single Audits.

**Component Unit**

A separate government unit, agency or nonprofit corporation that is combined with other component units to constitute the reporting entity in conformity with GAAP.

**Composite Depreciation Methods**

Depreciation methods applied to groups of assets rather than to individual assets.

### **Comprehensive Annual Financial Report (CAFR)**

A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

### **Condensed Financial Statements**

Abbreviated financial statements sometimes required by GAAP to be presented within the notes to the financial statements in connection with component units, external investment pools, and segments. In addition, GAAP prescribe the presentation of condensed financial information for the prior fiscal year as part of management's discussion and analysis (MD&A).

### **Conduit Debt**

Certain limited obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

### **Connection Fees**

Fees charged to join or to extend an existing utility system. Often referred to as *tap fees* or *system development fees*.

### **Consistency**

The principle according to which once an accounting principle or reporting method is adopted, it will be used for all similar transactions and events. The concept of consistency in financial reporting extends to many areas such as valuation methods, basis of accounting, and determination of the financial reporting entity.

### **Construction in Progress**

A capital asset account reflecting the cost of construction work for projects not yet completed.

### **Consumption Method**

The method under which inventories are recorded as expenditures when used. This method does not conform to most budget laws in Washington State. See *Purchases Method*.

### **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.

### **Continuing Appropriation**

An appropriation which, once established, is automatically renewed without further legislative action, period after period, until altered, revoked or expended.

### **Contribution (Courts)**

Payment required by the court to be paid to an established fund, i.e., interlocal drug fund.

**Control Account**

An account in the general ledger which summarizes a number of identical or related accounts called subsidiary accounts. For example, *Taxes Receivable* is a control account supported by the aggregate of individual balances in individual property taxpayers' subsidiary accounts. See *General Ledger* and *Subsidiary Account*.

**Correction of Errors**

See *Refund* and *Interfund Transactions*.

**Cost of Services Measurement Focus**

See *Flow of Economic Resources Measurement Focus*.

**Cost Records**

All ledgers, supporting records, schedules, reports, invoices, vouchers, and other records and documents reflecting the cost of projects, jobs, production centers, processes, operations, products, or services, or the cost of any of the component parts thereof.

**Cost-Reimbursement Basis**

The setting of charges so that costs are systematically recovered on a break-even basis over time.

**Costs (Courts)**

Expenses incurred by the government in prosecuting a defendant. Costs, in criminal cases, may be imposed only on a convicted defendant and cannot include expenses inherent in providing a constitutionally guaranteed jury trial or expenditures in connection with the maintenance and operation of government agencies that must be made by the public irrespective of specific violations of law. In criminal cases, appropriate costs include: jury demand, witness, public defense, sheriff's service, court interpreter, collection agency, and appellate costs. Costs in civil cases include an amount of money payable to the prevailing party by the losing party for the expense of prosecuting or defending the action; sometimes includes attorney's fees.

**Counterparty**

Another party to a transaction. In the case of deposits and investments made by governmental entities, a counter-party could be the issuer of a security, a financial institution holding a deposit, a broker-dealer selling securities, or a third party holding securities or collateral.

**Coupon Rate**

The interest rate specified on interest coupons attached to a bond, also called the nominal interest rate.

**Coverage**

The ratio of net revenue available for debt service to the average annual debt service requirements of an issue of revenue bonds. See *Net Revenues Available For Debt Service*.

**Crossover Refunding**

A type of advance refunding in which the escrow established with the proceeds of the refunding bonds only begins to secure repayment of the refunded debt at some designated future time, known as the *crossover date*.

**Current**

A term which, applied to budgeting and accounting, designates the operations of the present fiscal period as opposed to past or future periods. It usually connotes items likely to be used up or converted into cash within one year.

### **Current Assets**

(1) In governmental funds, those assets which are available or can be made readily available to finance current operations or to pay current liabilities. (2) In proprietary funds, those assets which will be used up or converted into cash within the next operating cycle (e.g. one year). Some examples are cash, temporary investments, and taxes receivable which will be collected within the next operating cycle (e.g. one year).

### **Current Expense Fund**

See *General Fund*.

### **Current Financial Resources Measurement Focus**

Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

### **Current Liabilities**

Liabilities which are payable within next operating cycle (e.g., one year).

### **Current Funding**

A refunding transaction in which the proceeds of the refunding debt are applied immediately to redeem the debt to be refunded. This situation differs from an advance refunding, where the proceeds of the refunding bonds are placed in escrow pending the call date or maturity of the debt to be refunded.

### **Current Resources**

Resources which can be used to meet current obligations and expenditures. Examples are current assets, estimated revenues of a particular period not yet realized, transfers from other funds authorized but not received, and in the case of certain funds, bonds authorized and unissued.

### **Custodial Credit Risk**

The risk that a government will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of investment or collateral securities that are in the possession of an outside party if the counter-party to the investment or deposit transaction fails.

### **Customer Deposits**

A liability account used in an enterprise fund to reflect deposits made by customers as a prerequisite to receiving services and/or goods provided by the fund.

### **Data Processing**

(1) The preparation and handling of information and data to obtain results such as classification, problem solution, summarization, and reports. (2) Preparation and handling of financial information wholly or partially by mechanical or electronic means.

### **Debt**

An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, registered warrants, notes, contracts and accounts payable. See *Bond*, *Note Payable*, *Registered Warrant*, *Long-Term Debt*, *General Long-Term Debt*, and *Revenue Bonds*.

### **Debt Limit**

The maximum amount of gross or net debt which is legally permitted.

**Debt Service Fund**

Funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

**Debt Service Requirement**

The amount of money required to pay interest on outstanding debt, serial maturities of principal for serial bonds, and required contributions to accumulate monies for future retirement of term bonds.

**Deduction**

Decrease in the net position of a fiduciary fund.

**Defeasance**

The legal release of a debtor from being the primary obligor under the debt, either by the courts or by the creditor. Also referred to as a legal defeasance. See *In-Substance Defeasance*.

**Deferred Revenues**

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

**Deferred Special Assessments**

Special assessments which have been levied but which are not due within one year.

**Deficit**

(1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period; or, in the case of proprietary funds, the excess of expense over income during an accounting period.

**Defined Benefit Pension Plan**

A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

**Defined Contribution Pension Plan**

A pension plan having terms that specify how contributions to a plan member's account are to be determined, rather than the amount of retirement income the member is to receive. The amounts received by a member will depend only on the amount contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account.

**Delinquent Special Assessments**

Special assessments remaining unpaid on and after the date on which a penalty for nonpayment is attached.

**Delinquent Taxes**

Taxes remaining unpaid on and after the date on which a penalty for nonpayment is attached. Even though the penalty may be subsequently waived and a portion of the taxes may be abated or canceled, the unpaid balances continue to be delinquent taxes until abated, canceled, paid, or converted into tax liens.

**Demurrage**

A fee charged to the owner of cargo that remains in the terminal area beyond a stipulated period of time after off-loading from the vessel.

**Department**

See *Organization Unit Classification*.

**Depletion**

(1) The reduction in quantity of a natural resource (wasting asset), such as coal, standing timber, or a rock quarry. (2) The portion of the cost of a wasting asset which is charged as an expense during a particular period. See *Amortization, Depreciation and Wasting Assets*.

**Deposit**

(1) Money or securities placed with a bank or other institution or with a person such as the county treasurer either as a general deposit subject to withdrawal by check or as a special deposit made for some specified purpose. (2) Sums deposited by customers for electric meters, water meters, etc., and by contractors and others to accompany and guarantee their bids.

**Depositary**

A person/entity entrusted with the safekeeping and depositing of assets.

**Depository**

A place where assets are deposited for safekeeping.

**Depreciation**

(1) Expiration in the service life of capital assets, other than wasting assets. (2) The portion of the cost of a capital asset other than a wasting asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a capital 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.

**Derivative**

Contract whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. The term also is applied to similar transactions, such as structured financial instruments (e.g., mortgage-backed securities).

**Derived Tax Revenues**

Nonexchange revenues that result from assessments imposed on exchange transactions (e.g., income taxes, sales taxes, and other assessments on earnings or consumption).

**Developer Fees**

Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development (e.g., parks, sidewalks).

**Direct Charges**

See *Direct Expenses*.

**Direct Costs**

See *Direct Expenses*.

**Direct Costing**

Use of source data (e.g., invoices) to establish the historical cost of a capital asset.

**Direct Debt**

Debt that is to be repaid by the reporting government itself rather than by an overlapping or underlying government.

**Direct Expenses**

Expense that is specifically associated with a service, program, or department and, thus, is clearly identifiable to a particular function.

**Disallowed Costs**

Claims for grantor resources that have been rejected by the grantor. Disallowed costs are to be distinguished from *questioned costs*, which are potential disallowed costs that have not yet been rejected by the grantor.

**Disbursements**

Payments in cash.

**Disclaimer of Opinion**

A report stating that the auditor does not express an opinion on the financial statements. The disclaimer of opinion is appropriate when the auditor is not able to perform an examination sufficient in scope to enable him/her to form an opinion on the financial statements.

**Discounted Present Value**

See *Present Value*.

**Discrete Presentation (Discretely Presented)**

The method of reporting financial data of component units in a column(s) separate from the financial data of the primary government.

**Distrain**

To seize and hold (property) to compel reparation or payment of debts.

**Dockage**

A fee charged against the vessel for the privilege of mooring at a dock.

**Double Entry**

A system of bookkeeping which requires an entry to the debit side of an account or accounts for the corresponding amount or amounts of the entry to the credit side of another account or accounts.

**Drayage**

A fee charged by a trucking firm for transportation cargo on or off the terminal, or to or from a warehouse or land transport terminal.

**Earnings**

See *Income* and *Revenues*

**Effective Interest Rate**

The rate of earning on an investment based on the actual price paid in contrast with the nominal interest rate. See *Present Value*.

**Enabling Legislation**

Legislation that authorizes a government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated in the legislation.

**Encumbrances**

Commitments for unperformed (executory) contracts for goods or services.

**Enterprise Fund**

Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

**Entitlement**

The amount of payment to which a state or local government is entitled as determined by the federal government pursuant to an allocation formula contained in applicable statutes.

**Equity Accounts**

Those accounts showing the excess of assets over liabilities in the fund.

**Equity Interest**

A financial interest in a joint venture evidenced by the ownership of shares of the joint venture's stock or by otherwise having an explicit, measurable right to the net resources of the joint venture that is usually based on an investment of financial or capital resources by a participating government.

**Examination**

See *Audit*.

**Exchange Transactions**

Transaction in which each party receives and gives up essentially equal values.

**Exchange-Like Transaction**

Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange. Examples include certain fees for regulatory or professional licenses and permits, certain tap fees, certain developer contributions, certain grants and donations, and other transactions that, regardless of the label applied to them, are based on an exchange of similar but not equal values.

**Expenditure-Driven Grants**

Government-mandated or voluntary nonexchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as *reimbursement grants*.

**Expenditures**

Decreases in net current assets. Expenditures include debt service, capital outlays, and those current operating costs, which require the use of current assets.

The difference between an expenditure and an expense is a difference in what is being measured. Expenditures measure current outlays (the flow of current resources) while expenses measure total costs (total resources used). For example, purchases of capital assets (buildings and equipment) and of inventories are expenditures at the date of purchase, because they cause the outflow or the tie-up of current assets. They are not expenses, however, until they are used or used up, because they are still a resource until consumed. Another example is depreciation, which is not an expenditure because no current assets are used when depreciation is incurred, but which is an expense because it allocates the total cost as the depreciable capital asset is used. See *Modified Accrual Basis and Measurement Focus*.

**Expenses**

Decreases in resources. Expenses represent the total cost of operations during a period regardless of the timing of related expenditures. See *Expenditures*.

**External Audit**

See *Independent Audit* and *Audit*.

**Face Value**

As applied to securities, this term designates the amount of liability stated in the security document.

**Fair Value**

The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Fee (Courts)**

A charge established by law for certain services or privileges, such as a copying fee.

**Fidelity Bond**

Insurance against losses from theft, defalcation, and misappropriation of public moneys by government officers and employees.

**Fiduciary Funds**

Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and agency funds.

**Filing Fee (Courts)**

A charge specified in statute for filing an initial document in a case.

**Final Amended Budget**

The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

### **Financial Accountability (Financially Accountable)**

The level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government.

### **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.

### **Financial Benefit**

Legal entitlement to, or the ability to otherwise access, the resources of an organization.

### **Financial Burden**

An obligation, legal or otherwise, to finance the deficits of, or provide financial support to, an organization, or an obligation in some manner or the debt of an organization.

### **Financial Reporting Entity**

A primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

### **Financial Resources**

Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and pre-pays (because they obviate the need to expend current available financial resources).

### **Financial Statements**

See *Basic Financial Statements*.

### **Fine (Courts)**

A monetary judgment, commonly imposed as a result of conviction for crimes or imposed by the court in a civil case for noncompliance with a court order.

### **Fiscal Accountability**

The responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (usually one budgetary cycle or one year). This term is used in contrast to *operational accountability*.

### **Fiscal Agent**

A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

**Fiscal Period**

Any period at the end of which a government determines its financial position and results of its operations. See *Accounting Period*.

**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 results of its operations.

**Fiscally Independent/Fiscally Dependent Government**

A government is fiscally independent if it can (a) determine its budget without another government having the substantive authority to approve and modify that budget, (b) levy taxes or set rates or charges without substantive approval by another government, and (c) 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.

**Five Percent Criterion**

Second of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. This test is applied to the combined total assets, liabilities, revenues or expenses/expenditures of all governmental and enterprise funds for which the ten percent criterion has been met.

**Fixed Budgets**

Term used in contrast with *flexible budgets*. Budgets that embody estimates of specific (fixed) dollar amounts.

**Fixtures**

Attachments to buildings which are not intended to be removed and which 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 classed as equipment.

**Flow of Current Financial Resources Measurement Focus**

The measurement focus applied to governmental funds. Under it, only current assets and current liabilities are generally reported on their balance sheets, and their operating statements present *financial flow* information (revenues and expenditures).

**Flow of Economic Resources Measurement Focus**

The measurement focus applied to proprietary and fiduciary funds. All assets and all liabilities whether current or noncurrent are reported on their balance sheets, and their operating statements present *economic resources* information (revenues and expenses).

**Flow-Through**

See *Pass-Through Resources, Subrecipient*

**Force Account**

See *Day Labor*.

**Forfeiture (Courts)**

A penalty by which one loses rights and interest in property, whether because of commission of an offense or because of nonperformance of some obligation or duty.

**Formula Grants**

Government-mandated or voluntary nonexchange transactions involving the provision of resources based upon established criteria (e.g., number of full-time equivalent students) other than the incurrence of qualifying expenditures.

**Franchise**

A special privilege granted by a government permitting a monopoly or the continuing use of public property, such as city streets.

**Full Faith and Credit**

A pledge of the general taxing power of a government for the payment of debt obligations. Bonds carrying such pledges are referred to as general obligation bonds.

**Function**

A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public health, etc.). BARS accounts for functions at the Basub level. See *Subfunction*.

**Fund**

A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Fund Accounts**

All accounts necessary to set forth the financial position and results of operations of a fund.

**Fund Balance**

The difference between assets and liabilities reported in a governmental fund.

**Fund Balance Policy**

A policy that establishes a minimum level at which unrestricted fund balance is to be maintained.

**Fund Classifications**

One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.

**Fund Financial Statements**

Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

**Fund Type**

One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

**Fund Surplus**

The use of the term *surplus* in governmental accounting is generally discouraged because it creates a potential for misleading inference. See *Fund Balance*.

**Funded Debt**

Same as *Bonded Debt*, which is the preferred term.

**Funded Mandate**

Also known as a government-mandated nonexchange transaction. A situation where a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform).

**GAAFR**

The acronym for *Governmental Accounting, Auditing, and Financial Reporting*, a publication of the Government Finance Officers Association. Also known as the *Blue Book*.

**GAAP**

See *Generally Accepted Accounting Principles*.

**GAAS**

See *Generally Accepted Auditing Standards*.

**General Fund**

Fund used to account for and report all financial resources not accounted for and reported in another fund.

**General Journal**

A journal in which are entered all entries not recorded in special journals. See *Journal* and *Special Journal*.

**General Ledger**

A book, file, or other device which contains the accounts needed to reflect the financial position and the results of operations of an entity. In double entry bookkeeping, the debits and credits in the general ledger are equal. Therefore, the debit balances equal the credit balances.

**General Obligation Bonds**

Bonds for the payment of which the full faith and credit of the issuing government are pledged.

**General Revenues**

All revenues that are *not* required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax (e.g., sales tax, property tax, franchise tax, income tax, etc.). All other non-tax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

**Generally Accepted Accounting Principles (GAAP)**

Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).

### **Generally Accepted Auditing Standards (GAAS)**

Measures of the quality of the performance of auditing procedures and the objectives to be attained through their use. They are concerned with the auditor's professional qualities and with the judgment exercised in the performance of an audit. Generally accepted auditing standards have been prescribed by (1) the American Institute of Certified Public Accountants (AICPA), and (2) the U.S. General Accounting Office (GAO) in *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions* (the *Yellow Book*).

### **Generally Accepted Government Auditing Standards (GAGAS)**

Standards established by the GAO in its publication *Standards for Audit of Governmental Organizations, Programs, Activities and Functions* ("Yellow Book") for the conduct and reporting of both financial and performance audits. GAGAS set forth general standards applicable to both types of audits and separate standards of field work and reporting for financial and performance audits. The GAGAS standards of field work and reporting for financial audits incorporate and build upon GAAS.

### **Governmental Accounting Standards Board (GASB)**

The authoritative accounting and financial reporting standard-setting body for government entities.

### **Governmental Activities**

Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are usually reported in governmental funds and internal service funds.

### **Governmental Entity**

For accounting and financial reporting purposes, an entity subject to the hierarchy of GAAP applicable to state and local governmental units. The criteria used to distinguish governmental entities from non-governmental entities are set forth in the AICPA's *Audits of State and Local Governmental Units*.

### **Governmental External Investment Pool**

An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants not being part of the sponsor's reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a non-governmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

### **Governmental Financial Reporting Model**

The minimum combination of financial statements, note disclosures, and required supplementary information prescribed for state and local governments by the GASB.

### **Governmental Funds**

Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

### **Government-Mandated Nonexchange Transactions**

Transactions that occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform).

### **Government-Wide Financial Statements**

Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements: the statement of net position and the statement of activities. Both basic government-wide financial statements are presented using the economic resources measurement focus and the full accrual basis of accounting.

### **Grants**

External contributions or gifts of cash or other assets to be used or expended for a specified purpose, activity, or facility. See also *Capital Grants*, *Operating Grants*, and *Pass-Through Resources*.

### **Gross Book Value**

See *Book Value*.

### **Gross Revenue**

See *Revenues*.

### **Grouped Assets**

Very similar assets acquired at the same time that are treated as a single asset for depreciation purposes. Any gain or loss is delayed until the entire group has been retired. When a single asset is retired from the group its cost is removed from the asset account and sufficient amounts are removed from the accumulated depreciation account so that there is no gain or loss recognized.

### **Impact Fees**

Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development (e.g., parks, sidewalks).

### **Imposed Nonexchange Revenues**

Revenues that result from assessments imposed on non-governmental entities, including individuals, other than assessments on exchange transactions (e.g., property taxes and fines).

### **Imposition of Will (Impose its Will)**

The ability to significantly influence the programs, projects, activities, or level of services performed or provided by an organization.

### **Imprest Cash Account**

An account into which a fixed amount of money or cash equivalent is placed for the purpose of making change or minor disbursements. Advance travel and similar checking accounts and stamp funds are included in this category.

### **Improvements**

An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

### **Income**

A term in proprietary funds accounting to represent (1) revenues or (2) the excess of revenues over expenses. See *Operating Income*, and *Net Income*.

### **Independent Audit**

An audit performed by an independent auditor.

**Indirect Costs**

See *Overhead*.

**Indirect Expenses**

Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

**Infrastructure**

Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

**In-Substance Defeasance**

An advance refunding in which the government is not legally released from being the primary obligor on the refunded bonds, but the possibility of the government having to make additional payments is considered remote. See *Advance Refunding Bonds*.

**Interfund Accounts**

Accounts in which transfers between funds are reflected. See *Interfund Transactions*.

**Interfund Activity**

An activity between funds of the primary government, including blended component units. Interfund activities are divided into two broad categories: reciprocal and non-reciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Non-reciprocal interfund activity comprises interfund transfers and interfund reimbursements.

### **Interfund Transactions**

Interfund activity with and among the three fund categories (governmental, proprietary, and fiduciary) should be classified and reported as follows:

- a. *Reciprocal interfund activity* is the internal counterpart to exchange and exchange-like transactions. It includes:
  - (1) *Interfund loans*-amounts provided with a requirement for repayment. Interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds. This activity should not be reported as other financing sources or uses in the fund financial statements. If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loans to the fund that received the loan. See accounting procedures in *Interfund Loans*.
  - (2) *Interfund services provided and used*-sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used should be reported as revenues in seller funds and expenditures or expenses in purchaser funds. However, GASB Statement 10 requires that when general fund is used to account for risk financing activity, interfund charges to other funds should be accounted for as reimbursements. Unpaid amounts should be reported as interfund receivables and payable in the fund balance sheets or fund statements of net position.
- b. *Nonreciprocal interfund activity* is the internal counterpart to nonexchange transactions. It includes:
  - (1) *Interfund transfers*-flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. This category includes payments in lieu of taxes that are not payments for, and are not reasonably equivalent in value to, services provided. In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers should be reported after nonoperating revenue and expenses.
  - (2) *Interfund reimbursements*-repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements should not be displayed in the financial statements. See *Reimbursements*.

### **Intergovernmental Revenues**

Revenues from other governments in the form of grants, entitlements, shared revenues, or payments in lieu of taxes.

### **Intergovernmental Service Fund**

See *Internal Service Fund*.

### **Interim Borrowing**

Short-term loans to be repaid from general revenues during the course of a fiscal year.

### **Interim Financial Statement**

A financial statement prepared before the end of the current fiscal year and covering only financial transactions during the current year to date.

### **Internal Audit**

An appraisal activity within an organization for the review of operations as a service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls.

### **Internal Control**

Internal control comprises the plan of organization, and all of the coordinate methods and measures adopted within a government to accomplish its objectives.

Administrative control includes, but is not limited to, the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the government and is the starting point for establishing accounting control of transactions.

Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

- a. Transactions are executed in accordance with management's general or specific authorization.
- b. Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.
- c. Access to assets is permitted only in accordance with management's authorization.
- d. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The foregoing definitions are not necessarily mutually exclusive because some of the procedures and records comprehended in accounting control may also be involved in administrative control. See *Internal Control* for internal control requirements.

### **Internal Service Fund**

A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. See *Flow of Economic Resources Measurement Focus*.

### **Inventory**

A detailed list showing quantities, descriptions, and values of property and, frequently, units of measure and unit prices.

### **Investing Activities**

Investing activities include making and collecting loans (except program loans) and acquiring and disposing of debt or equity instruments.

### **Investment Trust Funds**

Fiduciary fund type used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government.

**Investments**

Assets held for the production of revenues in the form of interest, dividends, rentals, or lease payments. The term does not include capital assets used in governmental operations.

**Joint Venture**

A legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest, or (b) an ongoing financial responsibility.

**Jointly Governed Organizations**

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

**Journal**

A book of original entry. Journals provide a chronological history of financial transactions and systematic means by which the transactions can be distributed and summarized for convenient posting to ledger accounts. See *General Journal*, *Special Journal*, and *Register*.

**Journal Voucher**

A voucher provided for the recording of certain transactions or information in place of or supplementary to the journals or registers. The journal voucher usually contains an entry or entries, explanations, references to documentary evidence supporting the entry or entries, and the signature or initials of one or more properly authorized officials.

**Judgment**

An amount to be paid or collected by a government as the result of a court decision, including a condemnation award in payment for private property taken for public use.

**Landfill Closure and Postclosure Care Costs**

Costs incurred to provide for the protection of the environment that occur near or after the date that a municipal solid waste landfill stops accepting solid waste and during the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (e.g., leachate collection systems and final cover) as well as the cost of services (e.g., postclosure maintenance and monitoring costs).

**Lapse**

As applied to appropriations, this term denotes the automatic termination of an appropriation. Except for continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

**Leasehold**

The right to the use of real estate by virtue of a lease, usually for a specified term of years, for which consideration is paid.

**Lease-Purchase Agreement**

Contractual agreements which are termed *leases*, but which in substance amount to purchase contracts.

**Ledger**

A group of accounts in which are recorded the financial transactions of an entity. See *General Ledger* and *Subsidiary Ledger*.

**Legal Debt Limit**

See *Debt Limit*.

**Legal Financial Obligation (LFO) (Courts)**

A sum of money that is ordered by a superior court which may include restitution, crime victims' compensation, courts costs, county or interlocal drug funds, court appointed attorneys' fees, and costs of defense, fines, and any other obligation that is assessed as a result of a felony conviction.

**Legal Level of Budgetary Control**

The level at which a government's management may not reallocate resources without special approval from the legislative body.

**Level of Effort Requirements**

A requirement that a grant recipient not use grant resources to reduce its own participation in a given program or activity.

**Levy**

- (1) To impose taxes, special assessments, or service charges for the support of governmental activities.
- (2) The total amount of taxes, special assessments, or service charges imposed by a government.

**Liabilities**

Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date. This term does not include encumbrances.

**Lien Date**

For property (ad valorem) taxes, the date when an enforceable legal claim to taxable property arises. Generally the lien date is specified in the relevant enabling legislation. Many governments use the term *lien date* even though a lien is not formally placed on the property at that date. Alternatively, the term *assessment date* is used to describe this same date.

**Local Improvement**

See *Special Assessment*.

**Long-Term Debt**

Debt with a maturity of more than one year after the date of issuance.

**Maintenance**

Activities that ensure that the right-of-way and each type of roadway, roadway structure and facility remain, as nearly as practical, in its original, as constructed condition or its subsequent improved condition.

**Major Fund**

A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least ten percent of corresponding totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other governmental and enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

### **Management's Discussion and Analysis (MD&A)**

A component of required supplementary information (RSI) used to introduce the basic financial statements and provide an analytical overview of the government's financial activities.

### **Matching Requirement**

A requirement that a grant recipient contribute resources to a program that equal or exceed a predetermined percentage of amounts provided by the grantor.

### **Measurement Focus**

The objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured (for example, financial or economic resources), but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

### **Mitigation**

In environmental management, avoiding, minimizing, rectifying, reducing, and compensating for project-induced resource losses.

### **Modified Accrual Basis**

Basis of accounting according to which (a) revenues are recognized in the accounting period of which they become available and measurable, and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

### **Modified Cash Basis**

Modified cash basis is the cash basis of accounting adjusted for Washington State statute. RCW 35.33.151 and RCW 35A.33.150 require cities to keep their books open in order to pay December bills by the following January 20. RCW 36.40.200 requires counties to keep their books open until January 30 in order to pay December bills and charge the prior-year budget.

### **Multi-Purpose Grants**

Grants intended to finance activities reported in different functional categories in the government-wide statement of activities. Multipurpose grants that do not provide for specific identification of the programs and amounts should be reported as general revenues.

### **Municipal Bond**

A bond issued by a state or local government.

### **Municipal Corporation**

A corporation established pursuant to state law for the purpose of providing governmental services and regulations for its inhabitants. A municipal corporation has defined boundaries and a population, and is usually organized with the consent of its residents. It usually has a seal and may sue and be sued. Cities and counties are examples of municipal corporations. See *Quasi-Municipal Corporation* and *Special District*.

### **Negotiable Certificates of Deposit**

Transferable certificates of deposit. Because they are transferable, negotiable certificates of deposit are subject to custodial credit risk.

**Net Book Value**

See *Book Value*.

**Net Cost**

The difference between functional expenses and program revenues in the government-wide statement of activity.

**Net General Obligation Debt**

General obligation debt reduced by amounts being paid with other than general resources (e.g., general obligation debt associated with proprietary funds and special assessment debt), as well as amounts available in sinking funds for debt repayment.

**Net Income**

Proprietary fund excess of operating revenues, nonoperating revenues, and transfers-in over operating expenses, nonoperating expenses, and transfers-out.

**Net Investment in Capital Assets Component of Net Position**

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

**Net Position**

Difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources reported in government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements.

**Net Profit**

See *Net Income*.

**Net Revenues**

See *Net Income*.

**Net Revenues Available for Debt Service**

Proprietary fund gross operating revenues less operating and maintenance expenses but exclusive of depreciation and bond interest. *Net revenue available for debt service* as thus defined is used to compute coverage on revenue bond issues. See *Coverage*. Under the provisions of some revenue bond indentures, *net revenues available for debt service* for computation of revenue bond coverage must be computed on a cash basis rather than in conformity with GAAP.

**No-Commitment Special Assessment Debt**

Special assessment debt that is secured solely by liens on assessed properties and resources provided from bond proceeds and is not backed by either the full faith and credit of the government or by any other type of general government commitment.

**Nominal Interest Rate**

The contractual interest rate shown on the face and in the body of a bond and representing the amount of interest to be paid, in contrast to the effective interest rate.

**Non-Capital Financing Activities**

Non-capital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction, or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments.

**Nonexchange Transactions**

A transaction in which a government (including the federal government, as a provider) either gives value (benefit) to another party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange.

**Non-Financial Assets**

Assets that are expected to be used in the provision of goods or services rather than converted to cash. Financial statement preparers have the option of treating prepaid items and inventories of supplies as either a financial asset (consumption method) or as a non-financial asset (purchases method).

**Nonoperating Expenses**

Proprietary fund expenses which are not directly related to the fund's primary service activities.

**Nonoperating Income**

See *Nonoperating Revenues*.

**Nonoperating Properties**

Properties which are owned by an enterprise fund but which are not used in the provision of the fund's primary service activities.

**Nonoperating Revenues**

Proprietary fund revenues which are incidental to, or by-products of, the fund's primary service activities.

**Non-Reciprocal Interfund Activity**

The internal counterpart to nonexchange transactions. This category includes both interfund transfers and interfund reimbursements.

**Nonspendable Fund Balance**

Portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Note Payable**

In general, an unconditional written promise signed by the maker to pay a certain sum in money on demand or at a fixed or determinable time either to the bearer or to the order of a person designated therein. See *Temporary Loans*.

### **Note Receivable**

An unconditional written promise, signed by the maker, to pay a certain sum in money on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein. The note may be held by the reporting governmental unit as designated payee or by endorsement.

### **Notes to the Financial Statements**

The summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements of an entity in conformity with GAAP which are not included on the face of the basic financial statements themselves. The notes to the financial statements are an integral part of the basic financial statements.

### **Number of Funds Principle**

The principle that only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

### **Object**

As used in expenditure classification, this term applies to the type of item purchased or the service obtained (as distinguished from the results obtained from expenditures). Examples are personal services, contractual services, and materials and supplies. See *Activity*, *Character Classification*, and *Function*.

### **Obligations**

Amounts which a government may be required legally to meet out of its resources. They include not only actual liabilities but also unliquidated encumbrances.

### **Obsolescence**

The decrease in the value of capital assets resulting from economic, social, technological, or legal changes.

### **On-Behalf Payments of Fringe Benefits and Salaries**

Direct payments made by one entity (the paying entity or paying government) to a third-party recipient for the employees of another, legally separate entity (the employer entity or employer government). They include payments made by governmental entities on behalf of non-governmental entities and payments made by non-governmental entities on behalf of governmental entities, and may be made for volunteers as well as for paid employees of the employer entity.

### **Operating Activities**

Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities.

### **Operating Budget**

Plans of current expenditures and the proposed means of financing them. The annual operating budget (or, in the case of some state governments, the biennial operating budget) is the primary means by which most of the financing, acquisition, spending, and service delivery activities of a government are controlled. The use of annual operating budgets is usually required by law. Even where not required by law, however, annual operating budgets are essential to sound financial management and should be adopted by every government. See *Budget*.

### **Operating Capacity**

The maximum performance, production, or services possible under the limiting conditions of existing physical plant, labor force, method of production, etc.

**Operating Expenses**

Proprietary fund expenses which are directly related to the fund's primary service activities.

**Operating Grants**

External grants which are restricted by the grantor to operating purposes or which may be used for either capital or operating purposes at the discretion of the grantee. Although the concept applies to all funds, the classification is used only in proprietary funds. See also *Capital Grants* and *Pass-Through Resources*.

**Operating Income**

The excess of proprietary fund operating revenues over operating expenses.

**Operating Revenues and Expenses**

Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net position. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are advised to consider the definition of *operating activities* for cash flows reporting in establishing their own definition.

**Operating Statement**

The basic financial statement which discloses the financial results of operations of an entity during an accounting period in conformity with GAAP.

**Operating Subsidy**

See *Operating Grants*.

**Operational Accountability**

Governments' responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose, and whether they can continue to meet their objectives for the foreseeable future.

**Operational Bond**

See *Callable Bond*.

**Organization Unit Classification**

Expenditure classification according to responsibility centers within a government's organization structure. Classification of expenditures by organization unit is essential to fixing stewardship responsibility for individual government resources.

**Original Budget**

The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior-year encumbrances.

**Other Financing Source**

An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the *other financing sources* category is limited to items so classified by GAAP.

### **Other Financing Use**

A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the *other financing uses* category is limited to items so classified by GAAP.

### **Other Post-Employment Benefits (OPEB)**

Post-employment benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income. OPEB also include post-employment health care benefits provided through a public employee retirement system or pension plan. In addition to post-employment health care benefits (such as illness, dental, vision, and hearing), OPEB may include, for example, life insurance, disability income, tuition assistance, legal services, and other assistance programs.

### **Outlays**

Synonymous with *Expenditures*. See *Capital Outlays*.

### **Overhead**

All costs other than direct costs. Specifically, those elements of cost necessary to produce an article or perform a service for which the amount applicable to the product or service cannot be determined accurately or readily. Usually they relate to those objects of expenditure which do not become an integral part of the finished product or service such as rent, heat, light, supplies, management, supervision, etc.

### **Overlapping Debt**

The proportionate share of the debts of other local governments located wholly or in part within the limits of the reporting government which must be borne by property within each government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction to total assessments receivable which will be used wholly or in part to pay off the debt. See *Direct Debt*.

### **Pass-Through Resources**

Resources that are received by a recipient government to transfer to or spend on behalf of a secondary recipient, government or otherwise, in accordance with legal or contractual provisions. See *Pass-Through Grants* for more information.

### **Pay-As-You-Go Basis**

A term used to describe the financial policy of a government which finances all of its capital outlays from current revenues rather than by borrowing. A government which pays for some improvements from current revenues and others by borrowing is said to be on a partial or modified pay-as-you-go basis.

### **Payment in Lieu of Taxes**

A payment that a property owner not subject to taxation makes to a government to compensate it for services that the property owner receives that normally are financed through property taxes.

### **Penalty (Courts)**

Monetary amount imposed for commitment of an infraction.

### **Pension Cost**

A measure of the periodic cost of an employer's participation in a defined benefit pension plan.

### **Pension Trend Data**

Actuarially based data over time concerning the funding progress of a defined benefit pension plan and employers' actual and annual required contributions to the plan.

### **Performance Audit**

Examinations intended to assess (1) the economy and efficiency of the audited entity's operations and (2) program effectiveness - the extent to which program objectives are being attained. Performance audits are sometimes also referred to as operational audits.

### **Permanent Funds**

A governmental fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry.

### **Perpetual Inventory**

A system whereby the inventory of units of property at any date may be obtained directly from the records without resorting to an actual physical count. A record is provided for each item or group of items to be inventoried and is so divided as to provide a running record of goods ordered, received, and withdrawn, and the balance on hand, in units and frequently also in value.

### **Perspective Differences**

Differences between the budgetary basis of accounting and GAAP that result when the structure of financial information used for GAAP financial reporting differs from the structure of financial information used for budgetary purposes.

### **Petty Cash**

A sum of money set aside on an imprest basis for the purpose of making change or paying small obligations for which the issuance of a formal voucher and warrant would be too expensive and time consuming. Petty cash accounts are sometimes referred to as petty cash *funds*. However, they are not *funds* in the sense of governmental accounting fund types. Petty cash accounts should be reported as assets of the fund of ownership. See *Imprest Cash Account*.

### **Petty Cash Voucher**

A voucher used to record individual disbursements of petty cash. See *Imprest Cash Account*.

### **Pooled Assets**

Similar internal service fund assets that are grouped together for the purpose of setting a rate to charge users of the assets.

### **Post-Audit**

An examination of financial transactions that have been consummated or those in various stages of completion at the end of an accounting period. See *Pre-Audit*.

### **Post-Employment Healthcare Benefits**

Medical, dental, vision, and other health-related benefits provided to terminated employees, retired employees, dependents, and beneficiaries.

### **Posting**

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

**Pre-Audit**

An examination of financial transactions prior to their completion.

**Prepaid Items**

An asset account reflecting charges entered in the accounts for benefits not yet received. Prepaid items are regularly recurring costs of operations. Examples of prepaid items are prepaid rent, prepaid interest, and unexpired insurance premiums.

**Present Value**

The sum of future payments or receipts discounted to the current date at an appropriate rate of interest. Usually the present value can be considered equivalent to the cash price that would be paid for an item on delivery or the principal or face amount of an investment or debt exclusive of interest. However, when an item is purchased on credit and no interest rate is stated, or when an investment is bought or sold at a premium or discount, or when a debt is incurred and the cash proceeds are not the same as the face amount of the debt, computation of present value may be required.

**Preservation**

A specialized maintenance activities that serve to extend the originally estimated life of each type of roadway, roadway structure, and facility but do not increase its traffic flow capacity and efficiency.

**Primary Government**

A state government or general purpose local government. Also, a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments.

**Private-Purpose Trust Funds**

A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

**Program**

Group activities, operations or organizational units directed to attaining specific purposes or objectives.

**Program Compliance Audit**

An examination leading to the expression of an opinion on the degree of the audited entity's compliance with requirements imposed by intergovernmental grantors and the audited entity's eligibility for grant monies.

**Program Loan**

A loan made and collected as part of a governmental program that provides a direct benefit to individual constituents.

**Program Revenue**

Revenues reported in the government-wide statement of activities that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

**Proprietary Funds**

Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

**Public Authority**

See *Authority*.

**Public Corporation**

See *Municipal Corporation* and *Quasi-Municipal Corporation*.

**Public-Entity Risk Pool**

A cooperative group of governmental entities joining together to finance an exposure, liability, or risk. Risk may include property and liability, workers' compensation, or employee health care. A pool may be a stand-alone entity or included as part of a larger governmental entity that acts as the pool's sponsor.

**Purchase Order**

A document which authorizes the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

**Purchases Method**

The method under which inventories are recorded as expenditures when acquired. At the end of the fiscal period, inventories on hand are recorded as a balance sheet asset with an offset to a nonspendable fund balance account.

**Purpose Restrictions**

Term used in connection with government-mandated and voluntary nonexchange transactions. Legal limitations that specify the purpose or purposes for which resources are required to be used.

**Qualified Opinion**

A modification of the independent auditor's report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditor's general assertion that the financial statements are fairly presented.

**Quasi-Municipal Corporation**

An agency established by the state primarily for the purpose of helping the state to carry out its functions. Some agencies ordinarily classified as quasi-municipal corporations have been granted the powers of municipal corporations by the state. See *Municipal Corporation* and *Special District*.

**Rate Base**

The value of utility property used in computing an authorized rate of return as authorized by law or a regulatory commission.

**Realized Gains and Losses**

The cumulative effect of appreciation and depreciation in the value of investments reported at fair value at the time those investments are sold.

**Reappropriation**

The inclusion of a balance from the prior year's budget as part of the budget of the subsequent fiscal year. Reappropriation is common for encumbrances outstanding at the end of a fiscal year that a government intends to honor in the subsequent fiscal year.

**Rebates**

See *Abatement* or *Refund*.

**Receipts**

Cash received.

### **Reciprocal Interfund Activity**

The interfund counterpart to exchange and exchange-like transactions. This category includes both interfund loans and interfund services provided and used.

### **Recoupment (Courts)**

A recovery made from a convicted defendant for costs incurred by local government paid to third parties such as jurors, witnesses, interpreters, or attorneys.

### **Refund**

(Noun) The recovery of an item previously expensed or the repayment of an item previously recorded as revenue. Such refunds should be included in revenues, expenditures, or expenses of the current accounting period. (Verb) To pay back or allow credit for an amount because of an over-collection or because of the return of an object sold. Such charges or credits should be made to the account where the original transaction was recorded. (Verb) To provide for the payment of an obligation through cash or credit secured by a new obligation.

### **Refunding Bonds**

Bonds issued to retire bonds already outstanding. The refunding bonds may be sold for cash and outstanding bonds redeemed in cash, or the refunding bonds may be exchanged with holders of outstanding bonds. See *Advance Refunding Bonds*.

### **Register**

A record for the consecutive entry of a certain class of events, documents, or transactions, with proper notation of all the required particulars. The form of registers varies from a one-column to a multi-columnar sheet of special design whereon the entries are distributed, summarized, and aggregated for convenient posting to the accounts. See *Journal*.

### **Registered Warrant**

A warrant which is registered by the paying officer for future payment due to a present lack of moneys and which is to be paid in the order of its registration. In some cases, such warrants are registered when issued; in others, when first presented to the paying officer by the holders. See *Warrant*.

### **Regulated Enterprises**

Enterprises for which (a) rates for regulated services or products are either established by, or subject to approval by an independent, third-party regulator (or the governing board itself if it is empowered by statute or contract to establish rates that bind customers), (b) the regulated rates are designed to recover the specific enterprise's costs of providing regulated services or products, and (c) it is reasonable to assume that the regulated activity can set and collect charges sufficient to recover its costs. In practice, the term "regulated enterprise" normally is applied only to enterprises that elect this option.

### **Reimbursement Grant**

A grant for which a potential recipient must first incur qualifying expenditures to be eligible. Reimbursement grants are also referred to as *expenditure-driven grants*.

### **Reimbursements**

Reimbursements are repayments from the funds responsible for particular expenditures/expenses to the fund that initially paid for them. See *Interfund Reimbursements* for details.

### **Related Organization**

An organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) even though the primary government appoints a voting majority of the organization's governing board.

**Related Party Transaction**

A transaction that an informed observer might reasonably believe reflects considerations other than economic self-interest based upon the relationship that exists between the parties to the transaction. The term often is used in contrast to an *arm's-length transaction*.

**Relative Order of Liquidity**

An order for presenting assets and liabilities on the statement of net position based upon how readily they may be converted to cash or will require the use of cash.

**Relevance**

The principle that there should be a close logical relationship between the financial information provided and the purpose for which it is needed. Information is relevant if it is capable of making a difference in a user's assessment of a problem, condition, or event.

**Report of Examination**

See *Audit Report*.

**Repurchase Agreement**

A generic term: for an agreement in which a government entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities or for different securities.

**Required Supplementary Information (RSI)**

Statements, schedules, statistical data, or other information that has been determined necessary to supplement, although not required to be a part of, the basic statements.

**Requisition**

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

**Reserve for Uncollected Taxes**

This use of the term *reserve* is no longer acceptable under NCGA Statement 1. See *Unearned Revenues*.

**Restitution (Courts)**

A monetary amount ordered paid to a third party for loss or damage.

**Restricted Assets**

Moneys or other resources, the use of which is restricted by legal or contractual requirements. In governmental accounting, special treatments are applied to restricted assets arising out of revenue bond indentures in enterprise funds. These are sometimes also called restricted *funds* but such terminology is not preferred.

**Restricted Component of Net Position**

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

### **Restricted Fund Balance**

Portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

### **Revenue Bonds**

Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

### **Revenue Anticipation Note**

Short-term, interest-bearing note issued by a government in anticipation of revenues to be received at a later date. The note is retired from the revenues to which it is related.

### **Revenues**

Increases in proprietary funds net position from other than expense refunds and capital contributions. Under the NCGA Statement 1, transfers-in are classified separately from revenues.

### **Reverse Repurchase Agreement**

An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for the same securities or for different securities.

### **Revolving Fund**

(1) An internal service fund. (2) An imprest account which is accounted for as an asset of a fund.

### **Sanction (Courts)**

A monetary amount imposed by the court for noncompliance, usually imposed on the attorney rather than the party. Not part of a judgment.

### **Schedules**

See *Supporting Schedules*.

### **Securities**

Bonds, notes, mortgages, or other forms of negotiable or nonnegotiable instruments. See *Investments*.

### **Securities Lending Transactions**

Transactions in which governmental entities transfer their securities to broker-dealers and other entities for collateral which may be cash, securities, or letters of credit and simultaneously agree to return the collateral for the same securities in the future.

### **Segment**

An identifiable activity (or grouping of activities) required to be accounted for separately which is reported as or within an enterprise fund or an other stand-alone entity for which one or more revenue bonds or other revenue-backed debt instruments (such as certificates of participation) are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets, and liabilities that can be identified.

### **Self-Insurance**

A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

### **Self-Supporting or Liquidating Debt**

Debt obligations whose principal and interest are payable solely from the earnings of the enterprise for the construction or improvement of which they were originally issued. See *Revenue Bonds*.

### **Serial Bonds**

Bonds whose principal is repaid in periodic installments over the life of the issue.

### **Shared Revenues**

Revenues levied by one government but shared on a predetermined basis, often in proportion to the amount collected at the local level, with another government or class of government.

### **Shared Taxes**

See *Shared Revenues*.

### **Short-Term Debt**

Debt with a maturity of one year or less after the date of issuance. Short-term debt usually includes contracts and accounts payable, bond anticipation notes, and interim warrants.

### **Single Audit**

An audit performed in accordance with the Single Audit Act of 1984 (as amended) and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal grantor agencies.

### **Sinking Fund**

See *Debt Service Fund*.

### **Source**

The origin of revenues, not necessarily the payer.

### **Special Assessment**

A compulsory levy made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

### **Special Assessment Bonds**

Bonds payable from the proceeds of special assessments. These bonds are payable only from the collections of special assessments, and occur in Local Improvement Districts (LIDs) and Road Improvement Districts (RIDs).

### **Special Assessment Liens Receivable**

Claims which a government has upon properties until special assessments levied against them have been paid. The term normally applies to those delinquent special assessments for the collection of which legal action has been taken through the filing of claims.

**Special Assessment Roll**

The official list showing the amount of special assessments levied against each property presumed to be benefited by an improvement or service.

**Special District**

An independent unit of local government organized to perform a single governmental function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, school districts, transit authorities, port authorities, public utility districts, and irrigation districts.

**Special Items**

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

**Special Journal**

A journal containing all entries of a particular type. Examples include cash receipts journals, cash disbursement journals, purchases journals, etc. See *Journal* and *General Journal*.

**Special Revenue Funds**

Funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

**Special Termination Benefits**

Benefits offered for a short period of time to employees in connection with their termination of employment. Special termination benefits serve as an inducement to take early retirement, and often are used to help alleviate near-term budgetary problems.

**Spending Measurement Focus**

See *Flow of Current Financial Resources Measurement Focus*.

**Stabilization Arrangements**

Amounts formally set aside for use in emergency situations or when revenue shortages or budgetary imbalances arise. Those amounts are subject to controls that dictate the circumstances under which they can be spent.

**Standard Costing**

Method of estimating the historical cost of a capital asset by establishing the average cost of obtaining the same or a similar asset at the time of acquisition.

**State-Collected Locally Shared Tax**

See *Shared Revenues*.

**Statement of Financial Condition**

See *Balance Sheet*.

**Statement of Financial Position**

See *Balance Sheet*.

**Statements**

See *Basic Financial Statements*.

### **Statistical Tables**

Financial presentations included in the Statistical Section of the CAFR which provide detailed data on the physical, economic, social, and political characteristics of the reporting government. They are intended to provide CAFR users with a broader and more complete understanding of the government and its financial affairs than is possible from the basic financial statements and supporting schedules included in the Financial Section. Statistical tables usually cover more than two fiscal years and often present data from outside the accounting records. In contrast to Financial Section information, therefore, Statistical Section data are not usually susceptible to independent audit.

### **Stevedoring**

The function of loading and unloading the ship, often done by stevedoring companies who then employ longshore labor for specific tasks.

### **Stores**

Goods subject to requisition and use on hand in storerooms.

### **Subfunction**

A grouping of related activities within a particular governmental function. For example, *police* is a subfunction of the function *public safety*.

### **Subobject**

The seventh digit of all BARS account numbers. The number assigned to identify revenues and expenditures/expenses according to the character and the type of items purchased/sold or services obtained/rendered.

### **Subrecipient**

An entity that is a secondary or ultimate recipient of federal (grantor) financial assistance. These federal funds are distributed, under contract, by a state or local government (grantee) to the secondary recipient and are used by it in order to carry out federal assistance programs. (These funds are not to be confused with pass-through resources received as an agency that are forwarded to a provider of services.) See *Pass-Through Resources*.

### **Subsidiary Account**

One of a group of related accounts supporting in detail the debit and credit summaries recorded in a control account (e.g., the individual property taxpayers' accounts for the taxes receivable control account in the general ledger). See *Control Account*.

### **Subsidiary Ledger**

A group of subsidiary accounts, the sum of the balances of which should equal the balance of the related control account. See *General Ledger* and *Subsidiary Account*.

### **Supplementary Information**

Financial information presented together with basic financial statements that is not included within the scope of the audit of those statements. When the presentation of certain supplementary information is mandated by the GASB it is referred to as *required supplementary information (RSI)*.

### **Supporting Schedules**

Financial presentations that: (1) demonstrate compliance with finance-related legal and contractual provisions; (2) present information spread throughout the basic financial statements that can be brought together and shown in greater detail (e.g., schedule of taxes receivable); (3) present greater detail for information reported in the basic financial statements (e.g., detail of revenues and expenditures by element and object); and (4) present information not disclosed in GAAP basic financial statements (e.g., operation of cash).

### **Susceptible to Accrual**

Revenues that are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

### **Tap Fees**

Fees charged to join or to extend an existing utility system. Also referred to as *system development fees* or *connection fees*.

### **Tariff Rates**

In a port, a list or scale of prices and charges for various port services (for example, wharfage and dockage).

### **Tax Anticipation Note**

Short-term, interest-bearing note issued by a government in anticipation of tax revenues to be received at a later date. The note is retired from the tax revenues to which it is related.

### **Taxes**

Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those who pay, for example, sewer service charges.

### **Temporary Accounts**

Accounts that close to net position at the end of an accounting period (e.g., revenues and expenses).

### **Temporary Loans**

Short-term obligations representing amounts borrowed for short periods of time and usually evidenced by notes payable or warrants payable. They may be unsecured or secured by specific revenues to be collected.

### **Ten Percent Criterion**

The first of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. For governmental funds, this test is applied to the total assets, liabilities, revenues, and expenditures of all governmental funds. For enterprise funds, this test is applied to the total assets, liabilities, revenues, and expenses of all enterprise funds. The test need be met for only one of these four items.

### **Timeliness**

The principle that financial statements must be issued soon enough after the reported events to affect decisions.

**Timing Differences**

Differences between the budgetary basis of accounting and GAAP that occur when the period used for budgeting differs from the period used for GAAP reporting (e.g., a special revenue fund that uses a grant-year budget rather than a fiscal-year budget).

**Trade Discount**

An allowance, usually varying in percentage with the volume of transactions, made to those engaged in certain businesses and allowable without respect to the time when the account is paid. These discounts are commonly considered a reduction of the sales or purchase price and not earnings. The term is not to be confused with *Cash Discount*.

**Transfer Voucher**

A voucher authorizing transfers of cash or other resources between funds.

**Transfers**

See *Interfund Transactions*.

**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 their net balance agrees with a control account, the ledger from which the figures are taken is said to be *in balance*.

**Unallocated Depreciation**

Depreciation not reported as a direct expense of a functional category in the government-wide statement of activities.

**Unassigned Fund Balance**

Residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

**Unearned Income**

See *Unearned Revenue*.

**Unearned Revenue**

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, amounts that are measurable but not available are one example of unearned revenue.

**Unearned Special Assessments**

Special assessments which have been levied but which are not due within one year.

**Unit Cost**

A term used in cost accounting to denote the cost of producing a unit of product or rendering a unit of service; for example, the cost of treating and purifying 1,000 gallons of sewage.

**Unmodified Opinion**

An auditor's opinion, which states that the basic financial statements of a specified entity are fairly presented, in all material respects, in conformity with GAAP, applied on a basis consistent with the prior year.

**Unrealized Gains and Losses**

Cumulative change in the market value of investments prior to their disposition.

**Unrestricted Component of Net Position**

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Unrestricted Fund Balance**

The total of committed fund balance, assigned fund balance, and unassigned fund balance.

**Utility Fund**

See *Enterprise Fund*.

**Voluntary Nonexchange Transactions**

Transactions that result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (e.g., certain grants and private donations).

**Voting Majority**

A situation in which the number of the primary government's appointees to a component unit's board is sufficient to control decisions of the component unit.

**Voucher**

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

**Voucher System**

A system which calls for the preparation of vouchers for transactions involving payments and for the recording of such vouchers in a special book of original entry, known as a voucher register, in the order in which payment is approved.

**Vouchers Payable**

Liabilities for goods and services evidenced by vouchers which have been pre-audited and approved for payment but which have not been paid.

**Warrant**

An order drawn by the legislative body or an officer of a government 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. See *Registered Warrant*.

**Warrants Payable**

The amount of warrants outstanding and unpaid.

**Wasting Assets**

Mines, timberlands, quarries, oil fields, and similar assets, which diminish in value by the removal of their contents.

**Wharfage**

A fee charge against the cargo for moving it across a wharf or terminal.

**Work in Process**

The cost of partially completed products manufactured or processed, such as a partially completed printing job. Sometimes referred to as *work in progress*. See *Construction in Progress*.

**Work in Progress**

See *Construction in Progress* and *Work in Process*.

**Yellow Book**

A non-technical term commonly used to describe the General Accounting Office's publication *Government Auditing Standards*.