



Washington State Auditor's Office

Local Government Performance Center

FIT Glossary of Financial Terms

This glossary provides definitions of various technical terms used in the Financial Intelligence Tool (FIT) and the FIT Handbook. Note that these terms may have other definitions that are not applicable to the tool.

To search the document for a specific term, use the "Control+f" ("Command+f" on a Mac) keystrokes to open a search box that will allow you type in the desired term and find it quickly.

Adjustments – Additions or subtractions to financial amounts on the FIT workbook that were originally reported to the State Auditor's Office by the entity. An adjustment may be needed to correct a previous error, explain an interfund loan, etc.

Annual report filing – Annual financial reports are required by state law (RCW 43.09.230) to be filed with the Washington State Auditor's Office within 150 days after the close of each fiscal year. Further guidance can be found in the Budgeting Accounting and Reporting System (BARS) manual on the State Auditor's website.

Back-loaded principal payments – A type of debt payment structure where principal payments are heavily weighted to be paid at the end of the loan period. This structure maximizes the interest that must be repaid.

Balloon payments – A type of debt payment structure where an additional large payment is due at a specified period, usually at the maturity period of the loan.

BARS – Budgeting, Accounting and Reporting System – The BARS Manual is a document explaining accounting and financial reporting requirements for local governments. The BARS manual is prepared by the State Auditor's Office in accordance with state law (RCW 43.09.200). The cash basis BARS manual is online at: www.sao.wa.gov/local/BarsManual/Pages/BarsManual_Cash.aspx

Basis of accounting – A method of how and when to record financial transactions based on accounting principles. In Washington, most governments report in accordance with generally accepted accounting principles (GAAP) or other comprehensive basis of accounting (OCBOA) such as the BARS cash basis.

Bonds/ issuing bonds – A method governments may use to borrow money. A bond is a written agreement to pay back a specified sum of money or principal, at a specified date or dates in the future, with a specified rate of interest.

Capital assets – Items such as equipment, bridges, buildings or land that are intended to be held for a long period of time.

Capital outlay – An outflow of cash or payments for long-lived capital assets (defined above).

Cash basis of accounting – An accounting method that records revenue at the time cash is received and expenditures (expenses) when cash is disbursed. This accounting system operates like a checkbook.

Contingency – A contingent event is one that may, but is not certain to, take place; for example, "contingency funds" are set aside to cover possible needs during a project. Loss contingencies (expenditures and liabilities) are reported if they are probable and measurable. Gain contingencies (revenues and assets) are not reported until they are actually realized.

Debt service – Financial resources that are required to satisfy long term legal debts for bonds, loans, etc. This may refer to either the entire amount that will be repaid or the payment required during the current period.

Enterprise fund – A fund used to report activities primarily financed with revenue that a government receives by charging fees for goods and services. It is also referred to as a business-like activity such as a golf course or utility.

Fixed assets – An accounting term that refers to items with a long useful life such as equipment, bridges, buildings, land, etc. In the 1990s, this term was replaced in accounting literature with “capital assets” (defined above).

Fund – Governmental accounting systems are organized and operated on a fund basis. Each fund is considered to function as a separate fiscal and accounting entity. It is similar to maintaining a separate checkbook for specified activities. Guidance for establishing funds is based on certain objectives or restrictions placed on the resources used for the stipulated activities. In Washington, local governments must use the fund structure prescribed by the State Auditor’s Office in the BARS manual (see entry above).

Fund balance ending/beginning – For cash basis entities, this refers to the amounts of cash and investments available at a period of time, either the end or beginning of the fiscal year. When using FIT, remember to distinguish between reserved and unreserved fund balances in governmental and proprietary funds.

General fund – This governmental fund is used to account for and report all financial resources not accounted for and reported in another fund. For reporting purposes a local government can have only one general fund. This fund is also commonly known as the current expense fund.

General obligation bond (GO bond) – Bonds or money that the government borrows and guarantees to repay using taxes and other revenues they have available. Also see definition of bonds above.

GAAP reporting – Generally Accepted Accounting Principles – Uniform standards and guidelines for financial accounting and reporting set by an authoritative body. These rules govern the form and content of the accounting records and financial statements of an entity. The primary authoritative body on GAAP for state and local governments is the Governmental Accounting Standards Board (GASB).

Governmental funds – This fund type is used to account for transactions related to tax supported governmental activities. Examples are fire, police, general government, transportation, health and human services, etc. There are five governmental fund types: general fund, special revenue funds, capital project funds, debt service funds, and permanent funds.

Interfund loans – Resources loaned by one fund to another with an expectation of repayment with interest. The resources received should not be reported as revenue in the receiving fund. Specific legal requirements are required to be followed when making interfund loans.

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

Internal service funds – An accounting treatment for funds that accounts for resources provided by one department to another department in the same government.

Liabilities – Debt or other legal obligations which must be paid for at some future date.

Maturity – The time it takes for debt contract requirements to become completed. Example: a bond being paid off in 30 years will have a maturity of 30 years after its starting date. Many contracts refer to the maturity date, or the expected date which all of the contract requirements will be satisfied.

Miscellaneous revenues – The classification used to account for a group of several minor revenue streams when they are combined. It is more cost effective to track this single category than to account for each minor revenue stream separately.

Net operating revenue – An input to the operating margin ratio for governmental funds equal to the total governmental funds revenue less operating expenditures and debt service.

Net enterprise fund transfers in(out) – An input to the enterprise fund self-sufficiency ratio equal to the difference between enterprise fund transfers-in minus enterprise fund transfers-out.

Operating margin positive or (negative) – A ratio used to show whether revenue is greater or less than total expenditures plus current debt service in governmental funds. A positive value indicates resources are sufficient to cover current spending. A negative value indicates additional resources are required to sustain the activity at its current level and pay debt service.

Other financing sources and uses – A general governmental accounting classification used to report inflows and outflows of resources that do not meet criteria to be classified as revenues, expenditures or expenses. Examples of other financing sources are resources from bond proceeds and transfers in. An example of an other financing use is a transfer out.

Proprietary funds – A fund used to account for business-like activities. Examples are enterprise funds and internal service funds.

Refunding – A term used to describe the payoff or retirement of bonds before their scheduled maturity. Usually a refunding is used to replace old debt with a high interest rate with new debt at a lower interest rate.

Reserved fund balance (cash basis only) – Cash and investments with restrictions imposed on them by external parties (for example, grantors or creditors) or internal commitments. Internal commitments are limitations imposed by the highest level of government (board of commissioners, city council, board of directors, board of supervisors, etc.) through a formal action (ordinance, resolution) that requires a similar formal action on the same level to remove them. Resource limitations resulting from intended use or informal action by either legislators or managers are not sufficient to classify the resources as reserved and should be reported as unreserved.

Revenue – External resources received by a government and used to support the activities it provides. Revenue encompasses money received from taxes, fees, charges and grants. It does not include bond proceeds, refunding bond proceeds, sale of assets, interfund loans or interfund transfers. These resources should be accounted for as other financing sources.

Revenue bond – Bonds or borrowed money that the government guarantees to repay using a specific type of revenue. Also see definition of bond above.

Special purpose districts – An independent unit of local government organized to perform a single governmental function or a restricted number of related functions. Some special purpose districts have the power to incur debt and levy taxes. However, certain types of special districts are entirely dependent upon charges for services for revenue and cannot impose taxes. Examples of special purpose districts include water districts, drainage districts, flood control districts, hospital districts, fire protection districts, school districts, transit authorities, port authorities, public utility districts, and irrigation districts.

Transfers in and out – One fund provides unrestricted or uncommitted resources to another fund of the same government, without the expectation of repayment. The fund receiving the resources records a transfer-in and the fund providing the resources records a transfer-out.

Unreserved fund balance (cash basis only) – The amount of cash and investments held by a government that do not have restrictions on their use. Resources with informal limitations placed on them by either legislators or managers should be reported as unreserved.

Additional glossary resources

See the Glossary of Accounting Terms in the Appendices section of the Cities, Counties and Special Purpose Districts (Cash Basis) BARS Manual, available online at: <http://www.sao.wa.gov/local/Pages/BarsManual.aspx>