## Manual of Accounting and Financial Reporting for Pennsylvania Public Schools

Glossary

- <u>Accounting System</u>. The methods and records established to identify, assemble, analyze, classify, record and report a government's transactions and to maintain accountability for the related assets and liabilities.
- **Accountability**. The state of being responsible for 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.
- <u>Accounts Payable</u>. A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.
- <u>Accounts Receivable</u>. An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).
- <u>Accrual Basis</u>. The recording of the financial effects of transactions and other events and circumstances for the government in the periods in which those transactions, events and circumstances occur regardless of whether they involved cash flowing in or out of the school.
- <u>Accrued Salaries And Wages Payable</u>. A liability account reflecting salaries and wages earned by employees but not due until a later date.
- **Accumulated Depreciation**. A contra-asset account used to report the accumulation of all annual depreciation expense to date of a capital asset to reflect the expiration of the estimated service life of fixed assets. Accumulated depreciation is subtracted from historical cost on the Statement of Net Assets.
- Advance Refunding Bonds. Bonds issued to refinance an outstanding bond issue before the date the outstanding bonds become due or callable. Proceeds of the advance refunding are deposited in escrow with a fiduciary, invested in U.S. Treasury Bonds or other authorized securities. These proceeds are used to redeem the underlying bonds at their maturity or call date, to pay interest on the bonds being refunded, or to pay interest on the advance refunding bonds.
- Act 511 Taxes (Flat). All taxes levied on a flat rate basis in accordance with Act 511 of 1965.
- Act 511 Taxes (Proportional). All taxes levied on a proportional basis in accordance with Act 511 of 1965.

- <u>Advance To Other Funds</u>. An asset account used to record noncurrent portions of a long-term loan from one (1) fund to another fund within the same reporting entity.
- <u>Adverse Opinion</u>. An opinion stating the auditor's view that financial statements do not present fairly financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles.
- **Agency Fund.** A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and / or other funds. The agency fund also is used to report the assets and liabilities of Internal Revenue Code, Section 457, deferred compensation plans. A Student Activity Fund is one type of agency fund used by schools.
- <u>Amortization</u>. (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.
- <u>Amusement Tax</u>. A proportional tax levied on admission prices to places of amusement, entertainment or recreation.
- <u>Annual Financial Report</u>. A financial report applicable to a single fiscal year. All public school entities are required by law to submit an Annual Financial Report each year.
- <u>Appropriation</u>. A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.
- **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.
- <u>Assessed Valuation</u>. A valuation set upon real estate or other property by a government as a basis for levying taxes.
- <u>Asset</u>. Resources owned or controlled by a particular entity, as a result of past transactions or events, that have a recognizable monetary value.

- <u>Audit</u>. A systematic collection of the sufficient, competent evidential matter needed to attest to the fairness of management's assertions in the financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities. The auditor obtains this evidential matter through inspection, observation, inquiries and confirmations with third parties.
- <u>Audit Finding</u>. In the context of a financial audit, a weakness in internal controls or an instance of noncompliance with applicable laws and regulations that is presented in the audit report in conformity with GAGAS. A typical audit finding is composed of a statement of the condition (i.e., weakness or instance of noncompliance) and the criterion or criteria used to define it, an explanation of the cause of the condition, a discussion of its results and recommendations for improvement. Findings ordinarily are presented together with a response from management, which states management's concurrence or nonconcurrence with each finding and its plan for corrective action.
- **Balance Sheet**. The financial statement disclosing the assets, liabilities and equity of an entity at a specified date in conformity with GAAP.
- **<u>Basic Financial Statements</u>**. The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.
- **Basis of Accounting.** A term used to refer to *when* revenues, expenditures, expenses, and transfers-and the related assets and liabilities-are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made.
- **Bond**. Most often, 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. Sometimes, however, all or a substantial portion of the interest is included in the face value of the security. This debt is typically issued to finance the acquisition, construction and renovation of capital assets.
- **<u>Bond Anticipation Notes (BANs)</u>**. Short-term interest-bearing notes issued by a government in anticipation of bonds to be issued at a later date. The notes are retired from proceeds of the bond issue to which they are related.
- **Bond Discount**. The difference between the present value and the face amount of bonds when the former is less than the latter. In common usage, the term also often includes issuance costs withheld from the bond proceeds by the underwriter.
- **<u>Bond Premium</u>**. The difference between the present value and the face amount of bonds when the former is greater than the latter.

- **Bonds Payable**. Generally, the face value of bonds issued and unpaid. In the case of deep-discount and zero-coupon bonds, however, only the accreted value of the security is reported as bonds payable on the balance sheet.
- <u>Budget</u>. 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 (2) senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.
- **<u>Budgetary Comparisons.</u>** Statements or schedules presenting comparisons between approved budgetary amounts (as amended) and actual results of operations on the budgetary basis.
- **Business Privilege Tax**. A flat rate and/or proportional tax levied on the gross receipts from certain occupations, trades and professions, as well as merchants, vendors and others for the privilege of doing business with in the taxing district.
- <u>Capital Assets</u>. Land, improvements to land, 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.
- <u>Capital Expenditures</u>. Expenditures resulting in the acquisition of or addition to the government's general fixed assets.
- <u>Capital Lease</u>. An agreement that conveys the right to use property, plant or equipment, usually for a stated period of time, that meets one (1) or more of the criteria set forth in SFAS No. 13 for lease capitalization.
- <u>Capital Projects Fund</u>. A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).
- <u>Capital Reserve Fund</u>. A type of Special Revenue Fund used by LEAs to account for funds authorized by Section 690 of the PA School Code, or Section 1432 of the PA Municipal Code.
- <u>Capitalization Policy</u>. The criteria used by a government to determine which outlays should be reported as fixed assets. Capitalization policies include dollar threshold and useful lives and may vary from one asset class to another.

- <u>Cash</u>. Cash includes currency on hand and demand deposits with banks or other financial institutions. Cash also includes deposits in other kinds of accounts that have the general characteristics of demand deposit accounts.
- <u>Cash Basis</u>. A basis of accounting under which transactions are recognized only when cash is received or disbursed.
- <u>Cash Equivalent</u>. 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.
- <u>Catalog of Federal Domestic Assistance (CFDA)</u>. A five (5) digit program identification number. The first two (2) digits identify the federal department or agency that administers the program, and the last three (3) numbers identify the program within the federal department or agency.
- <u>Certificate of Achievement for Excellence in Financial Reporting Program</u>. A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFRs / CUFRs and to provide technical assistance and peer recognition to the finance officers preparing them.
- <u>Certified Public Accountant (CPA)</u>. An accountant who has met all the statutory and licensing requirements of a given state for use of that designation. All U.S. states require accountants, at a minimum, to complete successfully a uniform national examination before being allowed to designate themselves as CPAs.
- <u>Commitments</u>. In the context of note disclosure, contingent obligations at the balance sheet date, arising from the terms of executory contracts.
- <u>Compensated Absences</u>. Absences, such as unused vacation, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance and long-term disability pay.
- <u>Component Units</u>. Legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. It is not common for schools to have component units.

- <u>Comprehensive Annual Financial Report (CAFR)</u>. The official annual report of a government. It includes (a) basic financial statements and required supplementary information; and (b) combining statements by fund type and individual fund prepared in conformity with GAAP and organized in a financial reporting pyramid. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, required supplementary information, extensive introductory material and a detailed statistical section. It is recommended that every government reporting entity prepare a CAFR.
- <u>Consortia Members</u>. Schools participating in a consortium arrangement. An example of a consortium arrangement is when one (1) school acts as the lead agency to receive grant funds and operate programs on behalf of its members.
- <u>Consumption Method</u>. The method under which inventories are recorded as expenditures / expenses when used. See Purchases method.
- <u>Contingent Liability</u>. Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.
- <u>Contractor / Vendor</u>. A contractor / vendor for purposes of the Single Audit Act of 1984 is defined in OMB Circular A-128 as an entity that receives a procurement contract for goods or services (from a recipient or secondary recipient entity) which will be paid from pass-through funds, i.e., federal financial assistance or other funds. Contractors are not secondary recipients, and therefore, are not responsible for assisting the recipient entity in carrying out the program requirements.
- <u>Current</u>. As 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 (1) year.
- <u>Current Financial Resources Measurement Focus</u>. The measurement focus that presents revenues and expenditures to explain if a government has more or less resources available for future transactions. Increases in spendable resources are termed revenues, decreases are termed expenditures.
- <u>Current Refunding</u>. Transaction where new debt is issued and the proceeds are used to repay old debt immediately.

- <u>**Debt**</u>. An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants and notes.
- <u>Debt Proceeds</u>. The difference between the face amount of debt and the issuance discount or the sum of the face amount and the issuance premium. Debt proceeds differ from cash receipts to the extent issuance costs, such as underwriters' fees, are withheld by the underwriter.
- <u>Debt Service Fund</u>. A governmental fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Sometimes referred to as a Sinking Fund.
- <u>Deep Discount Debt</u>. Debt issued with a stated interest rate significantly less than the effective interest rate (e.g., less than 75 percent of the effective interest rate).
- <u>Defeasance</u>. 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.
- <u>Deferred Charges</u>. Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g., bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time (more than five [5] years) and are not regularly recurring costs of operation.
- <u>Deferred Revenue</u>. A liability representing 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 (1) example of deferred revenue.
- **<u>Deficit</u>**. (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 expenses over revenues during an accounting period.
- <u>Delinquent Taxes</u>. Taxes remaining unpaid on and after the date to 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.

- **<u>Depreciation</u>**. (1) Expiration in the service life of fixed assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a fixed asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.
- <u>Disclaimer Of Opinion</u>. A report stating that the auditor does not express an opinion on the financial statements. The disclaimer of opinion is appropriate when the auditor has not performed an examination sufficient in scope to enable him / her to form an opinion on the financial statements. A disclaimer of opinion should *not* be expressed because the auditor believes, on the basis of the examination, that there are material departures from GAAP. In such circumstances, an adverse opinion would be appropriate.
- <u>Discount</u>. In the context of bonds payable and investments, the amount by which par value exceeds the price paid for a security. The discount generally represents the difference between the nominal interest rate and the actual or effective rate of return to the investor.
- <u>Discrete Presentation (Discretely Presented)</u>. The method of reporting financial data of component units in a column(s) separate from the financial data of the primary government. An integral part of this method of presentation is that individual component units supporting information is required to be provided either in condensed financial statements within the notes to the reporting entity's financial statements, or in combining statements in its GPFS.
- <u>Due From Other Funds</u>. An asset account used to indicate amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.
- <u>Due To Other Funds</u>. A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. These amounts include only short-term obligations on open account, not interfund loans.
- **<u>Earned Income Tax</u>**. A proportional tax levied on the wages, salaries, commissions, net profits or other compensation of residents within the taxing district.
- <u>Economic Resources Measurement Focus</u>. The measurement focus used when preparing the Statement of Net Assets and Statement of Activities under GASB Statement #34. This focus presents the entity's financial activities in terms of revenues that increase the entity's economic position and expenses that decrease the entity's economic position.

- **Encumbrances**. Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.
- **<u>Endowment</u>**. Funds or property that are donated with either a temporary or permanent restriction as to the use of principal.
- **Enterprise Fund**. (1) a fund established to account for operations financed and operated in a manner similar to private business enterprises (e.g., water, gas and electric utilities; airports; parking garages; or transit systems). In this case, the governing body intends that costs (i.e., expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. (2) A fund established because the governing body has decided that periodic determination of revenues earned, expenses incurred and / or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.
- **Escheat Property**. Property reverting to the school in the absence of a legal claimant, i.e, amounts that will be reclaimed by rightful owners and amounts that will never be reclaimed and are used to finance operations.
- **Expenditures**. Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlements and shared revenues.
- **Expenses**. Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.
- **Extraordinary Items**. Transactions or other events that are **both** unusual in nature **and** infrequent in occurrence. APB Opinion No. 30 defines *unusual in nature* as an event having a high degree of abnormality and unrelated to the ordinary activities of the entity. It defines *infrequency of occurrence* as an event that would not be expected to recur in the foreseeable future, taking into account the environment in which the entity operates.
- <u>Fiduciary Fund Type</u>. The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units and / or other funds.

- **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.
- <u>Fiscal Year</u>. A twelve-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. For LEAs, this is generally July 1<sup>st</sup> through June 30<sup>th</sup>.
- <u>Fixed Costs</u>. Costs of providing goods or services that do not vary proportionately to the volume of goods or services provided (e.g., insurance and contributions to retirement systems).
- <u>Fund</u>. A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.
- <u>Fund Balance</u>. The difference between fund assets and fund liabilities of governmental and similar trust funds.
- <u>Fund Balance Designation</u>. A portion of fund balance set aside for a contingent or potential purpose. This is not a reserve.
- <u>Fund Balance Reserve</u>. The portion of fund balance that has been set aside due to legal obligations for a specific purpose and is not available for expenditures (appropriation) in the following period (example: encumbrances).
- <u>Fund Balance Reserved For Encumbrances</u>. An account used to segregate a portion of fund balance for expenditure upon vendor performance.
- <u>Fund Balance- Reserve For Inventories</u>. An account used to segregate a portion of fund balance to indicate that, under the purchases method, inventories of supplies do not represent expendable available financial resources even though they are a component of net current assets.
- <u>Fund Balance Unreserved Undesignated</u>. That portion of total fund balance that is neither reserved nor designated for a specific or contingent purpose. This money is available for appropriation in the following year.

- **Fund Type**. Any one of eleven (11) categories into which all funds are classified in governmental accounting. The eleven (11) fund types are: general, special revenue, debt service, capital projects, permanent, enterprise, internal service, pension trust, investment trust, private-purpose trust, and agency.
- <u>General Fund</u>. The fund used to account for all financial resources, except those required to be accounted for in another fund.
- <u>General Long-Term Debt</u>. Long-term debt expected to be repaid from governmental funds.
- <u>Generally Accepted Accounting Principles (GAAP)</u>. 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 provides a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is the GASB.
- <u>Generally Accepted Government Auditing Standards (GAGAS)</u>. Standards established by the GAO in its publication *Standards for Audits 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.
- <u>Government-Wide Financial Statements</u>. These statements should display information about the reporting government as a whole, except for fiduciary activities. The statements should be prepared using the economic resources measurement focus and the accrual basis of accounting.
- **Governmental Accounting.** The composite activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of governments.
- <u>Governmental Accounting Standards Board (GASB)</u>. The authoritative accounting and financial reporting standard-setting body for governmental entities.

- Governmental Fund Types. Funds used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities-except those accounted for in proprietary funds and fiduciary funds. In essence, these funds are accounting segregations of financial resources. Expendable assets are assigned to a particular governmental fund type according to the purposes for which they may or must be used. Current liabilities are assigned to the fund type from which they are to be paid. The difference between the assets and liabilities of governmental fund types is referred to as fund balance. The measurement focus in these fund types is on the determination of financial position and changes in financial position (sources, uses and balances of financial resources), rather than on net income determination. Under GAAP, there are five (5) governmental fund types: general, special revenue, capitol projects, debt service, and permanent.
- <u>Government-Mandated Program</u>. Government programs that LEAs are mandated to perform.
- **Grants**. Contributions or gifts of cash or other assets from another government to be used or expended for a specified purpose, activity or facility.
- <u>Grants And Other Financial Assistance</u>. Transactions in which one governmental entity transfers cash or other items of value to (or incurs a liability for) another government entity, an individual, or an organization as a means of sharing program costs, subsidizing other governments or entities, or otherwise reallocating resources to the recipients.
- **Imposition Of Will**. The ability to significantly influence the programs, projects, activities or level of services performed or provided by an organization.
- <u>Infrastructure Assets</u>. Public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the government unit.
- <u>In-Substance Defeasance</u>. 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 under criteria provided by SFAS No. 76.
- <u>Insurance</u>. The transfer of risk of loss from one (1) party (the insured) to another party (the insurer) in which the insurer promises (usually specified in a written contract) to pay the insured (or others on the insured's behalf) an amount of money (or services, or both) for economic losses sustained from an unexpected (accidental) event during a period of time for which the insured makes a premium payment to the insurer.
- <u>Internal Control Structure</u>. Policies and procedures established to provide reasonable assurance that specific government objectives will be achieved.

- <u>Interfund Transactions</u>. Transactions between funds of the same government reporting entity. They include (1) Quasi-External Transactions, (2) Reimbursements, (3) Residual Equity Transfers (4) Operating Transfers, and (5) Interfund Loans.
- <u>Interfund Transfers</u>. All interfund transactions except loans, quasi-external transactions and reimbursements. Transfers can be classified as belonging to one (1) of two (2) major categories: Residual Equity Transfers or Operating Transfers.
- <u>Internal Service Fund</u>. A type of proprietary fund used to account for the financing of goods or services provided by one (1) department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.
- **Inventory**. (1) A detailed list showing quantities, descriptions and values of property and, frequently, units of measure and unit prices. (2) An asset account reflecting the cost of goods held for resale or for use in operations.
- <u>Invested In Capital Assets</u>. A component of net assets that consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- <u>Investment Trust Fund</u>. This fund reports the external portion of investment pools reported by a school.
- <u>Investments</u>. Most commonly, securities and real estate 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 government operations.
- **Joint Venture**. A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.
- <u>Judgment</u>. 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.
- **Land**. A capital asset account reflecting the cost of land owned by a government.
- **<u>Lead Agency</u>**. The school responsible for receiving and expending funds in accordance with the grant award, filing fiscal reports with the awarding government, and procuring a Single Audit.

- <u>Lease-Purchase Agreements</u>. Contractual agreements that are termed leases, but that in substance are purchase contracts.
- <u>Legal Opinion</u>. (1) The opinion, written by an authorized official such as an Attorney General or city attorney, regarding the legality of a matter or procedure related to a government. (2) In the case of government bonds, the opinion of a specialized bond attorney as to the legality of the bond issue.
- **<u>Levy.</u>** (1) (Verb) To impose taxes, special assessments or service charges for the support of government activities. (2) (Noun) The total amount of taxes, special assessments or service charges imposed by a government.
- <u>Liabilities</u>. Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

**<u>Liquidity</u>**. The ability to convert assets to cash quickly, without significant losses.

**Long-Term Debt**. Any unmatured debt that is not a fund liability.

- <u>Machinery And Equipment</u>. Property that does not lose its identity when removed from its location and is not changed materially or consumed immediately (e.g., within one (1) year) by use.
- <u>Maintenance</u>. The act of keeping capital assets in a state of good repair. It includes preventive maintenance; normal periodic repairs; replacement of parts, structural components and so forth and other activities needed to maintain the asset so that it continues to provide normal services and achieves its optimum life.
- <u>Management Discussion and Analysis (MD & A)</u>. The MD & A is component of RSI and should introduce the basic financial statements and provide an analytical overview of the government's financial activities.
- <u>Measurement Focus</u>. The accounting convention that determines (1) which assets and which liabilities are included on a government's balance sheet and where they are reported, and (2) whether an operating statement presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).

- <u>Mechanical Devices Tax</u>. A flat rate and/or proportional tax levied on the gross receipts from any mechanical device, machine or apparatus for the playing of games for profit, amusement or entertainment, or on phonographs or similar musical devises operated through insertion of a coin.
- <u>Mercantile Tax</u>. A proportional tax levied on the gross receipts from wholesale and retail businesses including wholesale dealers or dealers in goods, wares and merchandise, and all persons engaged in conducting restaurants or other places where food, drink or refreshments are sold.
- <u>Modified Accrual Basis</u>. The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred except for (1) inventories of materials and supplies that may be considered expenditures either when purchased or when used, and (2) prepaid insurance and similar items that may be considered expenditures either when paid for or when consumed. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.
- **<u>Net Assets</u>**. The difference between a government's assets and its liabilities. Net Assets should be displayed in three broad categories Invested in capital assets, net of related debt; restricted; and unrestricted.
- **<u>Net Income</u>**. Proprietary fund excess of operating revenues, nonoperating revenues and operating transfers in over operating expenses, nonoperating expenses and operating transfers out.
- **Non-exchange Transactions**. Exchanges in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange.B Statement #34.
- **Notes To The Financial Statements**. The SSAP and other disclosures required for a fair presentation of the financial statements of a government in conformity with GAAP and not included on the face of the financial statements themselves. The notes to the financial statements are an integral part of the GPFS / CUFS.
- <u>Object</u>. As used in expenditure classification, applies to the article purchased or the service obtained, rather than to the purpose for which the article or service was purchased or obtained (e.g., personal services, contractual services, materials and supplies).
- **Obligations**. Amounts a government may be required legally to meet out of its resources. They include not only actual liabilities, but also unliquidated encumbrances.

- <u>Occupation Tax</u>. A flat rate and/or proportional tax levied on the occupation of persons residing within the taxing district.
- <u>Occupational Privilege Tax</u>. A flat rate tax levied on resident and nonresident individuals employed within the taxing district for the privilege of engaging in an occupation.
- <u>Ongoing Financial Interest</u>. An equity interest or any other arrangement that allows a participating government to have access to a joint venture's resources.
- <u>On-Behalf Payments</u>. Direct payments made by one (1) entity to a third party for another legal entity.
- <u>Operating Expenses</u>. Proprietary fund expenses related directly to the costs of producing and providing goods and services to customers and of collecting payment from them.
- <u>Operating Transfers</u>. All interfund transfers other than residual equity transfers (e.g., legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended).
- <u>Other Financing Sources</u>. (1) Governmental fund general long-term debt proceeds, (2) amounts equal to the present value of minimum lease payments arising from capital leases, (3) proceeds from the sale of general fixed assets, and (4) operating transfers in. Such amounts are classified separately from revenues on the governmental operating statement.
- <u>Other Financing Uses</u>. Governmental fund operating transfers out and the amount of refunding bond proceeds deposited with the escrow agent. Such amounts are classified separately from expenditures on the governmental operating statement.
- <u>Overhead</u>. Those elements of cost necessary in the production of a good or service, which are not directly traceable to the product or service. Usually these costs relate to objects of expenditure that do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management and supervision.
- **Par Value.** In the case of bonds, the amount of principal that must be paid at maturity. Par value is referred to as the face value of the security.
- <u>Pass-Through Grants</u>. Grants and other financial assistance received by a governmental entity to transfer to or spend on behalf of a secondary recipient.

- <u>Pension Trust Funds</u> This fund reports pension trusts and other employee benefit trusts that are required to be held in trust for members and beneficiaries of defined pension plans, defined contribution plans and other post-employment and employee benefit plans.
- **Per Capita Tax.** A flat rate tax levied on each adult resident within the taxing district.
- **Permanent Fund**. This governmental fund is 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 school. Permanent funds <u>do not</u> support individuals, private organizations, or other schools or governments.
- <u>Petty Cash</u>. A sum of money set aside to make change or to pay small obligations for which the issuance of a formal voucher and check 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 individual funds. Petty cash accounts should be reported as assets of the fund of ownership.
- <u>Prepaid Items</u>. Payment in advance of the receipt of goods and services in an exchange transaction. Prepaid items (e.g., prepaid rent and unexpired insurance premiums) differ from deferred charges (e.g. unamoritzed issuance costs) in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operations.
- <u>Present Value</u>. The discounted value of a future amount or amounts of cash, assuming a given rate of interest.
- <u>Private Purpose Trust Funds</u>. This fiduciary fund reports escheat property and all trust agreements under which principal and interest benefit individuals, private organization, or other schools or governments.
- **<u>Primary Government</u>**. 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.
- **Proprietary Fund Types**. Sometimes referred to as income determination or commercial-type funds, the classification used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector (i.e., enterprise and internal service funds). All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business and quasi-businesses in the private sector and the measurement focus is on determination of net income, financial position and changes in financial position. However, where the GASB has issued pronouncements applicable to those entities and activities, they should be guided by these pronouncements.

- <u>Public-Purpose Trust Fund</u>. Resources available to be used, subject to applicable time and purpose restrictions, to support the government's activities.
- <u>Purchases Method</u>. The method under which inventories are recorded as expenditures when acquired.
- <u>Purchase Order</u>. A document authorizing the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.
- <u>Real Estate Transfer Tax</u>. A proportional tax levied on the transfer price of real property within the taxing district.
- **Qualified Opinion**. An opinion stating that "except for" the effect of the matter to which the qualification relates, the financial statements present fairly the financial position, results of operations and (when applicable) changes in financial position in conformity with GAAP. Such an opinion is expressed when a lack of sufficient, competent evidential matter or restrictions on the scope of the auditor's examination have led the auditor to conclude that an unqualified opinion cannot be expressed, or when the auditor believes, on the basis of his / her examination, that (1) the financial statements contain a departure from GAAP, the effect of which is material (2) there has been a material change between periods in accounting principles or in the method of their application or (3) there are significant uncertainties affecting the financial statements, and the auditor has decided not to express an adverse opinion or to disclaim an opinion.
- **Quasi-External Transactions**. Interfund transactions that would be treated as revenues, expenditures or expenses if they involved organizations external to the government unit (i.e., payments in lieu of taxes from an enterprise fund to the general fund; internal service fund billings to departments; routine employer contributions to a pension trust fund and routine service charges for inspection, engineering, utilities or similar services provided by a department financed from one (1) fund to a department financed from another fund). These transactions should be accounted for as revenues, expenditures or expenses in the funds involved.
- <u>Ratings</u>. In the context of bonds, normally an evaluation of creditworthiness performed by an independent rating service.
- <u>Recipient Government / Grantee</u>. In a pass-through grant, a governmental entity that receives grants and other financial assistance to transfer to or spend on behalf of a secondary recipient.

- **Refund.** (1) (Noun) An amount paid back or credit allowed because of an overcollection or because of the return of an object sold. (2) (Verb) To pay back or allow credit for an amount because of an overcollection or because of the return of an object sold. (3) (Verb) To provide for the payment of an obligation through cash or credit secured by a new obligation.
- **Reimbursements**. (1) Repayments of amounts remitted on behalf of another party. (2) Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund (e.g., an expenditure properly chargeable to a special revenue fund is initially made from the general fund, and is subsequently reimbursed). These transactions are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures or expenses in the fund reimbursed.
- <u>Replacement Cost</u>. The amount of cash or other consideration that would be required today to obtain the same asset or its equivalent.
- **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)**. Consists of statements, schedules, statistical data or other information which, according to the GASB, is necessary to supplement, although not required to be a part of, the general purpose financial statements.
- **Reserved Fund Balance**. Those portions of fund balance that are not appropriable for expenditure or that are legally segregated for a specific future use.
- **Residual Equity Transfers**. Nonrecurring or nonroutine transfers of equity between funds, e.g., contribution of enterprise fund or internal service fund capital by the general fund, subsequent return of all or part of such contribution to the general fund and transfers of residual balances of discontinued funds to the general fund or a debt service fund.
- **<u>Resolution</u>**. A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute.
- **Restricted Net Assets**. Net Assets whose use is limited (a) externally by creditors, grantors, contributors or laws or regulations of other governments, or (b) by the government's own constitutional provisions or enabling legislation.

- **Revenues**. (1) Increases in the net current assets of a governmental fund type from other than expenditure refunds and residual equity transfers. Also, general long-term debt proceeds and operating transfers in are classified as "other financing sources" rather than as revenues. (2) Increases in the net total assets of a proprietary fund type from other than expense refunds, capital contributions and residual equity transfers. Also, operating 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 government 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 different securities.
- **<u>Risk.</u>** In the context of insurance, defined variously as uncertainty of loss, chance of loss or variance of actual from expected results. Also, the subject matter of an insurance contract (e.g., the insured property or liability exposure).
- <u>Risk Management</u>. All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.
- <u>Sabbatical</u>. Type of leave from normal duties granted by some employers so employees can perform research or public service or can obtain additional training to enhance the reputation of or otherwise benefit the employer.
- <u>Salary-Related Benefits</u>. Benefits and payments that are directly related to salary payments such as taxes, pension payments and employee insurance premiums.
- <u>Salvage Value</u>. The amount that could be realized from the sale of a dismantled asset to be removed for use elsewhere.
- <u>Schedule of Federal Financial Assistance (SFFA)</u>. The Schedule of Federal Financial Assistance (SFFA) is a listing by federal grantor agency of all federal assistance programs administered by an entity. The SFFA should include program title, Catalog of Federal Domestic Assistance (CFDA) number, total expenditures for each federal assistance program, identification of direct or pass-through grantor, identification of major programs, and total federal expenditures.
- <u>Scrap Value</u>. The amount that would be realized if property were sold for its recovery value.
- **Secondary Recipient**. The individual or organization, governmental or otherwise, that is the ultimate recipient of a pass-through grant, or another recipient organization that passes the grant through to the ultimate recipient. A secondary recipient is responsible for assisting the recipient in meeting the requirement of the assistance award.

- <u>Securities</u>. A negotiable or nonnegotiable instrument that signifies an ownership interest, the right to an ownership interest or creditor status.
- <u>Self-Insurance</u>. 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.
- **Short-Term Debt**. Debt with a maturity of one (1) year or less after the date of issuance. Short-term debt usually includes variable-rate debt, bond anticipation notes, tax anticipation notes and revenue anticipation notes.
- <u>Single Audit</u>. A Single Audit is an organization-wide audit, which consists of an audit of the financial statements and an audit of federal financial assistance. Single Audits of governmental entities are conducted in accordance with *Government Auditing Standards*, the Single Audit Act of 1984, and OMB Circular A-128, *Audits of State and Local Governments*. A Single Audit determines and reports whether: (1) the financial statements of the school present fairly its financial position and results of financial operations in conformance with Generally Accepted Accounting Principles (GAAP); (2) the government has complied with laws and regulations that may have a material effect on the financial statements; (3) the school has internal control systems to provide reasonable assurance that it is managing federal financial assistance in compliance with applicable laws and regulations; and (4) the school has complied with laws and regulations that may have a material effect upon each major federal financial assistance program.

An audit performed in accordance with the Single Audit Act of 1984 and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one (1) audit performed to meet the needs of all federal grantor agencies.

- <u>Special Items</u>. Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. See the definition of extraordinary items for the definitions of unusual in nature and infrequency of occurrence.
- **Special Revenue Fund.** A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. GAAP only requires the use of special revenue funds when legally mandated.

- <u>Statement of Activities</u>. One of two government wide statements. The Statement of Activities uses the full accrual basis of accounting and should be presented in a format that reports the net (expense) revenue of its individual functions.
- <u>Statement of Cash Flows</u>. This Statement reports the flows of cash and cash equivalents for the entity. Only transactions that affect an entity's cash account should be reported on this Statement. These changes are grouped into three categories: operating, investing and financing activities.
- <u>Statement of Net Assets</u>. One of two government wide statements. The Statement of Net Assets uses the full accrual basis of accounting and should report all financial and capital resources in a format that shows the difference between assets and liabilities as net assets, not fund balance or equity.
- <u>Statistical Tables</u>. Presentations included in the statistical section of the CAFR / CUFR providing detailed data on the physical, economic, social and political characteristics of the reporting government. They are intended to provide CAFR / CUFR users with a broader and more complete understanding of the government and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section. Statistical tables usually cover more than two (2) fiscal years and often present data from outside the accounting records. Therefore, in contrast to financial section information, statistical section data are not usually susceptible to independent audit.
- <u>Subrecipient</u>. A subrecipient is defined in OMB Circular A-128 as any person or government department, agency, establishment or non-profit organization that receives federal financial assistance to carry out a program through a state or local government, but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a direct recipient of federal financial assistance.
- <u>Summary Of Significant Accounting Policies (SSAP)</u>. A disclosure of accounting policies, required by GAAP, that should identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles that materially affect the determination of financial position, changes in financial position or results of operations. In general, the disclosure should encompass important judgments as to the appropriateness of principles relating to the recognition of revenue and allocation of asset costs to current and future periods; in particular, it should encompass those accounting principles and methods that involve any of the following: (1) a selection from existing acceptable alternatives, (2) principles and methods peculiar to government, and (3) unusual or innovative applications of accounting principles, including those peculiar to government.
- <u>Tax Anticipation Notes (TANs)</u>. Notes (or warrants) issued in anticipation of the collection of taxes, usually retirable only from tax collections, and frequently only from the proceeds of the tax levy whose collection they anticipate.

- <u>Taxes</u>. Compulsory charges levied by a government to finance 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 paying such charges (e.g., sewer service charges).
- <u>Taxpayer Assessed Taxes</u>. Tax revenues that are determined by the taxpayers, such as sales taxes and income taxes.
- <u>Termination Benefits</u>. Benefits provided to employees in connection with their termination of employment. They may be either *special termination benefits* offered only for a short period of time or *contractual termination benefits* required by the terms of a plan only if a specified event occurs.
- <u>Transfers</u>. Shifts of resources from one part of a district to another without receiving something in return, such as from governmental activities to business—type activities, or from the general fund to a debt service fund.
- <u>Trust Funds</u>. Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and / or other funds.
- <u>Underwriter</u>. In the context of bonds, a dealer who purchases a new issue for resale.
- <u>Unqualified Opinion</u>. An auditor's opinion stating that the financial statements present fairly the financial position, results of operations and (when applicable) changes in financial position in conformity with GAAP (which include adequate disclosure). This conclusion may be expressed only when the auditor has formed such an opinion on the basis of an examination made in accordance with GAAS or GAGAS.
- <u>Unrestricted Net Assets</u>. Net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
- **Zero-Coupon Debt**. Deep discount debt issued with a stated interest rate of zero percent.