



## Accounting Standards and Procedures for Counties

This glossary is a practical and easy-to-use guide for terms used in the manual. While every effort has been made to present accurate and up-to-date definitions, this glossary should be used only as a resource, not as an authority.

### Acronyms

The following are some of the acronyms used in governmental accounting:

AICPA	American Institute of Certified Public Accountants
AcSEC	Accounting Standards Executive Committee
APB	Accounting Principles Board
CDFIA	Catalogue of Federal Domestic Assistance
CPA	Certified Practicing Accountant
EDP	Electronic Data Processing
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAGAS	Generally Accepted Government Auditing Standards
GAN	Grant Anticipation Note
GAO	Governmental Accountability Office
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GNMA	Government National Mortgage Association
IGAS	Interpretation of Governmental Accounting
LAFCo	Local Agency Formation Commission
NCGA	National Council on Governmental Accounting
OPEB	Other Postemployment Benefits
SEC	Securities and Exchange Commission
SGAC	Statement of Governmental Accounting Concepts
SGAS	Statement of Governmental Accounting Standards
TB	Technical Bulletin

## Appendix B: Glossary

### A

**AB 8.** Assembly Bill 8, Chapter 282, Statutes of 1979. (State law governing the distribution of property tax.)

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

**Abstract.** See Redemption Roll.

**Accountability.** Term used by GASB to describe a government's duty to justify the raising and spending of public resources. GASB identified accountability as the "paramount objective" of financial reporting "from which all objectives" flow.

**Account.** A record of a type of monetary transaction maintained in a ledger. Also sometimes referred to as object (for example, objects of expenditures or revenues). See Object.

**Accounting Change.** A change in 1) an accounting principle, 2) an accounting estimate, or 3) the reporting entity. The correction of an error in previously issued financial statements is not an accounting change.

**Account Number.** See Coding.

**Accounting Period.** See Fiscal Period.

**Accounting Principle.** The standards, rules, guidelines and industry-specific requirements for financial reporting.

**Accounting Principles Board (APB).** The authoritative private-sector standard-setting body that preceded the Financial Accounting Standards Board. The APB issued guidance in the form of opinions.

**Accounting Procedures.** All processes that discover, record, classify, and summarize financial information to produce financial reports and to provide internal control.

**Accounting Standards Executive Committee (AcSEC).** AICPA committee authorized to issue Practice Bulletins.

**Accounting System.** 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.

**Accounts Payable.** A short-term (or current liability) liability account reflecting amounts owed to private persons or organizations for goods and services received by a government (but not including amounts due to other funds of the same government).

**Accounts Receivable.** A current 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).

**Accreted Value.** A valuation basis for certain investments and debt instruments that report on the balance sheet only that portion of their face value that reflects principal and interest accrued to date.

**Accrual Basis.** The method of accounting that recognized the financial effect of transactions, events, and interfund activity when they occur, regardless of the timing of related cash flows.

**Accrued Expenses.** Expenses incurred but not paid.

**Accrued Interest Payable.** A liability account reflecting interest costs incurred but not due until a later date.

**Accrued Revenue.** Revenues earned but not received. See Modified Accrual Basis.

**Accrued Taxes Payable.** A liability account reflecting taxes incurred but not due until a later date.

**Accrued Salaries and Wages Payable.** A liability account reflecting salaries and wages earned by employees but not due until a later date.

**Accumulated Depreciation.** The amount of a long-term asset's cost that has been allocated to depreciation expense since a time the asset is put into service. A contra-asset account to report the accumulation of periodic credits (depreciation expense) made to reflect the expiration of the estimated service life of capital assets.

**Acquisition Costs.** The costs incurred by the acquiring government to affect a government acquiring a new contract or renewing an existing contract. Acquisition costs include, but are not limited to, fees for legal, accounting, valuation, professional, or consulting services.

**Acquisition Value.** The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which liability could be liquidated with the counterparty at the acquisition date. Acquisition value is also referred to as "acquisition costs: adjusted for discounts, incentives, closing costs and other expenditures but before sales tax.

**Active Employees.** Individuals employed at the end of the reporting or measurement period, as applicable.

**Activity.** Specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible. (Police is an activity within the public safety function.)

**Activity Classification.** Expenditure classification according to the specific lines of work performed by organization units. For example, "sewage treatment and disposal," "garbage collection," "garbage disposal," and "street cleaning" are activities performed in carrying out the function of "sanitation." The segregation of the expenditures made for each of these activities constitutes an activity classification.

**Actual Accounts.** Accounts that show actual financial position and results of operations, such as actual assets, liabilities, fund balances, revenues, expenditures, and expenses, as distinguished from budgetary accounts. See Budgetary Accounts.

**Actual Contributions.** In the context of defined benefit pension and OPEB plans, cash contributions recognized as additions to a pension plan's fiduciary net position.

**Actuarial Accrued Liability.** In the context of defined benefit pension and OPEB plans, it is the present value of benefits already earned by employees.

**Actuarial Assumptions.** In the context of defined benefit pension and OPEB plans, the assumptions as to the occurrence of future events affecting pension costs, such as mortality, withdrawal, disablement and retirement; changes in compensation and government provided pension benefits; rates or depreciation; procedures used to determine future entrants for Open Group Actuarial Cost Methods; and other relevant items.

**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 (and Other Post-Employment Benefits) Trust Fund for a public employee retirement system is an example of a fund used to account for a defined benefit pension plan concerned with actuarial basis data.

**Actuarial Cost Method.** A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and Actuarial Accrued Liability.

**Actuarial Method.** Any of several techniques that actuaries use to determine the amounts and timing of contributions needed to finance claims liabilities so that the total contributions plus compounded earnings on them will equal the amounts needed to satisfy claims liabilities. It may or may not include a provision for anticipated catastrophe losses.

**Actuarial Section.** One of the five sections of a public employee retirement system's Comprehensive Financial Annual Report.

**Actuarial Valuation.** In the context of defined benefit pension and OPEB plans, the determination, as of a point in time (the actuarial valuation date), of the service cost, total pension or OPEB liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

**Actuarial Valuation Date.** The date as of which an actuarial valuation is performed.

**Actuarial Value of Assets.** The value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

**ADA.** Average Daily Attendance, as determined by the State Department of Education.

**Additions.** A term used to describe increases in the net position of fiduciary funds.

**Administration Cost.** Includes only those direct costs for administration, data processing, collection, and appeal that are incurred by a special district.

**Adopted Budget.** The budget document formally approved by the board of supervisors after the required public hearings and deliberations on the recommended budget. See [Final Budget](#) and [Recommended Budget](#).

**Ad Valorem Property Tax.** Any assessment imposed on the basis of the value of the real property, including any special ad valorem assessment.

**Ad valorem property taxation.** Any source of revenue derived from applying a property tax rate to the assessed value of the property.

**Advance-From-Fund.** A liability account used to record noncurrent portions of long-term debt owed by one fund to another fund within the same reporting entity. See Due-From Fund and Interfund Receivable/Payable.

**Advance Refunding.** Transaction in which new debt is issued to refinance existing debt (old debt), but the proceeds should be placed in escrow pending call date or maturity (refunding in advance of redemption).

**Advance Refunding (of Bonds).** In an advance refunding transaction, new debt is issued to provide money to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. An advance refunding occurs before the maturity or call date of the old debt, and the proceeds of the new debt are invested until the maturity or call date of the old debt. Most advance refunds result in defeasance of debt. Defeasance of debt can be either legal or in substance.

**Advance-To-Fund.** An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See Due-To-Fund and Interfund Receivable/Payable.

**Adverse Opinion.** An opinion stating the auditor's view that the financial statements do not present the financial position fairly, results of operations, or changes in financial position, in conformity with generally accepted accounting principles.

**Agency Funds.** Use to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, a private organization, or other governments. See Fiduciary Funds.

**Agent Employer.** In the context of defined benefit pension and OPEB plans, an employer whose employees are provided with pensions or OPEB through an agent multiple-employer defined benefit pension or OPEB plan.

**Agent Fees.** Amounts paid by a lender to its securities lending agent as compensation for managing its securities lending transactions.

**Agent Multiple-Employer Defined Benefit Pension or OPEB Plan.** A multiple-employer defined benefit pension (or OPEB) plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

**Aggregate Actuarial Cost Method.** A method under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation over the Actuarial Value of Assets is service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of valuation year is called the Normal Cost. The Actuarial Accrued Liability is equal to the Actuarial Value of Assets. This method is not widely used.

**Agricultural Land.** See Open Space Land.

**Agricultural Preserve.** An area devoted to either agricultural use, recreational use, open space use, or any combination of such uses, and which is established in accordance with the provisions of the California Land Conservation Act of 1965.

**Agricultural Use.** Use of land for the purpose of producing an agricultural commodity for commercial purposes.

**AICPA.** American Institute of Certified Public Accountants.

**Allocate.** To divide a lump-sum appropriation into parts which are classified as expenditure by specific organization units and/or for specific purposes, activities, or objects.

**Allocated Claims Adjustment Expenses.** In the context of risk financing activities, expenses associated directly with specific claims paid or in the process of settlement, such as legal and adjusters' fees.

**Allocation.** A part of a lump-sum appropriation that is classified as an expenditure by specific organization units and for special purposes, activities, or objects.

**Allotment (or Allot).** Where spending authority is apportioned for a particular period by an approving authority.

**Allotment Ledger.** A subsidiary ledger which contains an account for each allotment showing the amount allotted, expenditures for the allotment period, outstanding encumbrances, and net balance. See Appropriation Ledger.

**Allotment Period.** A period of time during which an allotment is effective. Monthly and quarterly allotments are most common. See Allotment.

**Allowance for Uncollectibles.** A contra-asset valuation account used to indicate the portion of a receivable not expected to be collected.

**Alternate Method of Tax Apportionment.** Allows counties to allocate secured property taxes to jurisdictions at 100% of the billed amount rather than actual tax collections. The county collects all future delinquent payments, penalties, interest, and distributes them to the appropriate funds.

**Amortization.** (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.

**Amortization Schedule.** A schedule of debt service payments separating the portions of payments attributable to principal and interest.

**Analytical Review.** A term used by auditors to describe the process of attempting to determine the reasonableness of financial data by comparisons made with other financial and nonfinancial data.

**Annexation.** Changes in the territorial boundaries of governments. An annexation may also be known as reorganization. In a government annexation arrangement, one government extends the bounds of its geographic footprint to include newly incorporated or unincorporated areas. Often, annexations result only in changes in boundaries, and the annexed governments generally do not give up assets or gain relief from liabilities. However, in annexations in which assets, deferred outflows of resources, liabilities, and deferred inflows of resources comprising an operation are transferred, those items are required to be recognized at the carrying amounts reported by the transferring government.

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

**Annual Covered Payroll.** In the context of defined benefit pension and OPEB plans, all element of annual compensation paid to active employees on which contributions to a plan are based.

**Annual Financial Report.** A financial report applicable to a single fiscal year.

**Annual Inflation Factor.** See Cost of Living.

**Annual Operating Budget.** See Operating Budget.

**Annual OPEB Cost.** An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

**Annual Required Contribution of the Employer(s) (ARC).** In the context of OPEB, the employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.

**Annual Tax Increment.** The difference resulting from the comparison of base-year to current-year values.

**Annuities Payable.** A liability account reflecting the amount of annuities due and payable to retired employees in a public employee retirement system.

**Annuity.** A series of equal payments made or received at equal intervals over a specified period of time.

**Annuity, amount of.** The total amount of money accumulated or paid during an annuity period from an annuity along with compound interest at a specified rate.

**Annuity Bonds.** See Serial Bonds.

**Annuity Period.** The length of time during which annuity payments are to occur.

**APB.** See Accounting Principles Board.

**Application Development Stage.** In the context of internally generated computer software, the stage of development that includes the design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing, including the parallel processing phase.

**Appoint.** To select members of a governing body, as long as the ability to do so is not severely limited by a nomination process, or to confirm appointments made by others, provided the confirmation is more than a formality or part of a ministerial responsibility.

**Apportionment.** Division and sharing carried out according to a plan or formula.

**Appraise.** To estimate the value, particularly the value of property. If the property is valued for purposes of taxation, the narrower term *assess* is substituted.

**Appropriated Budget.** The expenditure authority created by a bill or ordinance that is in law. It may also include revenues, transfers, allocations, allotments and program changes. It may be for a single period or for multiple years and for capital or for operating purposes or both.

**Appropriated Fund Balance.** A portion of existing fund balance that is incorporated into the subsequent year's budget to "balance" expected expenditures in excess of expected revenues.

**Appropriation.** A line item giving spending authority in a budget.

**Appropriation Account.** A budgetary account set up to record spending authorizations for specific purposes. The account is credited with the original appropriation and any supplemental appropriations and is charged with expenditures and encumbrances.

**Appropriation Balance.** See Unallocated Balance of Appropriation, Unencumbered Allotment, Unencumbered Appropriation, Unexpended Allotment, and Unexpended Appropriation.

**Appropriation Bill.** A bill through which appropriations are given legal effect. See Ordinance, Resolution, Order.

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

**Appropriation Expenditure Ledger.** See Appropriation Ledger.

**Appropriation for Contingencies.** A budgetary provision representing that portion of the financing requirements set aside to meet unforeseen expenditure requirements.

**Appropriation Ledger.** A subsidiary ledger containing an account for each appropriation. Each account usually includes the amount originally appropriated, transfers to or from the appropriation, amounts charged against the appropriation, the available balance, and other related information. See Allotment Ledger.

**Arbitrage.** In the context of government finance, the reinvestment of the proceeds of tax-exempt securities in materially higher-yielding taxable securities.

**Assess.** To establish an official property value for taxation. See Appraise.

**Assessed Value.** One hundred percent of full value for the 1981–82 fiscal year and the following fiscal years. For 1980–81 and prior fiscal years, the assessed value was 25% of the full value.

**Assessed Valuation.** The valuation that a government sets on real estate or other property as a basis for levying taxes.

**Assessee.** The person to whom the property tax is assessed.

**Assessment.** (1) The process of making the official valuation of property for taxation. (2) The valuation placed on property as a result of this process. See Special Assessment.

**Assessment Year.** The period beginning with a lien date and ending immediately prior to the succeeding lien date for taxes levied by the same agency.

**Assessor Roll.** See Roll Being Prepared.

**Assessment Roll.** With 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 usually are listed. With 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.

**Asset.** Resources with present service capacity that the government presently controls.

**Asset Allocation.** In connection with pension and OPEB plans, the process of determining which types of investments are to be included in an investment portfolio and percentage of each.

**Asset Impairment.** A significant, unexpected decline in the service utility of a capital asset.

**Assigned Fund Balance.** Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by 1) the governing body itself, or 2) a body (a budget or finance committee, for examples) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

**Assignment.** In the context of hedge accounting, an assignment occurs when a swap agreement is amended to replace an original swap counterparty, or the swap counterparty's credit support provider, but all the other terms of the swap agreement remain unchanged.

**Attained Age Actuarial Cost Method.** A method under which the excess of the Actuarial Present Value of Projected Benefits over the Actuarial Accrued Liability is respect of each individual included in an actuarial Valuation is allocated on a level basis over the earnings or service of the individual between the valuation date and assumed exit. The porting of this Actuarial Present Value which is allocated to a valuation year is call the Normal Cost. The Actuarial Accrued Liability is determined using the Unit Credit Actuarial Cost Method.

**Audit.** A methodical examination of the use of resources. An audit concludes in a written report of its findings. An audit is a test of management's accounting system to determine the extent to which internal accounting controls are both available and being used. See also Internal Auditing, Independent Audit, Financial Audit, Program Compliance Audit, Single Audit, and Performance Auditing.

**Audit Committee.** A group of individuals charged by the governing body with overseeing how management fulfills its responsibility for internal control and financial reporting.

**Audit Finding.** In the context of a financial audit, a weakness in internal controls or an instance of noncompliance with applicable laws and regulations that are 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 stating management's concurrence or disagreement with each finding and its plan for corrective action.

**Audit Guides.** Series of AICPA publications, typically regarded as Nonauthoritative literature according to the GAAP hierarchy. In the public sector, a commonly referenced publication is the *State and Local Governments—Audit and Accounting Guide*.

**Audit Management.** The process used to procure auditing services to monitor the performance of the auditor, and to ensure the satisfactory resolution of issues raised by the audit.

**Audit Procurement.** The process used to obtain auditing services from independent public accountants.

**Audit Program.** A detailed outline of work to be performed and procedures to be followed in any given audit.

**Auditor's Report.** In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

**Audit Resolution.** The process whereby corrective action is planned, implemented and monitored to remedy weaknesses discovered and reported in conjunction with an audit.

**Audit Scope.** In the context of a financial statement audit, the specific contents of a financial report for which the independent auditor offers an opinion.

**Audited Claims Payable.** See Accounts Payable.

**Auditor.** See Internal Auditor and Independent Auditor.

**Auditor-Controller.** If the office of the controller is established by the county, then the county auditor is the ex-officio controller, charged with the additional duties of auditing and statistical and financial reporting. See County Auditor or Director of Finance.

**Auditor Rotation Policy.** A policy that requires a government periodically to replace the independent auditor of its financial statements.

**Auditor's Opinion.** An expression in the audit report of the auditor's position on whether the financial information of the entity is presented fairly, in all material respects, in conformity with generally accepted accounting principles (or with other specified accounting principles applicable to the auditee).

**Auditor's Report on Internal Controls and Compliance over Financial Reporting.** Report issued in conjunction with a financial audit performed in accordance with 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 on other governments for its financing or the exercise of certain powers. See Special District.

**Available Financing.** In governmental fund types, the sum of the components that are available to meet the financing requirements for the accounting period involved. Available Financing includes unassigned fund balance, decreases in other fund balance classifications (non-spendable, restricted, committed and assigned), revenues, other financing sources, and transfers in. This is a conventional term and should not be used in the financial statement presentation.

**Available Fund Balance.** For budgetary presentation purposes, that portion of the governmental type fund balance which is available for financing the budget requirements for the accounting period involved. This is a conventional term, which is synonymous with the accepted term *unassigned fund balance*, of the general fund, and for other governmental fund types, the portion of the assigned fund balance being used to finance budget requirements.

**Availability Criterion.** The requirement under the modified accrual basis of accounting that revenues be recognized only if they are collected or collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**Availability Period.** The designated period immediately following the close of the fiscal year by the end of which cash should be collected for related revenue to be recognized under the modified accrual basis of accounting.

**Available Revenue.** Money that is available for spending and saving. Also referred to as Disposable Income.

## B

**Back Taxes.** All payments required to be made under any provision of law allowing payment of delinquent taxes in installments, except payments of current taxes due on the property and the penalties and costs on the current taxes.

**Balance sheet.** Report of information about the current financial resources (assets, liabilities, and fund balances) of each major governmental fund and for nonmajor governmental funds in the aggregate and totaled as of the reporting date.

**Bank Balance.** In the context of GASB Statement No. 3, Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements, the amount credited by a financial institution to the government's account as opposed to the government's own ledger balance for the account (e.g., if checks have been written against an account but have not yet cleared the bank, the ledger balance would be lower than the bank balance).

**Basic Financial Statements (BFS).** The core required financial statements of a government, including management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements and required supplementary information other than the management's discussion and analysis. See Financial Statements.

**Bank Holding Company.** A company that controls one or more banks and may contain subsidiaries with operations related to banking.

**Bank Investment Contract (BIC).** A separate account at a financial institution that functions like a guaranteed investment contract (GIC).

**Bankers' Acceptances.** Bankers' acceptance generally is created based on a letter of credit issued in a foreign trade transaction. Bankers' acceptance is short-term, noninterest-bearing notes sold at a discount and redeemed by the accepting banks at maturity for face value.

**Banking Pools.** Risk financing arrangement in which monies are loaned to pool members in the event of loss.

**Base Year (Assessor).** The assessment year FY 1975–76 serves as the original base year. Thereafter, any assessment year in which real property, or a portion thereof, is purchased, is newly constructed, or changes ownership shall become the base year used in determining the full cash value of such real property, or a portion thereof.

**Basis Differences.** Differences that may arise when the basis of budgeting is different from GAAP.

**Basis of Accounting.** The timing of recognition for financial reporting purposes when the effects of transactions or events should be recognized in financial statements.

**Basis of Budgeting.** Method used to determine when revenues and expenditures are recognized for budgetary purposes.

**Betterment.** 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 normally is added to the book value of the asset. The term improvement is preferred.

**Bill.** A term used to denote a law or statute introduced by certain legislative bodies. A bill has greater legal formality and standing than a resolution. See Appropriation Bill, Ordinance, Resolution, and Order.

**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 GFOA's publication, *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR).

**Board Roll.** See State Assessed Roll.

**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. Sometimes, however, all or a substantial portion of the interest is included in the face value of the security. The difference between a note and a bond is that the latter is issued for a longer period and requires greater legal formality.

**Bond Anticipation Note (BAN).** 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 Covenant.** A legally enforceable promise made by an issuer of bonds to the bondholders, normally contained in the bond resolution or indenture (e.g., pledged revenues).

**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.

**Bond Indenture.** A formal agreement, also called a deed of trust, between an issuer of bonds and the bondholder.

**Bond Ordinance (Resolution).** An ordinance or resolution authorizing a bond issue.

**Bond Premium.** The difference between the present value and the face amount of bonds when the former is greater than the latter.

**Bonded Debt.** That portion of indebtedness represented by outstanding bonds. See Gross Bonded Debt, Net Bonded Debt, and Funded Debt.

**Bonds Authorized and Unissued.** Bonds that have been legally authorized but not issued and that can be issued and sold without further authorization.

**Bonds Issued.** Bonds sold by the government.

**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.

**Book Entry.** A system that eliminates the need for physically transferring bearer-form paper or registering securities by using a central depository facility.

**Book of Original Entry.** The record in which the various transactions are formally recorded for the first time (e.g., cash journal, check register, or general journal). With automated bookkeeping methods, one transaction may be recorded simultaneously in several records, one of which may be regarded as the book of original entry. Memorandum books, check stubs, files of duplicate sales invoices, etc., on which first or prior business notations may have been made, are not books of original entry in the accepted meaning of the term, unless they are also used as the media for direct posting to the ledgers.

**Book Value.** Value as shown by books of account. In the case of assets that are subject to reduction by valuation allowances, “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 the value after their deduction. In the absence of any modifiers, however, the term book value is understood to be synonymous with net book value.

**Borrower.** A broker-dealer or other entity that transfers collateral to a governmental entity in a securities lending transaction.

**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 board of supervisors for adoption and sometimes the plan finally approved by that body. See Annual Budget, Capital Budget, Capital Program, Long-term Budget, Operating Budget, Performance Budget, Program Budget and Traditional Budget.

**Budget Document.** (1) The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. The budget document usually consists of three 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 past years’ actual revenues, expenditures, and other data used in making the estimates. The third part is composed of drafts of the appropriation, revenue, and borrowing measures necessary to put the budget into effect. (2) The instrument used to present the plan of financial operations of the county and of the special district whose affairs and finances are under the supervision and control of the board of supervisors.

**Budget-GAAP Basis Differences.** Differences arising from the use of a basis of accounting for budgetary purposes that differs from the basis of accounting applicable to the fund type when reporting on operations in conformity with GAAP. For example, a cash-basis budget would produce a budget-GAAP basis difference.

**Budget-GAAP Differences.** Differences between the GAAP reporting model and a government’s budgetary practices.

**Budget-GAAP Entity Differences.** Differences arising from the inclusion or exclusion in the budget of organizations, programs, activities and functions that may or may not be compatible with the criteria defining the government reporting entity.

**Budget-GAAP Perspective Differences.** Differences that result when the structure of financial information for budgetary purposes is not compatible with the fund structure prescribed by GAAP (i.e., some governments budget on the basis of organizational or program structures that differ from the funds used for financial reporting purposes).

**Budget-GAAP Timing Differences.** Variations such as continuing appropriations, project appropriations, automatic reappropriations, and biennial budgeting that separate budgetary accounting from GAAP.

**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 preceding period and its financial status at the time of the message, and recommendations regarding the financial policy for the coming period.

**Budget Request.** The sum of the organizational estimates of available financing and financing requirements for the period involved. The budget requests are compiled to prepare the recommended budget. See Recommended Budget.

**Budget Unit.** That classification of the expenditure budget requirements into appropriately identified accounting or organizational units deemed necessary or desirable for control of the financial operation.

**Budget Year.** For budgetary purposes, the budget year means the fiscal year (July 1 through June 30) for which the budget is being prepared.

**Budgetary Accounts.** Special accounts used to achieve budgetary integration that is 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, and Encumbrances.

**Budgetary Basis of Accounting.** The method used to determine when revenues and expenditures are recognized for budgetary purposes.

**Budgetary Comparison.** Schedules presented as required supplementary information for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule should present both 1) the original and 2) the final appropriated budgets for the reporting period, as well as 3) actual inflows, outflows, and budgetary basis. A separate column to report variances between the final budget and actual amounts is encouraged but not required. Governments may also report the variance between original and final budget amounts.

**Budgetary Comparison Schedules.** Schedules presented as required supplementary information for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and budgetary basis. A separate column to report variances between the final budget and actual amounts is encouraged but not required. Governments may also report the variance between original and final budget amounts.

**Budgetary Control.** The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

**Budgetary Guidelines.** Recommendations on budgeting issued by the National Advisory Council on State and Local Budgeting (NACSLB). The NACSLB's budgetary guidelines are chiefly of interest to accountants because of the emphasis they place on performance measurement in the context of the budgetary process.

**Budgetary Integration.** Use of budgetary accounts to record the operating budget in the general ledger to facilitate control during the year by providing a point of reference for comparison with actual results.

**Budgetary Journal Entries.** Journal entries involving budgetary accounts. Budgetary journal entries arise in connection with budgetary integration.

**Budgetary Reporting.** In the context of financial reporting, the requirement to present budgetary 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 annual (or biennial) appropriated 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 annual (or biennial) appropriated budgets.

**Buildings and Improvements.** A capital asset account reflecting the acquisition cost of permanent structures owned or held by a government, and improvements thereon.

**Business-Type Activities.** Activities financed in whole or in part by fees charged to external parties for goods and services.

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**Calendar year.** The yearly period from the first day of January to the last day of December, inclusive, for which the tax is imposed.

**California Special Districts Association (CSDA).** The not-for-profit association that assists in providing services for all independent special districts throughout California.

**Call Option.** An option that gives its holder the right but not the obligation to purchase a financial instrument or commodity at a certain price for a period of time.

**Callable bond.** A type of bond with a feature that 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 and Related Financing Activities.** The 1) acquisition and disposal of capital assets used in providing services or producing goods, 2) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and 3) paying for capital assets obtained from vendors on credit.

**Capital Assets.** Assets including 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.** Expenditures are resulting in the acquisition of or addition to the government's general capital assets.

**Capital Grants.** Grants restricted by the grantor for the acquisition and/or construction of capital assets. See Operating Grants.

**Capital Improvement Assessment.** Increase in taxes for capital asset acquisition or construction for a specific amount of time, for specific debts for specific property owners.

**Capital Improvement Program.** See Capital Program.

**Capital Improvement Special Assessments.** Special assessment projects that are capital in nature and enhance the utility, accessibility, or aesthetic value of the affected properties. Usually, the projects also provide improvements or additions to a government's general capital assets. Typical special assessment capital improvements are streets, sidewalks, parking facilities, and curbs and gutters. Sometimes the improvements provide capital assets that become an integral part of a government's enterprise activities (e.g., water or sewer main construction).

**Capital Lease.** An agreement that conveys the right to use property, plant or equipment, usually for a stated period of time, that meets one or more of the criteria set forth in SFAS No. 13 for lease capitalization.

**Capital Outlays.** See Capital Expenditures.

**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 other capital needs. A capital program sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the resources estimated to be available to finance the projected expenditures.

**Capital Projects Funds.** 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.

**Capitalization Contribution.** Contribution to a public-entity risk pool to meet initial or ongoing capital minimums established by statute, regulation, or the pooling agreement itself. Capitalization contributions generally take the form of cash.

**Capitalization Policy.** The criteria used by a government to determine which outlays should be reported as capital assets.

**Capitalization Threshold.** Dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations than that have initial useful lives extending beyond a single reporting period. Generally, capitalization thresholds are applied to individual items rather than groups of items unless the result would be to exclude items that in aggregate would clearly be material to the financial statements.

**Capping.** The cost of final cover expected to be applied near or after the date that the landfill stops accepting solid waste.

**Carrying Amount (Book Value).** The amount at which assets and liabilities are reported in the financial statements. See Book Value.

**Cash.** In the context of cash flows reporting, not only currency on hand but also demand deposits with banks or other financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts.

**Cash Basis of Accounting.** The basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.

**Cash Conduit.** A grantee that transmits grantor-supplied monies to sub-recipients without having administrative or direct financial involvement in the program.

**Cash Discount.** An allowance received or given if payment of an account is completed within a stated period of time.

**Cash Equivalent.** Cash equivalents are defined as 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.

**Cash Flow Underwriting.** The practice of an insurance enterprise depending on investment income rather than on positive underwriting results to achieve a profit.

**Cash with Fiscal Agent.** An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of long-term debt principal and interest.

**Catastrophe.** A fire, earthquake, windstorm, explosion, or similar event resulting in substantial losses or an unusually large number of unrelated and unexpected losses occurring in a single period.

**Cede.** To transfer all or part of an insurance risk to another enterprise through reinsurance.

**Ceded Premiums/Claims Costs.** Premiums paid to a public entity risk pool and claims costs that are transferred to another enterprise in connection with a reinsurance arrangement.

**Certificate of Achievement for Excellence in Financial Reporting Program.** Program sponsored by the GFOA to encourage and assist state and local governments to prepare high-quality COMPREHENSIVE ANNUAL FINANCIAL REPORTs. The program has been in continuous operation since 1946. The program originally was known as the Certificate of Conformance Program.

**Certificates of Participation (COP).** Certificates issued for the financing of capital assets. COPs represent undivided interests in the rental payments under a tax-exempt lease.

**Certified Public Accountant (CPA).** 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.

**Change in Accounting Estimate.** Changes in estimates used in accounting are necessary consequences of periodic presentations of financial statements. Preparing financial statements requires estimating the effects of future events. Accounting estimates change as new events occur, as more experience is acquired or as additional information is obtained.

**Change in Accounting Principle.** Adoption of a generally accepted accounting principle different from the one used previously for reporting purposes.

**Change in Ownership.** A transfer of a percent interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest.

**Chapter 9 (U.S. Bankruptcy Code).** Section of the Uniform Commercial Code (UCC) intended to protect a financially distressed government from its creditors while it develops and negotiates a plan for adjusting its debts. Chapter 9 must be approved by a state prior to usage by a government.

**Character Classification.** Classification of expenditures according to the periods they are presumed to benefit. The four character groupings are (1) current operating expenditures, presumed to benefit the current fiscal period; (2) debt service expenditures, presumed to benefit prior fiscal periods as well as current and future periods; (3) capital outlay expenditures, presumed to benefit the current and future fiscal periods; and (4) intergovernmental expenditures.

**Charges for Services.** The term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues in this category include fees charged for specific services such as water use or garbage collection; licenses and permits, such as dog licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients. Fines and forfeitures are also included in this category because they result from direct charges to those who are otherwise directly affected by a program or service, even though they receive no benefit. Payments from other governments for goods or services—for example, when a county reimburses a special district for borrowing the district's equipment—also should be reported in this category.

**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 or her order, or to the 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. A check 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.

**Claim.** (1) Potential losses that can arise from a) employment (e.g., workers' compensation and unemployment), b) contractual actions (e.g., delays or inadequate specifications), c) actions of government personnel (e.g., medical malpractice, damage to privately owned vehicles by government-owned vehicles, improper police arrest), and d) governmental properties (e.g., personal injuries, property damage). (2) In the context of insurance, demand payment of a policy benefit because of the occurrence of an insured event, such as the destruction or damage of property and related deaths or injuries.

**Claims Made Policy.** In connection with public entity risk pools, a type of policy that covers losses from claims asserted (reported or filed) against the policyholder during the policy period, regardless of whether the liability-imposing events occurred during the current or any previous period in which the policyholder was insured under the claims-made contract or other specified period before the policy period (the policy retroactive date).

**Claims Servicing Pool.** Public entity risk pool that manages separate accounts for each pool member from which the losses of that member are paid. Also referred to as an Account Pool.

**Classification of Property.** Any enumeration or grouping of property by a statute which results in it being treated differently from other property for the purpose of taxation.

**Classified Presentation.** Separate reporting of the current and noncurrent portions of assets and liabilities that permits the calculation of working capital. A classified presentation is required for the proprietary fund statement of net position.

**Closed Amortization Period.** A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at the exact actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

**Closed End Mutual Fund.** An SEC-registered investment company that issues a limited number of shares to investors that are then traded like an equity security on a stock exchange. See Open End Mutual Fund.

**Closed Period.** A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.

**Code.** See Coding.

**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. To illustrate the coding of accounts, numbers in the 400 range could be used for expenditures, numbers between 420 and 430 for expenditures within the public safety function, and the number 421 for expenditures incurred in connection with the police activity classification. Within the police activity classification, the number 421.5 could be used for support services, and the number 421.51 for communications support services. Accordingly, expenditure for police radios would be classified as 421.51 (i.e., expenditures for communications services, within support services, within the police activity classification, within the public safety function).

**Collateral.** The cash, securities, or letters of credit received by the lender from the borrower as protection against the borrower's failure to return the underlying securities.

**Collateral Investment Pool.** An agency-managed pool that for investment purposes commingle the cash collateral provided on the securities lending transactions of more than one lender.

**Collector's Roll.** See Tax Roll.

**Combination Bond.** A bond issued by a government that is payable from the revenues of a governmental enterprise but that is also backed by the full faith and credit of the government.

**Combining Financial Statements.** Financial statements that report separate columns for individual funds or component units. Combining financial statements normally are required in a COMPREHENSIVE ANNUAL FINANCIAL REPORT to support each column in the basic financial statements that aggregate information from more than one fund or component unit.

**Commercial Paper.** An unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. The maximum maturity for commercial paper is 270 days, but most is sold with maturities of up to 30 days. Almost all commercial paper is rated as to credit risk by rating services.

**Commitment Fees (Lending Activities).** Fees charged for entering into an agreement that obligates the government to make or acquire a loan or to satisfy an obligation of the other party under a specified condition. May include fees for letters of credit and obligation to purchase a loan or group of loans.

**Committed Fund Balance.** Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removed or changes the specified use by taking the same type of action (for example, internal resolution and/or ordinance) it employed to commit previously those amounts. The authorization specifying the purposes for which amounts can be used should have the consent of both the legislative and executive branches of the government, if applicable. Committed fund balance also should incorporate the contractual obligation to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Commitments.** In the context of note disclosure, contingent obligations at the balance sheet date, arising from the terms of executory contracts.

**Committee on Accounting Procedure (CAP).** The authoritative private-sector standard-setting body that preceded the Accounting Principles Board and the FASB. The CAP issued guidance in the form of Accounting Research Bulletins.

**Commodities Programs.** Distribution of surplus agricultural products as a form of assistance, often in connection with school lunch programs.

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

**Comparative Data.** Information from one or more prior fiscal periods that is provided to enhance the analysis of financial data of the current fiscal period.

**Comparative Financial Statements.** When a statement of net position and the flows statement are presented for one or more preceding periods, as well as the current period, along with notes to the financial statements for the preceding periods that are repeated to the extent that they continue to be of significance.

**Compensated Absences.** Accrued vacation and sick leave (and similar entitlements) that will be paid in accordance with the terms and conditions of laws, regulations, and contracts. Compensated absence is earned on the basis of services already performed by employees.

**Compliance Auditing.** Auditing for compliance with applicable laws and regulations. Tests of compliance with laws and regulations are substantive tests; therefore, the term "compliance auditing" should not be confused with the similar term "compliance testing," which usually refers to testing for compliance with internal control procedures.

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

**Component Units.** 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 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Component Unit Financial Report (CUFR).** A report covering all funds of a component unit.

**Component Unit Financial Statements.** Financial statements of a component unit that may be issued separately from the component unit financial report.

**Composite Depreciation Methods.** Depreciation methods applied to groups of assets rather than to individual assets.

**Comprehensive Annual Financial Report (COMPREHENSIVE ANNUAL FINANCIAL REPORT).** Financial report that contains, at a minimum three sections: 1) introductory, 2) financial, and 3) statistical, and whose financial section provides information on each individual fund and component unit.

**Comprehensive Framework of Internal Controls.** A structure of internal controls that provides for: (a) a favorable control environment, (b) the continuing assessment of risk, (c) the design, implementation, and maintenance of effective control-related policies and procedures, (d) the effective communication of information, and (e) the ongoing monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

**Concession.** A grant of rights, land or property in return for services or for a particular use, a right to undertake and profit by a specified activity, or a lease for a particular purpose. This may also refer to an agreement between the owner of a facility and the concession owner and/or concessionaire that grants the exclusive rights to operate a specified business in the facility under specified conditions. The concessionaire usually has to pay the party that grants it the concession's ongoing fees that may either be a fixed amount or a percentage of revenues. See **Service Concession Arrangement (SCA)**.

**Condensed Financial Statements.** Abbreviated financial statements (condensed in one page) 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 prescribes the presentation of condensed financial information for the prior fiscal year as part of management's discussion and analysis.

**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 notion that once an accounting principle or reporting method is adopted, it will be used for all similar transactions and events.

**Construction Contracts Payable.** A liability account reflecting amounts due on contracts for construction of buildings and other improvements.

**Construction/Development in Progress.** A capital asset account reflecting the cost of construction or development work for projects not yet completed. The terms Construction in Progress and Development in Progress are used when recognizing project expenditures in the capital assets accounting system for the construction of capital assets, such as building and improvements, infrastructure or the development of internally generated intangible assets.

**Consumption Method.** The method under which inventories are recorded as expenditures/expenses when used. See Purchases Method.

**Contingency.** An existing condition, situation, or set of circumstances involving uncertainty as to possible gain (referred to as a gain contingency) or loss (referred to as a loss contingency) to a government that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm the acquisition of an asset or the reduction of liability or the loss or impairment of an asset or the incurrence of liability.

**Contingency Appropriation.** See Appropriation for Contingencies.

**Contingent Liabilities.** Items 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 in the financial statements (including the notes) when there is a reasonable possibility that a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

**Continuing Appropriation.** An appropriation that, once established, is automatically renewed without further legislative action, period after period, until altered or revoked. The term should not be confused with Indeterminate Appropriation.

**Contracts Payable.** A liability account reflecting amounts due on contracts for goods or services furnished to a government. Amounts withheld as guarantees on contracts should be classified separately in an account entitled Retainage Payable. See Accounts Payable.

**Contributions.** In the context of defined benefit pension and OPEB plans, contributions are additions to a pension or OPEB plan's fiduciary net position for amounts from employers, nonemployer contributing entities (for example, state government contributions to a local government pension or OPEB plan), or employees.

**Control Account.** An account in the general ledger where there is recorded the aggregate of debit and credit postings to a number of 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.

**Control Cycle.** A term used in connection with the evaluation of internal control to describe a series of logically interrelated transactions/processes and associated control-related policies and procedures.

**Control Deficiency in Internal Control.** A control deficiency in internal control exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

**Controller.** See Auditor-Controller.

**Corrective Action Plan.** A plan that state and local officials are required to submit to appropriate federal officials under the Single Audit Act. The plan details how material noncompliance or weaknesses found in the audit will be eliminated or why corrective action is not necessary.

**Correction of an Error.** Changes to previously issued financial statements after discovering mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared.

**Cost.** The amount of money or other consideration exchanged for property or services.

**Cost Accounting.** The method of accounting that provides for the assembling and recording of all of the elements of cost incurred to accomplish a purpose, carry on an activity or operation, or complete a unit of work or a specific job.

**Cost Ledger.** A subsidiary record wherein each project, job production center, process, operation, product, or service is given a separate account to which all items entering into its cost are posted in the required detail. Such accounts should be arranged and kept such that the results shown in them may be reconciled with and verified by a control account or accounts in the general books.

**Cost of Living.** The Annual Percentage Factor as determined by the California Department of Industrial Relations used in determining the annual inflation factor (not to exceed 2%), pursuant to Revenue and Taxation Code section 51.

**Cost of Living Adjustments.** Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.

**Cost of Replacement.** See Replacement Cost.

**Cost of Reproduction.** See Reproduction Cost.

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

**Cost-Sharing Multiple-Employer Defined Benefit Pension or OPEB plan.** A multiple-employer defined benefit pension or OPEB plan that is administered through an irrevocable trust and in which the pensions or OPEB obligations to the employees of more than one employer are pooled and pensions or OPEB assets can be used to pay the benefits of pensions or OPEB through the pension or OPEB plan.

**Cost Unit.** A term used in cost accounting to designate the unit of product or service whose cost is computed. These units are selected for the purpose of comparing the actual cost with a standard cost or with actual costs of units produced under different circumstances or at different places and times. See Unit Cost and Work Unit.

**Counterparty.** The party that pledges collateral or repurchase agreement securities to the government or that sells investments to or buys them for the government.

**County Budget Act.** Under Title 3 Government of Counties, Gov. Code section 29000–29144 is referred to as the “County Budget Act” and defines the requirements concerning county budget matters prescribed by the Controller. The Chapter applies to counties, dependent special districts, and other agencies under the supervision of the county board. Refer to the *Introduction* section of Chapter 6, *Budgetary Accounting* to access a link to the *County Budget Guide* (which includes the County Budget Act).

**Coupon Rate.** The interest rate specified on interest coupons attached to a bond. The term nominal interest rate is also used in this sense.

**Covenant.** See Bond Covenant.

**Coverage Ratio.** A measure of the magnitude of resources available to pay the interest on and repay the principal of debt backed by pledged revenues. For each type of debt backed by pledged revenues, a coverage ratio is generally calculated by dividing gross pledged revenues or pledged revenues net of specific operating expenses by the sum of interest expenses and principal repayments.

**Credit Risk.** The risk that an issuer or counterparty to an investment will not fulfill its obligations.

**Crossover Refunding.** Types 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.** As applied to budgeting and accounting, the operations of the present fiscal period, as opposed to past or future periods. *Current* usually connotes items likely to be used up or converted into cash within one year.

**Current Assets.** For accounting and financial reporting purposes, the term current assets are used to designate cash and other assets or resources commonly identified as those that are reasonably expected to be realized in cash or sold or consumed within a year. Therefore, current assets generally include such resources as (a) cash available for current operations and items that are the equivalent of cash; (b) inventories of merchandise, raw materials, goods in process, finished goods, operating supplies, and ordinary maintenance material and parts; (c) trade accounts, notes, and acceptances receivable; (d) receivables from taxpayers, other governments, vendors, customers, beneficiaries, and employees, if collective within a year; (e) installment or deferred accounts and notes receivable if they generally conform to normal trade practices and terms within the business-type activities; (f) marketable securities representing the investment of cash available for current operations; and (g) prepayments such as insurance, interest, rents, unused royalties, current paid advertising service not yet received, and operating supplies. Prepayments are not current assets in the sense that they will be converted into cash but in the sense that, if not paid in advance, they would require the use of current assets within a year. Current assets excludes such resources as: (1) cash and claims to cash that are restricted as to withdrawal or use for other than current operations, that are designated for disbursement in the acquisition or construction of noncurrent assets, or that are segregated for the liquidation of long-term debts; (2) receivables arising from unusual transactions (such as the sale of capital assets) that are not expected to be collected within 12 months; (3) cash surrender value of life insurance policies; (4) land and other natural resources; (5) depreciable assets; and (6) long-term prepayments that are applicable to the operations of several years, or deferred charges such as bonus payments under a long-term lease.

**Current Costs.** In connection with municipal solid-waste landfills and pollution remediation obligations, the amount that would be paid if all equipment, facilities, and services included in the estimate of the obligation were acquired during the current period.

**Current Financial Resources Measurement Focus.** Measurement focus where the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable 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.** Used principally to designate obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets or the creation of other current liabilities. As a category in the statement of net (position), the classification is intended to include obligations for items that have entered into the operating cycle, such as payables incurred in the acquisition of materials and supplies to be used in providing services; collections received in advance of the performance of services' and debts that arise from operations directly related to the operating cycle, such as accruals for wages, salaries, commissions, rentals, and royalties. Other liabilities whose regular and ordinary liquidation is expected to occur within one year also are intended for inclusion, such as short-term debts arising from the acquisition of capital assets, serial maturities of long-term obligations, amounts required to be expended within one year under sinking fund provisions, and certain agency obligations arising from the collection or acceptance of cash or other assets for the account of third parties. The current liability classification also is intended to include obligations that, by their terms, are due on demand or will be due on demand within one year from the date of the financial statements, even though liquidation may not be expected within that period. It also is intended to include long-term obligations that are or will be callable by the creditor either because the debtor's violation of a provision of the debt agreement at the date of the financial statement makes the obligation callable or because the violation, if not cured within a specified grace period, will make the obligations callable. According, such callable obligations should be classified as current liabilities unless one of the following conditions is met:

- (1) The creditor has waived or subsequently lost the right to demand repayment for more than one year from the date of the financial statement.
- (2) For long-term obligations containing a grace period within which the debtor may cure the violation, it is probable that the violation will be cured within that period, thus preventing the obligation from becoming callable.

**Current Refunding.** Refunding transaction when the issuance of new debt immediately replaces previously outstanding issued debt.

**Current Resources.** Resources available to meet current obligations and expenditures. Examples: 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.

**Current Roll Auditor's/Auditor's Roll.** The roll containing the property on which current taxes are a lien.

**Current Roll Supplemental/Supplemental Roll.** The roll for the fiscal year during which the change in ownership occurs or the new construction is completed.

**Current Tax Rate.** The tax rate applicable to the current roll, including any rate for voter-approved indebtedness.

**Current Taxes.** Taxes levied and became due within one year.

**Current Value.** The amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period.

**Custodial Agreement.** A written contract is establishing the responsibilities of a custodian who holds collateral for deposits with financial institutions, investment securities, or securities underlying repurchase agreements.

**Custodial Credit Risk.** The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

**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.

## D

**Data Processing.** (Information Systems) (1) The preparation and handling of information and data from source media through prescribed procedures to obtain such end results as classification, problem solution, summarization, and reports. (2) Preparation and handling of financial information wholly or partially by mechanical or electronic means. See Electronic Data Processing (EDP).

**Debt.** 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. See Accounts Payable, Bonds, Note Payable, and General Long-Term Debt.

**Debt Extinguishments.** See Advance Refunding Bonds, Defeasance, and In-Substance Defeasance of Debt.

**Debt Limit.** The maximum amount of outstanding gross or net debt legally permitted.

**Debt Proceeds.** 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.

**Debt Ratios.** Comparative statistics illustrating the relation between the issuer's outstanding debt and such factors as its tax base, income, or population. These ratios often are used as part of the process of determining the credit rating of an issue, especially with general obligation bonds.

**Debt Service.** Appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund requirements on indebtedness existing or legally authorized as of January 1, 1979, or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity, voting in an election for such purpose.

**Debt Service Fund.** Governmental Fund 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 doing so is 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 Fund Requirements.** The resources that should be provided for a debt service fund so that all principal and interest payments can be made in full and on schedule.

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

**Deduction.** A term used to describe decreases in the net position of fiduciary funds.

**Deep-Discount Debt.** 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).

**Defaulted Taxes.** Delinquent secured property taxes that become subject to redemption penalties and fees as of July 1st. Property, by operation of law, becomes subject to the Tax Collector's power to sell five years after becoming tax defaulted.

**Defeasance.** In the context of financial reporting, netting of outstanding liabilities and related assets on the statement of financial position. Most refundings result in the defeasance of the refunded debt. Defeasance also is sometimes encountered in conjunction with annuity contracts purchased in connection with lottery prizes and settlements of claims and judgments.

**Deferred Inflow(s) of Resources.** An acquisition of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources has a negative effect on net position, similar to liabilities.

**Deferred Outflow(s) or Resources.** A consumption of net assets by the government that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets.

**Deferred Retirement Option Program (DROP).** An optional program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee (if the employee had retired and not entered the DROP) are credited to an individual employee plan until the end of the DROP period.

**Deficiency.** A general term indicating the amount by which anything falls short of some requirement or expectation. For example, a local governments' net assets may be insufficient to meet its net liabilities. The term should not be used without qualification.

**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 expenses over revenues during an accounting period.

**Defined Benefit Pension Plan (or OPEB).** Pension or OPEB plans that are used to provide defined benefit pensions or OPEB.

**Defined Benefit Pensions (or OPEB).** Pensions or OPEB for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions or OPEB may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation.

**Defined Contribution Pensions (or OPEB) Plan.** Pensions or OPEB having terms that 1) provide an individual account for each employee; 2) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for period in which that employee renders service; and 3) provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.

**Delinquent (Special) Assessments.** Special assessments remaining unpaid on and after the date to which a penalty for nonpayment is attached.

**Delinquent Abstract.** See Redemption Roll.

**Delinquent Roll.** See Redemption Roll.

**Delinquent Taxes.** Taxes remaining unpaid on and after the date 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.

**Delinquent Unsecured Roll.** A list of unsecured property declared to be in default by the tax collector in a particular year.

**Demand Bonds.** Long-term debt issuances with demand ("put") provisions that require the issuer to repurchase the bonds upon notice from the bondholder at a price equal to the principal plus accrued interest. To ensure the ability to redeem the bonds, issuers of demand bonds frequently enter into short-term standby liquidity agreements and long-term "takeout" agreements.

**Dependent Special District.** A special district that has a legislative body that consists, in whole or part, of ex officio members who are officers of a county or city or who are appointees of those officers and not appointed to a fixed term.

**Depletion.** The allocation of the cost of wasting assets (e.g., timber, oil, coal) to the periods benefited by their use.

**Deposit.** Money placed with a banking or other institution or with a person, sometimes for a specific purpose.

**Depository Insurance.** Depository insurance includes (1) Federal depository insurance funds, such as those maintained by the Federal Deposit Insurance Corporation (FDIC or FDICIA), (2) State depository insurance funds, and (3) multiple financial institutions collateral pools that insure public deposits. In such a pool, a group of financial institutions holding public funds pledges collateral to a common pool.

**Deposit Warrant.** A financial document prepared by an appointed accounting or finance officer authorizing the treasurer of a government to accept for deposit sums of money collected by various departments and agencies of the government. See Warrant.

**Depreciation.** (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, the action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, 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.

**Depreciation schedule.** A schedule listing the annual allocation of the cost of capital assets to future periods, using one of the depreciation methods acceptable under GAAP.

**Derivative.** A 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 (for example, mortgage-backed securities).

**Derivative Instrument.** A financial instrument or arrangement, often complex in nature, whereby two parties agree to make payments to each other under different obligation scenarios (e.g., an interest rate swap).

**Derived Tax Revenues.** Assessments imposed on exchange transactions (for example, 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 actual source data (invoices) to establish the historical cost of a capital asset.

**Direct Debt.** The outstanding long-term debt instruments, including bonds, notes, certificates of participation, loans, and capital leases, of the government preparing the statistical section. See Overlapping Debt.

**Direct Expenses.** An expense that is specifically associated with a service, program, or department and, thus, is clearly identifiable with a particular function.

**Direct Labor.** The cost of labor directly expended in the production of specific goods or rendition of specific services.

**Direct Materials.** The cost of materials that become an integral part of a specific manufactured product or which are consumed in the performance of a specific service.

**Director of Finance.** In the context of government, an office, created by the voters, with the power and duties of the auditor-controller, treasurer, and tax collector, and such other duties as prescribed by the board of supervisors.

**Disallowed Costs.** Claims for grantor resources that have been rejected by the grantor.

**Disclaimer.** In the context of an independent auditors report, 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 or 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. See Adverse Opinion and Qualified Opinion.

**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 has not performed an examination sufficient in scope to enable him 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. See Adverse Opinion and Qualified Opinion.

**Discount.** In the context of bonds payable and investments, the amount by which par value exceeds the price paid for security. The discount generally represents the difference between the nominal interest rate and the actual or effective rate of return to the investor.

**Discount Rate.** The rate used to adjust a series of future payments to reflect the time value of money. For the purpose of calculating the pension benefit obligation defined by GASB, this rate is equal to the estimated long-term rate of return on current and future investments of the pension plan. For capitalized leases, the discount rate used by the lessee is the lessee's incremental borrowing rate unless the lessee is aware of the lessor's implicit rate and that rate is less than the lessee's incremental borrowing rate.

**Discount Rate (as used in GASB 73).** A yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

**Discounting.** A method used to determine the present value of a future cash payment or series of payments that takes into consideration the time value of money.

**Discounted Present Value.** See Present Value.

**Discrete Presentation (Component Units).** Method of reporting financial data of component units separately from financial data of the primary government.

**Discrete Presentation.** Method of reporting financial data of component units separately from financial data of the primary government.

**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. An integral part of this method of presentation is that individual component unit supporting information is required to be provided within condensed financial statements within the notes to the reporting entity's basic financial statements or in combining statements in basic financial statements.

**Discussion Memorandum (DM).** Due-process document issued by the GASB that solicits comments from interested parties on various aspects of a technical issue that is the subject of research by the board.

**Documented Vessel.** Any vessel required to have a valid marine document issued by the Bureau of Customs of the United States, subject to special valuation procedures.

**Dollar Purchase/Reverse Repurchase Agreement.** A repurchase/reverse repurchase agreement that involves the transfer of securities in which the parties agree that the securities returned usually will be of the same issuer but will not be the same certificates. Fixed coupon and yield maintenance agreements are the most common types of dollar agreements.

**Double Entry.** A system of bookkeeping requiring that, for every entry made on the debit side of an account or accounts, entry or entries be made in an equal amount to the credit side of another account or accounts.

**Dry Period Financing.** The cash required to covering those times when cash receipts are insufficient to meet the cash demands.

**Due from \_\_\_\_\_ Fund.** 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. See Advance from \_\_\_\_\_ Fund and Interfund Receivable/Payable.

**Due from \_\_\_\_\_ Government.** An asset account reflecting amounts due to the reporting government from another government. These amounts may represent grants-in-aid, shared taxes, taxes collected by another unit, loans, and charges for services rendered by a reporting unit for another government.

**Due Process.** Procedures followed by the GASB to ensure that the views of all interested parties are solicited and considered prior to issuing an authoritative pronouncement. At a minimum, due process requires that all statements and interpretations be preceded by an exposure draft.

**Due to Fiscal Agent.** A liability account reflecting amounts due to fiscal agents, such as commercial banks, for servicing a government's maturing interest and principal payments on indebtedness.

**Due to \_\_\_\_\_ Fund.** A liability account reflecting amounts owed by a particular fund to another fund for goods sold or service rendered. These amounts include only short-term obligations on open account and not interfund loans. See Advance to \_\_\_\_\_ Fund and Interfund Receivable/Payable.

**Duration.** A measure of a debt investment's exposure to fair value changes arising from changes interest rates. Duration uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

## E

**Early Recognition Option.** A term used in connection with debt service funds. The option to recognize an expenditure in the current period in a debt service fund for principal and interest payments due early in the subsequent period. This option is available only in situations involving the nondiscretionary transfer of resources to a debt service fund in the current period for payments due shortly after the end of the fiscal year (i.e., usually within one to several days, and never more than one month later).

**Earnings.** See Income and Revenues.

**Economic Gain/Loss.** In the context of an advance refunding, the difference between the present value of the old debt service requirements and the present value of the new debt service requirements discounted at the effective interest rate and adjusted for additional cash paid.

**Economic Resources Measurement Focus.** A measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It also is used by business enterprises and not-for-profit organizations in the private sector.

**Educational Revenue Augmentation Fund (ERAF).** The fund established for the deposit of money (property tax dollars) deducted and transferred from the county, cities, and special districts for subsequent distribution to non-basic aid schools.

**Effective Interest Rate (Yield).** The rate of earnings on a bond investment, based on the actual price paid for the bond, the coupon rate, the maturity date, and the length of time between interest dates, in contrast with the nominal interest rate.

**Effectiveness.** A term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives.

**Efficiency.** A term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives with the least use of scarce resources.

**Electronic Data Processing (EDP).** Data processing by means of high-speed electronic equipment. See Data Processing.

**Eligibility Requirements.** A term used in connection with government-mandated and voluntary nonexchange transactions. Conditions established by the provider of resources stipulating matters such as the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

**Emerging Issues Task Force.** A group established under the auspices of an authoritative standard-setting body and authorized to publish consensus positions on technical issues not specifically addressed by that body. GASB has not established an emerging issues task force, although it is empowered to do so.

**Eminent Domain.** The power of a government to acquire private property for public purposes. Eminent domain is frequently used to obtain real property that cannot be purchased from owners in a voluntary transaction. When the power of eminent domain is exercised, owners are compensated by the government in an amount determined by the courts.

**Employer Entity.** The entity that employs the individuals for whom a paying entity makes on-behalf payments for fringe benefits and salaries. The employer entity may be governmental or nongovernmental.

**Employer's Contributions.** In the context of defined benefit pensions and OPEB plans, contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (1) made payments on benefits directly to or on behalf of a retiree or beneficiary, (2) made premium payments to an insurer, or (3) an equivalent arrangement in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditor of the employer(s) or plan administrator.

**Enabling Legislation.** Authorizes the 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 the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation.

**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.

Any encumbrances remaining at fiscal year-end should be classified as restricted, committed or assigned fund balance in the governmental fund balance sheet.

**Endowment.** Funds or property donated with either a temporary or permanent restriction as to their use. Endowments with the stipulation that the principal balance not be disbursed are often accounted for in permanent funds. See Permanent Fund.

**Enterprise District.** A special district operated as a business enterprise, charging customers for services.

**Enterprise Fund.** Used to report any activity for which a fee is charged to external users for goods or services.

**Enterprise Fund.** Used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources. (1) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit, even if that government is not expected to make any payments, is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity). (2) Laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt services), be recovered with fees and charges, rather than with taxes or similar revenues. (3) The pricing policies of the activity established fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

**Entitlement.** The amount of payment to which a state or local government is entitled, pursuant to an allocation formula contained in applicable statutes.

**Entity.** The basic unit upon which accounting and/or financial reporting activities focus. The basic governmental legal and accounting entity is prescribed by GAAP to be the reporting entity for financial statement reporting purposes and it alone may issue COMPREHENSIVE ANNUAL FINANCIAL REPORTS and BFS.

**Entity Differences.** A difference between the budgetary basis of accounting and GAAP, arising because the appropriated budget either includes or excludes organizations, programs, activities, and functions which may or may not be compatible with the criteria defining the governmental reporting entity.

**Entry.** The record of a financial transaction in the appropriate book of account.

**Entry Age Actuarial Cost Method.** A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.

**Equalized Roll.** The combination, as of August 20, of the local valuations certified by the assessor, any changes made by the county board of supervisors in July, and the current state-assessed valuations reported by the State Board of Equalization.

**Equipment.** See Machinery and Equipment.

**Equity Accounts.** In those accounts presenting either fund balances or net position, this is the difference between assets and liabilities of the fund.

**Equity Securities.** Any security that represents an ownership interest in an entity, including common, preferred, or other capital stock; unit investment trusts; and closed-end mutual funds. However, the term equity security does not include convertible debt or preferred stock that either is required to be redeemed by the issuing entity or is redeemable at the option of the investor.

**Equivalent Single Amortization Period.** The weighted average of all amortization periods used when components of the total unfunded actuarial accrued liability are separately amortized and the average is calculated in accordance with the parameters.

**Escheat (Abandoned Property).** The reversion of property to a government entity in the absence of legal claimants or heirs. The laws of many governmental entities provide that a rightful owner or heir can reclaim escheated property into perpetuity, provided the claimant can establish his or her right to the property. This does not necessarily mean that governments hold all escheated property into perpetuity. Because large portions of escheated property are never reclaimed, most governments use some of the property to help finance with either their general or specific operations.

**Estimated Life.** The expected economic useful life of an asset, from the date placed in service to the projected retirement date.

**Estimated Revenue.** The amount of revenue estimated to accrue or to be collected during a fiscal period.

**Estimated Uncollectible Accounts.** See Allowance for Uncollectibles.

**Estimated Uncollectible Receivables.** See Allowance for Uncollectibles.

**Ethics Rule 202.** An ethics rule established by AICPA that places upon auditors the burden of proof for justifying any material departures from the guidance found on levels 2, 3, or 4 of the GAAP hierarchy.

**Ethics Rule 203.** An ethics rule established by AICPA that makes it an ethical violation for an auditor to state that financial statements are “fairly presented in conformity with GAAP” if those statements materially violate standards issued by FASB, GASB, or the Federal Accounting Standards Advisory Board. A special exception applies when unusual circumstances would make the application of an authoritative standard misleading.

**Excess Insurance.** The transfer of risk of loss from one party (the insured) to another (the excess insurer) in which the excess insurer provides insurances (as defined in this glossary) in excess of a certain, typically large amount. For example, an insurance to transfer risk of aggregate losses above \$5 million by its pool participants.

**Exchange (Exchange Transaction).** A reciprocal transfer between a government and another entity that results in the government acquiring assets or services or satisfying liabilities by surrendering other assets or services or incurring other obligations.

**Exchange-Like Transaction.** Transactions between a government and another party (or parties) where the values may not be quite equal or the direct benefits of the exchange may not be exclusive to the parties to the exchange. These tend to be licenses or permits and similar.

**Exempt Property.** Property acquired by a public entity, which becomes exempt from taxation under the laws of the state.

**Exit Price.** The price that would be received to sell an asset or paid to transfer a liability.

**Expected Useful Life.** See Estimated Life.

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

**Expenditures.** Decreases in net financial resources. Expenditures include current operating expenses that require 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.

**Explicit Measurable Equity Interest.** A term used in connection with joint ventures. An asset resulting from a stipulation in the joint venture agreement that the participants have a present or future claim to the net resources of the joint venture and setting forth the method to determine the participants’ shares of the joint venture’s net resources.

**Exposure Draft (ED).** A proposed statement or interpretation issued for public comment by GASB or FASB.

**External Auditor.** Independent auditor(s) typically engaged to conduct the audit of a government's financial statements.

**External Financing Sources.** In governmental fund types, includes revenues, other financing sources, and transfers in. This is a conventional term and should not be used in the financial statement presentation.

**External Investment Pool.** An arrangement that commingles (pools) the money of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not 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 nongovernmental 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.

**Extinguishment of Debt.** Using financial resources that did not arise from debt proceeds; the debtor pays the creditor and is relieved of all its obligations with respect to the debt. This includes the debtor's reacquisition of its outstanding debt securities in the public securities markets, regardless of whether the securities are canceled or held as so-called treasury bonds. The debtor is legally released from being the primary obligor under the debt, either judicially or by the creditor, and it is probable that the debtor will not be required to make future payments with respect to that debt under any guarantees.

**Extraordinary Items.** Transactions or other events that are both unusual in nature and infrequent in occurrence. These items are reported separately in the Statement of Activities.

**Extraordinary Items.** Increases or decreases in fund balances that are both (1) unusual in nature and (2) infrequent in occurrence.

## F

**Face Value.** As applied to securities, the amount of the issuer's liability stated in the security document. See Par Value.

**Fair Value.** The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or described as an exit price (GASB Statement No. 72, as amended).

**Federal Award.** Federal financial assistance and federal cost-reimbursement contracts that nonfederal entities receive directly from federal awarding agencies or indirectly from pass-through entities.

**Federal Financial Assistance.** For purposes of applying the provisions of the Single Audit Act of 1997 and OMB Circular A-133, Audits of State and Local Governments, assistance provided by a federal agency in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. Federal financial assistance does not include direct federal cash assistance to individuals.

**Federal Program.** All Federal awards to a nonfederal entity assigned a single number in the Catalog of Federal Domestic Assistance (CFDA).

**Fidelity Bond.** A written promise to indemnify against losses from theft, defalcation, and misappropriation of public monies by government officers and employees.

**Fiduciary Fund.** Funds consisting of pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and agency funds. The funds are used to report assets held in a trustee or an agency capacity for others and, therefore, cannot be used to support the government's own programs.

**Final Amended Budget.** A term used in connection with budgetary reporting. The adopted budget adjusted by all fund balance classifications, 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.

**Final 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.** 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. Accountability 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 Accounting Foundation (FAF).** A not-for-profit organization responsible for overseeing the operations of both GASB and FASB.

**Financial Accounting Standards Advisory Council (FASAC).** An advisory group that assists FASB. FASAC includes representatives of all of FASB's major constituents.

**Financial Accounting Standards Board (FASB).** The authoritative accounting and financial reporting standard-setting body for business enterprises and not-for-profit organizations. FASB is the direct successor of the Committee on Accounting Procedure and the Accounting Principles Board. GASB and its predecessors have elected to apply a number of FASB's standards, as well as those of its predecessors, to state and local government.

**Financial Audit.** An audit made to determine whether the financial statements of a government are presented fairly, in conformity with GAAP/GASB and conducted in accordance with government auditing standards.

**Financial Instrument.** A financial instrument is cash, evidence of an ownership interest in an entity, or a contract that both: 1) imposes on one entity a contractual obligation to deliver cash or another financial instrument to a second entity or exchange other financial instruments on potentially unfavorable terms with the second entity (for example, an option), and 2) conveys to that second entity a contractual right to receive cash or another financial instrument from the first entity or to exchange other financial instruments on potentially favorable terms with the first entity (for example, an option).

**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. 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.

**Financing Requirements.** In governmental fund types, the total financing needs for the accounting period involved. This is a conventional term and should not be used in the financial presentation.

**Financial Resources.** Cash and other assets that, in the normal course of operations, will become cash.

**Financial Resources Measurement Focus.** A 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.

**Financial Section.** One of the three basic sections of a COMPREHENSIVE ANNUAL FINANCIAL REPORT. The financial section is used to present the independent auditor's report on the financial statements, the basic financial statements (including the notes to the financial statements), required supplementary information, combining statements, individual fund statements and schedules, and supplementary information, as needed.

**Financial Statements.** A tabulation of amounts, derived from accounting records and expressed in words and dollars, that displays either 1) the financial position of the reporting unit at a moment in time or 2) inflows and outflows of resources from transactions or other events during a period of time.

**Financial Uses.** In governmental fund types, decreases, excluding expenditure refunds, in the net current assets of a fund. "Financing uses" includes expenditures, other financing uses, and transfers out.

**Finding.** In the context of financial statement audits, published communication of an internal control weakness or instance of noncompliance in connection with an audit.

**Fiscal Accountability.** Compliance with public decisions concerning the raising and spending of public funds within a reporting period.

**Fiscal Agent.** A fiduciary agent, usually a bank or a local government officer, who performs the function of paying debt principal and interest when due.

**Fiscal Dependence.** A term used in connection with the definition of the financial reporting entity. A situation requiring the inclusion of a legally separate entity as a component unit within the financial reporting entity because the governing board of the primary government may "arbitrarily" override the financial decisions of the legally separate entity regarding (1) its budget, (2) the levying of taxes or the setting of rates or charges, or (3) the issuance of bonded debt.

**Fiscal Funding Clause.** A provision in a lease that allows a cancellation if a governing body does not appropriate funds to pay for a lease in a given period.

**Fiscal Period.** Any period at the end of which a government determines its financial position and the results of its operations. Often referred to as an Accounting Period.

**Fiscal Year.** For financial reporting purposes, any 12-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 budgetary purposes, the current 12 month period to which the annual operating budget applies and at the end of which a government determines its position and the results of its operations.

**Five Percent Criterion.** The second of two tests used to determine whether a given governmental fund or enterprise fund should 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 10 percent criterion has been met. See Ten Percent Criterion.

**Fixed Budget.** A budget setting forth dollar amounts that are not subject to change based on the volume of goods or services to be provided. See Flexible Budget.

**Fixed Charge (Fixed Charge Assessment).** A charge in addition to any ad valorem taxes included on a tax bill. Fixed charges are not based on the assessed value of the property and are levied on a parcel basis (i.e., for sewer, library, and flood control assessments). See Special Benefit Assessment(s).

**Fixed Costs.** Costs of providing goods or services that do not vary proportionately with the volume of goods or services provided (e.g., insurance and contributions to retirement systems).

**Fixed Coupon Repurchase/Reverse Repurchase Agreement.** A dollar repurchase/reverse repurchase agreement in which the parties agree that the securities returned will have the same stated interest rate as, and maturities similar to, the securities transferred.

**Fixed-Income Securities.** Securities that offer a specified, measurable cash flow (e.g., most bonds).

**Fixtures.** Attachments to buildings that are not intended to be removed and 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 classified as equipment.

**Flexible Budget.** A budget whose dollar amounts vary according to the volume of goods or services to be provided. See Fixed Budget.

**Flow of Current Financial Resources.** See Current Financial Resources Measurement Focus.

**Flow of Economic Resources.** See Economic Resources Measurement Focus.

**Food Stamps.** A federal award program that is intended to improve the diets of members of low-income households by increasing their ability to purchase food.

**Force Account.** A method employed in the construction and/or maintenance of capital assets whereby a government's own personnel are used instead of an outside contractor. This method also calls for the purchase of materials by the government and the possible use of its own equipment, but the distinguishing characteristic of the force account method is the use of the government's own personnel.

**Foreclosure.** The seizure of property as payment for delinquent tax or special assessment obligations. Ordinarily, property foreclosed upon is resold to liquidate delinquent tax or special assessment obligations, but on occasion governments retain possession for their own needs.

**Foreign Currency Risk.** The risk that changes in the exchange rate will adversely affect the cash flows or fair value of a transaction.

**Foreign Currency Transactions.** Transactions whose terms are denominated in a currency other than the U.S. dollar. Foreign currency transactions arise when a government 1) buys or sells on credit goods or services whose prices are denominated in a foreign currency; 2) borrows or lends resources, and the amounts payable or receivable are denominated in a foreign currency; or 3) for other reasons acquires or disposes of assets, or incurs or settles liabilities denominated in a foreign currency.

**Forfeiture.** The automatic loss of cash or other property as a punishment for not complying with legal provisions and as compensation for the resulting damages or losses. This term should not be confused with confiscation. The latter term designates the actual taking over of the forfeited property by the government. Even after the property has been forfeited, it cannot be said to be confiscated until the government claims it.

**Formal Budgetary Integration.** The management control technique through which the annual operating budget is recorded in the general ledger through the use of budgetary accounts. It is intended to facilitate control over revenues and expenditures during the year.

**Formula Grants.** Government-mandated or voluntary nonexchange transactions involving the provision of resources based on established criteria (e.g., number of full-time equivalent students) other than the incurrence of qualifying expenditures. Also commonly referred to as shared revenues.

**Franchise.** A special privilege granted by a government permitting the continued use of public property, such as city streets, and usually involving the elements of monopoly and regulation.

**Frozen Entry Age Actuarial Cost Method.** A method under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation, over the sum of the Actuarial Value of Assets plus the Unfunded Frozen Actuarial Accrued Liability, is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost.

**Full Cash Value.** The amount of cash or its equivalent that property would bring if exposed for sale in the open market.

**Full Faith and Credit.** A pledge of the general taxing power for the payment of debt obligations. Bonds carrying such pledges are referred to as general obligation bonds or full faith and credit bonds.

**Full Scope Audit.** An audit covering: (1) Financial and Compliance, to determine (a) whether the financial statements of an audited entity present fairly the financial position, results of operations, and (when applicable) cash flows in accordance with generally accepted accounting principles, and (b) whether the entity has complied with the various legal and contractual requirements that may have a material effect on the financial statements; (2) Economy and Efficiency, to determine (a) whether the entity is managing and utilizing its resources (such as personnel, property, space) economically and efficiently, (b) the causes of inefficiencies or uneconomical practices, and (c) whether the entity has complied with laws and regulations concerning matters of economy and efficiency; and (3) Program Results, to determine (a) whether the desired results or benefits established by the legislature or other authorizing body are being achieved, and (b) whether the agency has considered alternatives that might yield the desired results at a lower cost.

**Function.** A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible. For example, public health is a function.

**Functional-Basis Combining.** The process of grouping or combining similar funds and/or component units on a functional basis (e.g., transportation, economic development) for financial reporting purposes.

**Functional Classification.** Expenditure classification according to the principal purpose for which expenditures are made. Examples are public safety, public health, and public welfare.

**Fund.** A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and 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.

**Fundamental Analysis.** A method of estimating the fair value of a security when it is thinly traded or when quoted market prices are not available. Fundamental analysis considers assets, liabilities, operating statement performance, management, and economic environment of the issuer in estimating a fair value.

**Fund Balance.** In a governmental fund, the residual of assets, less liabilities and deferred inflows of resources (if applicable). Fund balance has five components: non-spendable, restricted, committed, assigned, and unassigned.

**Fund Balance Classifications.** Financial statements for governmental funds may report up to five components of fund balance: non-spendable, restricted, committed, assigned and unassigned. The General Fund is the only governmental fund with a positive unassigned amount.

**Fund Balance Sheet.** A balance sheet for a single fund. See Fund and Balance sheet.

**Fund Capital Assets.** Capital assets that are associated with proprietary or trust funds.

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

**Fund Financial Statements.** Display of information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements should include financial information for fiduciary funds and similar component units. Each of the three fund categories should be reported using the measurement focus and basis of accounting required for that category.

**Fund Type.** Any one of 11 categories into which all funds are classified in governmental accounting. The governmental fund types are General, Special Revenue, Debt Service, Capital Projects, and Permanent. The proprietary fund types are Enterprise and Internal Service. The fiduciary fund types are Pension (and Other Employee Benefit) Trust, Investment Trust, Private-Purpose Trust, and Agency.

**Funded Debt.** The 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).

**Funded Ratio (OPEB Only).** The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

## G

**GAAFR.** Acronym for *Governmental Accounting, Auditing, and Financial Reporting*, a publication of the GFOA. Also known as the “Blue Book.”

**GAAP Hierarchy.** In the context of current governmental financial reporting environment, GAAP hierarchy is the hierarchy of general accepted accounting principles that are used to by governments when preparing their financial statements.

**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 encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. The principles 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 GASB.

**Generally Accepted Auditing Standards (GAAS).** Standards established by AICPA for the conduct and reporting of financial audits. There are 10 basic standards classed into three broad categories: general standards, standards of fieldwork, and standards of reporting. The Auditing Standards Board of AICPA publishes *Statements on Auditing Standards* (SAS) to comment and expand upon these basic standards. SAS, together with the ten basic standards, constitute Generally Accepted Auditing Standards (GAAS). GAAS sets forth the objectives of the audit and establishes measures that can be applied to judge the quality of its performance.

**Generally Accepted Government Auditing Standards (GAGAS).** Standards established by the GAO in its publication, *Government Auditing Standards (GAS)*, commonly known as the “Yellow Book” for the conduct and reporting of both financial and performance audits. GAGAS sets forth general standards applicable to both types of audits and separate standards of fieldwork and reporting for financial and performance audits. The GAGAS standards of fieldwork and reporting for financial audits incorporate and build upon GAAS.

**General Capital Assets.** Capital assets that are not assets of any fund, but of the government unit as a whole. Most often these assets arise from the expenditure of the financial resources of governmental funds.

**General Fund.** The primary operating fund of a government. The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

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

**General Ledger.** A record containing the accounts needed to reflect the financial position and the results of operations of a government. In double-entry bookkeeping, the debits and credits in the general ledger are equal (i.e., the debit balances equal the credit balances). See Subsidiary Ledger, Control Account, and Subsidiary Account.

**General Long-Term Debt.** Long-term debt expected to be repaid from governmental funds. See Long-Term Debt.

**General Obligation Bonds Payable.** Bonds backed by the full faith and credit of government. See Full Faith and Credit.

**General Obligation Debt.** Debt paid by and secured by general taxation, generally income or property taxation. The full faith and credit of the government secure the debt.

**General Purpose Government.** States, counties, cities, towns and villages, and special districts (and similar).

**General Revenues.** All revenues are general revenues unless they are 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—for example, sales tax, property tax, franchise tax, and income tax. All other nontax 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. General revenues should be reported after total net expense of the government’s functions.

**Going Concern.** Significant information that is available raising doubts as to whether a legally separate entity can continue to meet its obligations as they become due without a substantial disposal of assets outside the ordinary course of business, restructuring of operations and debts, oversight of a financial assistance, or oversight or review board or similar.

**Government Accountability Office (GAO).** The investigative arm of the U.S. Congress charged with improving the performance and accountability of the federal government. The GAO issues the publication *Government Auditing Standards (GAS)*, commonly known as the “Yellow Book,” which sets generally accepted government auditing standards (GAGAS).

**Government Acquisitions.** A government combination in which a government acquires another entity, or the operations of another entity, in exchange for significant consideration. The consideration provided should be significant in relation to the asset and liabilities acquired. The acquired entity or operation becomes part of the acquiring government's legally separate entity.

**Government Combinations.** A variety of arrangements, including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganization, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

**Government Finance Officers Association (GFOA).** Formerly the Municipal Finance Officers Association. An organization comprised of accounting and finance professionals from throughout the United States and Canada. The GFOA has played a major role in the development and promotion of GAAP for state and local government and sponsored the Certificate of Achievement for Excellence in Financial Reporting Program. Publishes *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR), commonly known as the "Blue Book."

**Government Mergers.** A government merger is a government combination of legally separate entities in which no significant consideration is exchanged and either 1) two or more governments (or one or more government and one or more nongovernmental entities) cease to exist as legally separate entities and are combined to form one or more new governments, or 2) one or more legally separate government or nongovernmental separate entities cease to exist and their operation is absorbed into, and provided by, one or more continuing governments.

**Government National Mortgage Association (GNMA).** GNMA is a U.S. governmental agency that guarantees certain types of securities (mortgage-backed securities), provides resources for, and administers certain types of low-income housing assistance programs.

**Governmental Accounting.** The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.

**Governmental Accounting Standards Advisory Council (GASAC).** An advisory body established to assist GASB. The membership of GASAC represents all major groups with an interest in accounting and financial reporting for state and local governments.

**Governmental Accounting Standards Board (GASB).** The authoritative accounting and financial reporting standard-setting body for government entities.

**Governmental Accounting, Auditing and Financial Reporting (GAAFR).** Published by the GFOA and is also known as the "Blue Book." Provides detailed guidance to the application of principles to the accounting and financial reporting activities of state and local governments.

**Governmental Activities.** Those activities of a government that are carried out primarily to provide services to citizens and that are financed primarily through taxes and intergovernmental grants.

**Governmental Capital Assets.** Assets that directly or indirectly are used in providing services that are not directly associated with fees or other revenues. Examples include roads, bridges, schools, and equipment used for fire protection.

**Governmental External Investment Pool.** An arrangement that commingles (pools) the money of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. In this arrangement, one or more of the participants is not part of the sponsor's reporting entity. In California, it is typical for external pools to be used; the participants that are not typically part of the report local government entity and may include school districts and local-board-governed special districts.

**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 nongovernmental entities are set forth in the AICPA's *Audits of State and Local Governmental Units* publication.

**Governmental Funds.** Funds (emphasizing major funds) consisting of the General Fund, Special Revenue Funds, Capital Projects Funds, Debit Service Funds, and Permanent Funds, as applicable. The funds focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation.

**Governmental Financial Reporting Model.** The minimum combination of financial statements, note disclosures, and required supplementary information prescribed for state and local governments by GASB.

**Government-Mandated Nonexchange Transactions.** 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.** Display of information about the reporting government as a whole, except for its fiduciary activities. The statement as a whole, except for its fiduciary activities. The statements should include separate columns for the governmental and business-type activities of the primary government as well as for its component units. Government-Wide financials statements should be prepared using the economic resources measurement focus and the full accrual basis of accounting. They consist of a statement of net position and a statement of activities.

**Grant Anticipation Note (GAN).** A short-term interest-bearing note issued by a government in anticipation of grants to be received at a later date. The notes are retired from proceeds of the grants to which they are related. See Interim Borrowing.

**Grants.** Contributions or gifts of cash or other assets from another government to be used or expended for a specified purpose, activity or facility. See Capital Grants and Operating Grants.

**Grants-in-Aid.** See Grants.

**Gross.** Gross amount of income, profit, or interest, without deduction of tax or other contributions; total.

**Gross Bonded Debt.** The total amount of direct debt of a government represented by outstanding bonds before deduction of any assets available and earmarked for their retirement.

**Guaranteed Investment Contract (GIC).** A group annuity contract designed to provide guarantees of principal and interest on funds deposited with an insurance company for a specified party.

## H

**Historical Cost.** The price paid to acquire an asset or the amount received pursuant to the incurrence of a liability in an actual exchange transaction. See Cost.

**Hold-Harmless Agreement.** A contract under which the liability of one party for damages is assumed by another.

**Homeowner Exemption.** A value reduction provided to homeowners pursuant to Revenue and Taxation Code section 218.

## I

**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).

**Implementation Guides.** Guidance on the proper implementation of authoritative accounting and financial reporting standards issued by the staff of GASB.

**Imposed Nonexchange Revenues.** Assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (for example, property taxes and fines).

**Imprest Account.** An account into which a fixed amount of money is placed for the purpose of minor disbursements or disbursements for a specific purpose (e.g., payroll). When a disbursement is made, a voucher is completed to record its date, amount, nature, and purpose. From time to time, a report with substantiating vouchers is prepared; the account is replenished for the exact amount of the disbursements and appropriate general ledger accounts are charged.

The total of cash plus substantiating vouchers always should equal the total fixed amount of money set aside in the imprest account. See Petty Cash.

**Improvements.** Buildings, other structures, and other attachments or annexations to land that are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains, and sewers. Sidewalks, curbing, sewers, and highways are sometimes referred to as “betterments,” but the term “improvements” is preferred. See Buildings and Improvements.

**Improvements other than Buildings.** Attachments or annexations to land that are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains and sewers. Sidewalks, curbing, sewers and highways are sometimes referred to as betterments, but the term improvements is preferred.

**Inactive Employees.** Individuals no longer employed by an employer in the pension or OPEB plan or the beneficiaries of those individuals. Inactive employees include individuals who have accumulated benefits under the terms of a pension or OPEB plan but are not yet receiving benefits and individuals currently receiving benefits.

**Inactive Plan Members.** Employees no longer in active service (or their beneficiaries) who have accumulated benefits under the terms of an OPEB plan.

**Inception of the Lease.** The date of the lease agreement or commitment, if earlier. For purposes of this definition, a commitment should be in writing, signed by the parties in interest to the transaction, and should specifically set forth the principal provisions of the transaction. If negotiated, such a preliminary agreement or commitment does not qualify for purposes of this definition.

**“In-Relation-To” Opinion.** An indication in the independent auditor’s report that the auditor does not render an opinion on the fair presentation on certain types of information contained in the financial report (e.g., combining and individual fund financial statements), but does assert that the information in question is fairly presented “in relation to” the audited financial statements).

**Income.** A term used in proprietary fund type accounting to represent 1) revenues or 2) the excess of revenues over expenses. See Operating Income, Income Before Transfers, and Net Income.

**Income before Transfers.** Proprietary fund operating income plus nonoperating revenues and minus nonoperating expenses.

**Income Distributions.** Interest, dividends, stock splits, and other distributions made by an issuer of securities. Income distributions on underlying securities are payable from the borrower to the lender, and income disruption on collateral securities are payable from the lender to the borrower.

**Incurred but not Reported (IBNR) Claims.** Claims relating to insured events that have occurred but have not yet been reported to the insurer or reinsurer as of the date of the financial statements. IBNR claims include (1) known loss events that are expected to be later presented as claims, (2) unknown loss events that are expected to become claims, and (3) expected future development on claims already reported.

**Independent Auditor.** An auditor(s) who is independent, both in fact and appearance, of the entities he or she audits. Both GAAS and GAGAS set specific criteria that should be met for an auditor to be considered independent.

**Independent District.** A special district that is governed by an independent board of directors elected by the districts’ voters, or landowners within the district, or appointed to a fixed term of office by either the city council, board of trustees, or board of supervisors.

**Indeterminate Appropriation.** An appropriation that is not limited either to any definite period of time or to any definite amount. A distinction should be made between an indeterminate appropriation and a continuing appropriation. First, whereas a continuing appropriation is indefinite only as to time, an indeterminate appropriation is indefinite as to both time and amount. Second, even indeterminate appropriations that are indefinite only as to time are to be distinguished from continuing appropriations in that such indeterminate appropriations may eventually lapse (e.g., an appropriation to construct a building may be made to continue in effect until the building is constructed; once the building is completed, the unexpended balance of the appropriation lapses). On the other hand, a continuing appropriation may continue forever and can be abolished only by specific action of the legislative body.

**Indirect Expenses.** Expenses that are not program-specific and are usually allocated based on a systematic and rational formula. See Overhead.

**Indirect Project Costs.** Costs incurred after the acquisition of the property, such as construction administration (for example, the costs associated with a field office at a project site and the administrative personnel that staff the office), legal fees, and various office costs, that clearly relate to projects under development or construction. Examples of office costs that may be considered indirect project costs are cost accounting, design, and other departments providing services that are clearly related to real estate project.

**Individual Investment (Accounts).** An investment service provided by a governmental entity for other, legally separate entities that are not part of the same reporting entity. With individual investment accounts, specific investments are acquired for individual entities and the income from and changes in the value of those investments affect only the entity for which they were acquired.

**Industrial Development Bonds.** Bonds issued by governments, the proceeds of which are used to construct facilities for a private business enterprise.

**Inflows of Resources.** An acquisition of net position by the government that is applicable to the reporting period (revenues).

**Information Systems.** See [Data Processing](#).

**Infrastructure (or Infrastructure Assets).** 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 infrastructures assets include roads, bridges, tunnels, drainage system, water and sewer systems, dams, and lighting systems. Buildings, except those that are not ancillary part of a network or infrastructure assets, should not be considered infrastructure assets.

**Initial Direct Costs.** In the context of lease accounting, only those costs incurred by the lessor that are 1) costs to originate a lease incurred in transactions with independent third parties that (a) result directly from and are essential to acquire that lease and (b) would not have been incurred had that leasing transaction not occurred and 2) certain costs directly related to specified activities performed by the lessor for that lease. Those activities are evaluating the prospective lessee's financial condition, evaluating and recording guarantees, negotiating lease terms, preparing and processing lease documents, and closing the transaction. The costs directly related to those activities should include only that portion of the employees' total compensation and payroll-related fringe benefits directly related to time spent performing those activities for that lease and other costs related to those activities that would not have been incurred but for that lease. Initial direct costs should not include costs related to activities performed by lessees, servicing existing leases, and other ancillary activities related to establishing and monitoring credit policies, supervision, and administration. Initial direct costs should not include administrative costs, rent, depreciation, any other occupancy and equipment costs and employee's compensation and fringe benefits related to activities described in the previous sentence, unsuccessful origination efforts, and idle time.

**Inputs.** The assumptions that market participants would use when pricing an asset or liability, including assumptions about risk, such as the following: (1) the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model), and (2) the risk inherent in the inputs to the valuation technique.

**In-Substance Assignment.** An in-substance assignment occurs when all of the following criteria are met: (1) the original swap counterparty, or the swap counterparty's credit support provider, is replaced; (2) the original swap agreement is ended, and the replacement swap agreement is entered into on the same date, (3) the terms that affect changes in fair values and cash flows in the original and replacement swap agreement are identical. These terms include, but are not limited to, notional amounts; terms to maturity; variable payment terms; reference rates; time intervals; fixed-rate payments; frequencies of rate resets; payment dates; and options, such as floors and caps, and (4) any difference between the original swap agreement's exit price and the replacement swap's entry price is attributable to the original swap agreement's exit price being based on a computation specifically permitted under the original swap agreement. Exit price represents the payment made or received as a result of terminating the original swap. Entry price represents the payment made or received as a result of entering into a replacement swap.

**In-Substance Defeasance.** When debt is considered defeased for accounting and financial reporting purposes, even though a legal defeasance has not occurred.

**In-Substance Defeasance of Debt.** An advance refunding in which the government is not legally released from being the primary obligor on the refunded debt, but the possibility of the government having to make additional payments is considered remote under criteria provided by GAAP. See Advance Refunding.

**Insurance.** The transfer of risk of loss from one 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.

**Insured Defined Benefit Pension Plan.** A pension financing arrangement whereby an employer accumulates funds with an insurance company, while employees are in active service, in return for which the insurance company unconditionally undertakes a legal obligation to pay the pension benefits of those employees or their beneficiaries, as defined in the employer's plan.

**Intangible Assets.** An asset that possesses all of the following characteristics. 1) Lack of physical substance. An asset may be contained in or on an item with physical substance, for example, a compact disc in the case of computer software. An asset also may be closely associated with another item that has physical substance, for example, the underlying land in the case of a right-of-way easement. These modes of containment and associated items should not be considered when determining whether or not an asset lacks physical substance. 2) Nonfinancial in nature. In the context of this manual, an asset with a nonfinancial nature is one that is not in a monetary form similar to cash and investments securities, and it represent neither a claim or right to assets in a monetary form similar to receivables, nor a prepayment for goods or services. 3) An initial useful life extending beyond a single reporting period. See Capital Assets.

**Interest in Property.** Includes any legal or equitable interest in property.

**Interest Method.** In the context of bonds, a method of periodic amortization of issuance costs and premium or discount over the term of the related debt. The objective of the interest method is to arrive at a periodic interest cost (including amortization) that will represent a level effective rate on the sum of the face amount of the debt and (plus or minus) the unamortized premium or discount and issuance costs at the beginning of each period. The difference between the periodic interest cost so calculated and the nominal interest on the outstanding amount of the debt is the amount of periodic amortization.

**Interest Rate Risk.** The risk that changes in interest rates will adversely affect the fair values of a government's financial instruments or a government's cash flows.

**Interest Rate Swap.** A swap that has a variable payment based on the price of an underlying interest rate or index.

**Interest Receivable on Investments.** An asset account reflecting the amount of interest receivable on investments.

**Interfund Activity.** Activity between funds of the primary government, including blended component units. Interfund activities are divided into two broad categories, reciprocal and nonreciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Nonreciprocal interfund activity comprises interfund transfers and interfund reimbursements.

**Interfund Loans.** Loans made by one fund to another, where both funds are included in the primary government's reporting unit. See Interfund Activity and Internal Balances.

**Interfund Receivable/Payable.** Short-term loans made by one fund to another, or the current position of an advance to or from another fund, where both funds are included in the primary government's reporting unit. See Interfund Activity.

**Interfund Reimbursements.** Repayments made by one fund to another, where both funds are included in the primary government's reporting unit. See Interfund Activity.

**Interfund Services Provided and Used.** Sales and purchases of goods and services by one fund to/from another at a price approximating their external exchange value, where both funds are included in the primary government's reporting unit. See Interfund Activity.

**Interfund Transaction.** Transactions between funds of the same government reporting entity. See Interfund Activity and Internal Activities.

**Interfund Transfers.** Transfer of assets (cash, goods) between funds of the primary government reporting entity. See Interfund activity.

**Intergovernmental Payable.** A liability account reflecting amounts owed by the reporting government to another government.

**Intergovernmental Receivable.** An asset account reflecting amounts due to the reporting government from another government. These amounts may represent grants-in-aid, shared taxes, taxes collected by another unit, loans, and charges for services rendered by the government for another government.

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

**Interim Borrowing.** 1) Short-term loans to be repaid from general revenues during the course of a fiscal year. 2) Short-term loans in anticipation of tax collections, grants, or bond issuance. See Bond Anticipation Notes, Grant Anticipation Notes and Tax Anticipation Notes.

**Interim Financial Statements.** Financial statements prepared as of a date or for a period during the fiscal year and including only financial transactions during the current year to date.

**Internal Activities (Interfund Transactions).** Transfers between funds or activities of a government during a period.

**Internal Auditing.** An independent appraisal of the diverse operations and controls within a government entity to determine whether acceptable policies and procedures are followed, established standards are met, resources are used efficiently and economically, and the organization's objectives are being achieved. The term covers all forms of appraisal of activities undertaken by auditors working for and within an organization.

**Internal Balances (Interfund Loans).** Receivables or payables between funds or activities of a government that exist at the reporting date.

**Internal Control Structure.** Policies and procedures established to provide reasonable assurance that specific government objectives will be achieved.

**Internal Financial Reporting.** Financial reporting specifically designed to meet the needs of management.

**Internal Investment Pools.** An arrangement that commingles (pools) the money of more than one fund or component unit of a reporting entity. Investment pools that include participation by legally separate entities that are not part of the same reporting entity as the pool sponsor are not internal investment pools, but rather are external investment pools.

**Internal Service Fund (ISF).** Used to report any activity that provides goods or services to other funds, departments, or agencies of the primary governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. Otherwise, the activity should be reported as an enterprise fund.

**Internally Generated Intangible Asset.** An intangible asset that is created or produced by the government or an entity contracted by the government, or if it is acquired from a third party but requires more than minimal incremental effort on the part of the government to begin to achieve its expected level of service capacity. Computer software is a common type of internally generated intangible asset.

**Interperiod Equity.** The measure of the extent to which current-year revenues are sufficient to pay for the services provided by the government entity during the year, and whether current-year citizens are receiving services by shifting part of the payment burden to future years' citizens or by using up previously accumulated resources.

**Intra-Entity Activity.** Resource flows between a primary government and blended component units during a period. Should be reclassified as internal activities and treated as interfund activity.

**Intrafund Transfer.** A transfer of central staff costs to the operating units in the same governmental type fund.

**Introductory Section.** The first of three essential components of any COMPREHENSIVE ANNUAL FINANCIAL REPORT. The introductory section typically provides general information on a government's structure and personnel, as well as information useful in assessing the government's economic condition. The contents of the introductory section normally fall outside the scope of the independent audit of the financial statements. The key element of the introductory section is the letter of transmittal. It includes items such as table of contents, letter of transmittal, and other material deemed appropriate by management.

**Inventory.** The aggregate of those items of tangible personal property that 1) are held for sale in the ordinary course of operations, 2) are in process of production for such sale, or 3) are to be currently consumed in the production of goods or services to be available for sale. Operating materials and supplies (for example, property held for installation or use in the provision of services) or certain business-type activities usually are treated as inventory.

**Investee.** An entity that issued an equity instrument of which all or a portion is held by an investor.

**Investing Activities.** Making and collecting loans and acquiring and disposing of debt or equity instruments.

**Investment.** A security or other asset that 1) a government holds primarily for the purpose of income or profit and 2) has presented service capacity based solely on its ability to generate cash or to be sold to generate cash.

**Investment in Capital Assets Net of Related Debt.** One of three components of net assets that are required by GAAP to be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

**Investment Section.** One of four sections of a COMPREHENSIVE ANNUAL FINANCIAL REPORT for an investment pool and one of five sections of a COMPREHENSIVE ANNUAL FINANCIAL REPORT of a public employee retirement system.

**Investment Trust Fund.** Used to report the external portion of investment pools reported by the sponsoring government.

**Invitation to Comment (ITC).** A due-process document that may be released by GASB to solicit the views of interested parties on a topic under study by the board prior to the release of an exposure draft.

**Issuer.** An issuer is the entity that has the authority to distribute a security or other investment. A bond issuer is the entity that is legally obligated to make principal and interest payments to bond holders. In the case of mutual funds, external investment pools, and other pooled investments, issuer refers to the entity invested in, not the investment company manager or pool sponsor.

J

**Job Account.** An account pertaining either to an operation that occurs regularly (a "standing order") or to a specific piece of work ("job order") showing all charges for material and labor used and other costs incurred, together with any allowances or other credits.

**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 1) an ongoing financial interest or 2) an ongoing financial responsibility.

**Jointly Governed Organization.** 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. See General Journal, Special Journal, and Register.

**Journal Voucher.** A standard form 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.

**Judgment Bonds.** Bonds issued to finance judgments.

**Judgments Payable.** A liability account reflecting amounts owed as the result of court decisions, including condemnation awards for private property taken for public use.

**Jurisdiction.** A particular geographic area containing a defined legal authority. Examples include counties, cities, special districts, school districts, community college districts, or county superintendents of schools.

**Jurisdictional Change.** Any changes to the boundaries of a jurisdiction, including formations, consolidations, and dissolutions.

## K

*NONE*

## L

**Landfill Closure and Postclosure 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, the automatic termination of an appropriation. Except for indeterminate appropriations and 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. Also referred to as the *lapse period*.

**Lease Purchase Agreements.** Contractual agreements that are termed “leases,” but which in substance amount to purchase contracts. See Capital Lease.

**Lease Rental Bond.** A bond usually issued by a nonprofit authority and secured by lease payments to be made by the government leasing the project financed by bond proceeds.

**Lease Term.** The fixed noncancelable term of the lease.

**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.

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

**Legal Debt Limit.** See Debt Limit.

**Legal Debt Margin.** The excess of the amount of debt legally authorized over the amount of debt outstanding. See Debt Limit.

**Legal Defeasance (of Bonds).** When debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid.

**Legal Enforceability.** When a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation.

**Legal Investments.** 1) Investments those savings banks, insurance companies, trustees and other fiduciaries (individual or corporate) are permitted to make by the laws of the state in which they are domiciled, or under the jurisdiction in which they operate or serve. The investments which meet the conditions imposed by law constitute the legal investment list. 2) Investments that governments are permitted to make by law.

**Legal Level of Budgetary Control.** The level at which spending in excess of budgeted amounts would be a violation of law.

**Legal Opinion.** 1) An opinion of an authorized official such as an attorney or county counsel regarding the legal issues applicable to a particular situation. 2) In the case of government bonds, the opinion of a specialized bond attorney as to the legality of a bond issue.

**Lender.** A governmental entity that transfers its securities to a broker-dealer or other entity in a securities-lending transaction.

**Lent Securities.** The securities lent by the lender to the borrower in a securities lending transaction. Also referred to as underlying securities.

**Lessee's Incremental Borrowing Rate.** The rate that, at the inception of the lease, the lessee would have incurred to borrow over a similar term the resources necessary to purchase the leased asset.

**Letter of Credit.** A financial institution's written guarantee of a customer's drafts, up to a specified amount, for a certain period of time.

**Level (1-4) Guidance.** In the context of the hierarchy of GAAP for state and local governments, a reference to the relative authority of a given source of GAAP guidance.

**Level of Budgetary Control.** One of the three possible levels of budgetary control and authority to which organizations, programs, activities and functions may be subject. These levels of budgetary control are (1) appropriated budget, (2) legally authorized nonappropriated budget review and approval process, which is outside the appropriated budget process, and (3) nonbudgeted financial activities, which are not subject to the appropriated budget and the appropriation process or to any legally authorized nonappropriated budget review and approval process, but still are relevant for sound financial management and oversight. See Legal Level of Budgetary Control.

**Level of Effort Requirements.** A requirement that a grant recipient does not use grant resources to reduce its own participation in a given program or activity.

**Leverage.** Using debt to control more assets. Generally, the asset obtained outweighs the cost of the borrowed money.

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

**Liabilities.** Present obligations to sacrifice resources that the government has little to no discretion to avoid.

**Lien.** An enforceable legal claim by a government. The date of the lien may be known as a *lien date* or an *assessment date*.

**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.

**Liquidity.** The ability to convert assets to cash quickly without significant losses.

**Loan Premium or Fee.** Payments from the borrower to the lender as compensation for the use of the underlying securities when the borrower provides securities or letters of credit as collateral.

**Loans Receivable.** An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other governments should be recorded and reported separately.

**Local Agency.** Any city, county, special district, or local government authority.

**Local Agency Formation Commission (LAFCo).** LAFCO's are formed under the California law (refer to Gov. Code §56300 et seq.) and typically oversee boundary changes of counties, cities and special districts, and formation of new agencies, which includes incorporation, consolidation, or reorganization of local government entities.

**Local Improvement Tax.** See Special Assessment.

**Local Roll.** Property on the secured and unsecured roll that is the county assessor's duty to assess.

**Long-Term Budget.** A budget prepared for a period longer than a fiscal year or, in some state governments, a budget prepared for a period longer than a biennium. Long-term budgets concerned with capital outlay plans and capital improvement programs are referred to as *capital budgets*.

**Long-Term Debt.** See General Long-Term Debt.

**Long-Term Obligations.** Obligations scheduled to mature beyond one year from the date of a government's financial statements.

**Lump-Sum Appropriation.** An appropriation made for a stated purpose, or for a named department, without specifying further the amounts that may be spent for specific activities or for particular objects of expenditure (e.g., a lump-sum appropriation for the police department would not specify the amounts to be spent on uniform patrol, traffic control, etc., or for salaries and wages, materials and supplies, travel).

## M

**Machinery and Equipment.** Property that does not lose its identity when removed from its location and is not changed materially or consumed immediately—within one year—by use.

**Maintenance.** 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.

**Major Fund.** The general fund or its equivalent and any other fund where: 1) total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds, and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined. In addition, to funds that meet the major fund criteria, any other governmental or enterprise criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

**Major Program.** A term used in the context of single audits. As part of the single audit, the independent auditor must gain an understanding of internal controls over compliance for each major federal award program and then test those controls. In addition, the independent auditor must render an opinion on whether the government complied with laws, regulations, and provisions of contracts or grant agreements that could have a direct and material effect on each major federal award program.

**Management.** Persons who are responsible for achieving the objectives of the government and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management normally includes the chief executive officer (for example, city manager), directors or secretaries in charge of principal government departments or functions (such as service provision administration or finance), and other persons who perform similar policymaking functions. Persons without formal titles also may be members of management.

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**Management Letter.** A term used in connection with the independent audit of the financial statements. A formal communication by the auditor to management that focuses on internal control weaknesses discovered in the course of the audit of the financial statements. The management letter should be distinguished from the management representation letter, which is a communication by management to the independent auditor in which management takes formal responsibility for the fair presentation of the financial statements and makes certain specific representations regarding their contents.

**Management's Discussion and Analysis (MD&A).** Management's discussion and analysis is an introduction to the financial statements that provide readers with a brief, objective, and easily readable analysis of the government's financial performance for the year and its financial position at year-end.

**Management's Discussion and Analysis (MD&A).** A component of required supplementary information, an introduction to the basic financial statements providing an analytical overview of the government's financial activities. The MD&A should provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. MD&A should discuss the current-year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information. MD&A should focus on the primary government. Comments in MD&A should distinguish between information pertaining to the primary government and that of its component units. Determining whether to discuss matters related to a component unit is a matter of the individual component unit's significance to the total of all discretely presented component units and that component unit's relationship with the primary government. When appropriate, the reporting entity's MD&A should refer readers to the component unit's separately issued financial statements.

**Margin.** The excess of the market value including accrued interest of the securities underlying a repurchase/reverse repurchase or a fixed coupon repurchase/reverse repurchase agreement over the agreement amount including accrued interest. It is common practice for a margin to be built into an agreement to protect against declines in the market value of the underlying securities.

**Market Approach.** A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or groups of assets and liabilities.

**Market Risk.** The risk that changes in market prices will reduce the fair value of an asset, increase the fair value of a liability, or adversely affected the cash flows of an expected transaction. Market risk comprises of the following: (1) Interest Rate Risk, (2) Currency Risk, and (3) Other Price Risks.

**Market Value.** See Full Cash Value.

**Master Agreement.** A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**Matched Position.** A condition existing when reverse repurchase agreement proceeds are invested in securities that mature at or almost at the same time as the reverse repurchase agreement and the proceeds from those securities will be used to liquidate the agreement.

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

**Material Weakness.** A deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

**Materiality.** In the context of financial reporting, an error of omission or misstatement of significant accounting information that could impair the judgement of a reasonable person relying on the information presented in the financial statements.

**Materiality.** The magnitude of an omission or misstatement of accounting information that makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement the objective of accountability in governmental financial reporting adds another perspective to materiality. Specifically, accountability requires materiality to be judged not only in a quantitative manner, but also in a qualitative manner. That is, accountability involves such issues as legal and contractual compliance that may not have a material effect on the entity's reported operating results and financial position but that would influence or change the judgment of a reasonable person about how the government conducted its affairs during the period.

**Matrix Pricing.** A valuation technique used to value securities based on their relationship to benchmark quoted prices.

**Matured Bonds Payable.** A liability account reflecting unpaid principal on bonds that have reached or passed their maturity date.

**Matured Interest Payable.** A liability account reflecting unpaid interest on bonds that have reached or passed their maturity date.

**Measurement Date.** The date on which the fair value of an asset or liability is determined.

**Measurement Focus.** The accounting convention that determines 1) which assets and which liabilities are included on a government's balance sheet, and where they are reported there, 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).

**Measurement Period.** The period between the prior and the current measurement dates.

**Mineral Rights.** Provides the right to enter in or upon the land for the exploration, development, and production of minerals, including oil, gas, and other hydrocarbon.

**Minimum Lease Payments (Lessee).** From the standpoint of the lessee, the payments that the lessee is obligated to make or can be required to make in connection with the leased property. Refer to GASB Statement No. 62 for more information on minimum lease payments.

**Minimum Lease Payments (Lessor).** From the standpoint of the lessor, the payments described in Minimum Lease Payments (Lessee) plus any guarantee of the residual value or of rental payments beyond the lease term by a third party unrelated to either the lessee or the lessor, provided the third party is financially capable of discharging the obligations that may arise from the guarantee.

**Mobile Home.** A stationary, nonmotorized vehicle designed and equipped for human habitation. For property tax purposes, mobile home is defined as containing 320 or more square feet of area, having no more than two dwelling units, and not permanently affixed to land (no foundation).

**Mobile Home Base Year Value.** The full cash value on the date a mobile home is purchased or ownership changes. If the mobile home undergoes any new construction after it is purchased or changes ownership, the base year value of the new construction is its full cash value on the date on which the new construction is completed and, if uncompleted, on the lien date.

**Modified Accrual Basis of Accounting.** The modified accrual basis of accounting adapted to the current financial resources measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, which is when they become both “measurable” and “available to finance expenditures of the current period.”

**Modified Approach.** The election not to depreciate infrastructure assets that are part of a network or subsystem of a network that meet two specific requirements. First, the government manages the eligible infrastructure assets using an asset management system that has certain specified characteristics; second, the government documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government.

**Money Market Investment.** A short-term, liquid debt instrument, including commercial paper, banker’s acceptances, and U.S. Treasury and agency obligations. Asset-backed securities, derivatives, and structured notes are not included in this term.

**Mortgage Bonds.** Bonds secured by a mortgage against specified properties of a government, usually its public utilities or other enterprises. If primarily payable from enterprise revenues, they are also classed as revenue bonds. See Revenue bonds.

**Multi-Function District.** A special district that provides two or more services.

**Multi-Purpose Grants.** A term used in connection with the identification of program revenues. 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.

**Multiple Employer Defined Benefit Pension or OPEB Plan.** A defined benefit pension or OPEB plan that is used to provide pensions or OPEB to the employees of more than one employer.

**Municipal.** Denotes the state and all subordinate units of government. In a more restricted sense, it denotes a city or village, as opposed to other local governments.

**Municipal Bond.** A bond issued by a state or local government.

**Municipal Corporation.** A political and corporate body established pursuant to state statutes to provide government 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 villages are examples of municipal corporations. See Quasi-Municipal Corporation.

**Municipal Finance Officers Association.** See Government Finance Officers Association.

**Municipal Improvement Certificates.** Certificates issued in lieu of bonds for the financing of special improvements. As a rule, these certificates are placed in the contractor's hands for collection from the special assessment payers.

**Municipal Solid-Waste Landfill.** A discrete area of land or an excavation that receives household waste, and that is not a land application unit, surface impoundment, injection well, or waste pile, as those terms are defined in regulations of the Environmental Protection Agency. It may also receive other types of Resource Conservation and Recovery Act Subtitle D wastes such as commercial solid waste, nonhazardous sludge, and industrial solid waste. The term municipal indicates the primary type of solid waste received by the landfill, not its ownership.

## N

**National Advisory Council on State and Local Budgeting (NACSLB).** A working group created by eight public-sector organizations to establish a comprehensive framework for public-sector budgeting that could be used by state and local governments as an ideal against which to measure and improve the quality of their own budget practices. The Government Finance Officers Association (GFOA) has formally recommended NACSLB guidelines to its members.

**National Committee on Governmental Accounting (NCGA).** A committee of the Municipal Finance Officers Association that served as the authoritative accounting and financial reporting standard-setting body for local governments from 1946 until the establishment of the National Council on Governmental Accounting (NCGA) in the 1970s.

**National Committee on Municipal Accounting (NCMA).** A committee of the Municipal Finance Officers Association that served as the authoritative accounting and financial reporting standard-setting body for local governments prior to 1946. NCMA was one of the predecessors of GASB.

**National Council on Governmental Accounting (NCGA).** An organization established through the sponsorship of the Government Finance Officers Association to develop, promulgate, and interpret principals of accounting, financial reporting, and related financial management activities for the state and local governments in the United States and Canada. Immediate predecessor of the GASB.

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

**Net.** The net amount is the final amount that remains after all the other amounts have been subtracted from gross. See Gross.

**Net Bonded Debt.** Gross bonded debt less any cash or other assets available and earmarked for its retirement and less all self-supporting debt (e.g., revenue bonds). Also referred to as net general obligation debt.

**Net Book Value.** See Book Value.

**Net Carrying Amount.** In an extinguishment of debt, the amount due at maturity, adjusted for unamortized premium, discount, and cost of issuance.

**Net Cost.** A term used in the context of the government-wide statement of activities. The difference between functional expenses and program revenues.

**Net Income.** The proprietary fund excess of operating revenues, nonoperating revenues, and transfers-in over operating expenses, nonoperating expenses, and transfers out.

**Net Interest Cost.** A method used to calculate a bond issuer's interest cost. The net interest cost (NIC) does not take into account the time value of money. The NIC is equal to the total interest payments plus discount (or minus premium) divided by the number of bond years.

**Net Investment in Capital Assets.** Capital assets, net of accumulated depreciations, 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 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 OPEB Liability.** The liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is administered through an irrevocable trust.

**Net Pension Liability.** The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan.

**Net Pension/OPEB Obligation.** A term used in connection with defined benefit pension plans. The cumulative difference between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding 1) short-term differences and 2) unpaid contributions that have been converted to pension-related debt.

**Net Position.** The residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Fiduciary activities net to fiduciary net position. Net position is displayed in three components: net investment in capital assets, restricted (distinguishing between major categories or restrictions), and unrestricted.

**Net Profit.** See Net Income.

**Net Revenues.** See Net Income and Net Revenues Available for Debt Service.

**Net Revenues Available for Debt Service.** Proprietary fund gross operating revenues less operating and maintenance expenses (which normally does not include depreciation expense or interest expense on bonds). Net revenues available for debt service as thus defined is used to compute “coverage” on revenue bond issues. Under the laws of some states and the provisions of some revenue bond indentures, to compute revenue bond coverage, net revenues available for debt service should be computed on a cash basis rather than in conformity with GAAP. See Coverage Ratio.

**New Construction.** Any addition to real property, whether land or improvements (including fixtures) since the last lien date; and any alteration of land or of any improvement (including fixtures), since the last lien date that constitutes a major rehabilitation thereof or that converts the property to a different use.

**No-Commitment Special Assessment Debt.** Special assessment debt that is secured solely by liens on assessed properties and resources provided from bond proceeds and were not backed by either the full faith and credit of the government or by any other type of general government commitment.

**Nominal Account.** Those accounts whose balances are transferred to equity or net asset accounts at the close of each fiscal year. Examples are revenue and expense accounts.

**Nominal Interest Rate.** The contractual interest rate shown on the face and in the body of a bond and used to compute the amount of interest to be paid, in contrast to the effective interest rate. See Coupon rate.

**Noncapital Financing Activities.** The borrowing of 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 capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments.

**Nonemployer Contributing Entities.** Entities (nonemployer) legally required make contributions to a pension or OPEB plan that is used to provide pensions or OPEB to the employees of other entities. Employees are not considered nonemployer-contributing entities. For arrangements in which pensions are provided through a pension plan that is not administered through a trust, entities that make defined benefit payments directly as pensions come due for employees of other entities, including using the entity’s assets held by others for the purpose of providing benefits. Employees are not considered nonemployer-contributing entities.

**Nonenterprise District.** A special district that generally does not charge users for services provided, but rather relies on property tax revenues.

**Nonexchange Financial Guarantee.** A nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions.

**Nonexchange Transaction.** When a government gives (or receives) value without directly receiving (or giving) equal value in return. Four classes of nonexchange transactions are used: 1) Derived Tax Revenues, 2) Imposed Nonexchange Revenues, 3) Government-Mandated Nonexchange Transactions, and 4) Voluntary Nonexchange Transactions.

**Nonfinancial Assets.** A term used in connection with the current financial resources measurement focus and the modified accrual basis of accounting. 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 nonfinancial asset (purchases method).

**Nonoperating Expenses.** Proprietary fund expenses that are not directly related to the fund's primary activities (e.g., interest).

**Nonoperating Nonunitary.** Properties that do not operate as a unit and are not part of the primary function of the assessee.

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

**Nonoperating Revenues.** Proprietary fund revenues incidental to or byproducts of the fund's primary activities.

**Nonparticipating Interest-Earning Investment Contracts.** Investment contracts whose value is not affected by market (interest rate) changes (e.g., nonnegotiable certificates of deposit with redemption terms that do not consider market rates). This definition excludes investment contracts that are negotiable or transferable, or whose redemption value considers market rates.

**Nonreciprocal Interfund Activity.** The internal counterpart to nonexchange transactions. This category includes both interfund transfers and interfund reimbursements.

**Nonspendable Fund Balance.** The nonspendable fund balance classification includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.

**Nonspendable Fund Balance.** The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

**Nonspendable Fund Balance—Advance to Other Funds.** An account used to segregate a portion of the fund balance to indicate that noncurrent portions of long-term interfund receivables do not represent expendable available financial resources.

**Nonspendable Fund Balance—Capital Assets Held for Resale.** An account used to segregate a portion of the fund balance to indicate that capital assets held for resale do not represent expendable available financial resources.

**Nonspendable Fund Balance—Inventories.** An account used to segregate a portion of the 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.

**Nonspendable Fund Balance—Noncurrent Loans Receivable.** An account used to segregate a portion of the fund balance to indicate that noncurrent portions of long-term loans receivable do not represent expendable available financial resources.

**Nonspendable Fund Balance—Prepaid Items.** An account used to segregate a portion of the fund balance to indicate that prepaid items do not represent expendable available financial resources, even though they are a component of net current assets.

**Nonunitary.** See Operating Nonunitary.

**Normal Cost (also known as Service Cost).** That portion of the Actuarial Present Value of pension plan benefits and expenses that is allocated to a valuation year by the Actuarial Cost Method.

**Normal Costing.** The historical cost of an asset is estimated by taking the value of acquiring the asset new today and then discounting that amount by an appropriate inflation factor back to the date of acquisition.

**Normally.** A term used in connection with the application of the modified accrual basis of accounting to certain long-term liabilities. Specifically, certain accrued liabilities are recognized as expenditures in governmental funds only when they are “normally” expected to be liquidated with current available financial resources (e.g., compensated absences, claims and judgments, special termination benefits, landfill closure and postclosure care costs). For this purpose, the term “normally” should be interpreted from the perspective of the practice of state and local governments.

**Note Payable.** In general, an unconditional written promise signed by the maker to pay a certain sum of 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.** A legal right to receive payment of a certain sum of money on demand or at a fixed or determinable time, based on an unconditional written promise signed by the maker.

**Notes to the Financial Statements.** Presentation of information integral to the financial statements and essential to a user’s understanding of financial position and the inflows and outflows of resources.

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

## O

**Object.** As used in expenditure classification, this term 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). See Activity, Account, Character, Classification, Function, and Object Classification.

**Object Classification.** Expenditure classification according to the types of items purchased or services obtained (e.g., personal services, materials, supplies and equipment).

**Object of Expenditure.** See Object.

**Obligated in Some Manner.** A term used in connection with special assessment debt and the determination of the financial reporting entity. A government is obligated in some manner for debt if 1) it is legally obligated to assume all or part of the debt in the event of default, or 2) the government may take certain actions to assume secondary liability for all or part of the debt and the government takes, or has given indications that it will take, those actions.

**Obligations.** Amounts a government may be legally required to meet out of its resources. Obligations 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.

**Office of Management and Budget (OMB).** An agency of the federal government with regulatory oversight of Single Audits. In fulfillment of this responsibility, the OMB has issued *Circular A-133, Audits of States, Local Government, and Nonprofit Organizations*.

**Official Statement.** A document published by a government planning to issue long-term debt that provides information on the proposed long-term debt issue, the purpose of the issue, and the means of servicing the indebtedness, as well as other information about the issuer that may be helpful in evaluating credit-worthiness.

**OMB.** White House Office of Management and Budget. See Office of Management and Budget (OMB).

**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 nongovernmental entities and payments made by nongovernmental entities on behalf of governmental entities, and may be made for volunteers as well as for paid employees of the employer entity.

**Ongoing Financial Responsibility.** (1) A participating government is obligated in some manner for the debts of a joint venture. (2) The joint venture's existence depends on continued funding by the participating government.

**OPEB Plans.** Arrangements through which OPEB is determined, assets dedicated for OPEB (if any) are accumulated and managed, and benefits are paid as they come due.

**Open Amortization Period.** A term used in connection with defined benefit pension and OPEB plans. An open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, 30 years), the period may increase, decrease, or remain stable.

**Open-End Mutual Funds.** An open-end mutual fund is one that continuously offers its shares for sale to the public, compared with a closed-end company, which may issue only a limited number of shares. Mutual funds generally do not issue share certificates; instead, they send out periodic statements showing deposits, withdrawals, and dividends credited to the investor's account.

**Open Space Land (Williamson Act).** (1) Land within an agricultural preserve and subject to a contract or an agreement, (2) land subject to a scenic restriction, (3) land subject to an open-space easement.

**Open Space Use.** The use or maintenance of land in such a manner as to preserve its natural characteristics, beauty, or openness for the benefit and enjoyment of the public, to provide essential habitat for wildlife, or for the solar evaporation of sea water in the course of salt production for commercial purposes, if such land is within a scenic highway corridor; a wildlife habitat area; a salt pond; a managed wetland area; or a submerged area.

**Operating Activities (Cash Flows).** Cash flows resulting from providing services and producing and delivering goods, including all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. Cash flows from operating activities generally are the cash effects of transactions and other events that enter into the determination of operating income.

**Operating Budget.** Plans for current expenditures and the proposed means of financing them. The operating budget (for 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 operating budgets is usually required by law. Even where not required by law, however, operating budgets are essential to sound financial management and should be adopted by every government. See Budget.

**Operating Expenses.** Expenses related directly to a fund's primary activities.

**Operating Grants.** Grants that are restricted by the grantor to operating purposes or that may be used for either capital or operating purposes, at the discretion of the grantee. See Capital Grants.

**Operating Income.** The excess of a fund's operating revenues over operating expenses.

**Operating Lease.** A lease agreement that does not meet the criteria for capitalization (capital lease) set forth in GAAP pronouncements.

**Operating Nonunitary.** A group of properties that operate as a unit but is not part of the primary function of the assessee.

**Operating Revenues.** Revenues of a fund directly related to the fund's primary activities. Operating revenues consist primarily of user charges for goods and services.

**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.

**Optional Bond.** See Callable Bond.

**Order.** A formal legislative enactment by the governing board of certain local governments that has the full force and effect of law (e.g., county governing bodies in some states pass orders rather than laws, resolutions or ordinances).

**Operation.** An operation is an integrated set of activities conducted and managed for the purpose of providing identifiable services with associated assets or liabilities. For example, an operation may include the assets and liabilities specifically associated with the activities conducted and managed by the fire department in a general-purpose government. Conversely, fire engines donated to or acquired by a first department would constitute only a portion of that activity and, therefore, would not constitute an operation.

**Ordinance (Order).** A formal legislative enactment by the governing board of a municipality. If it is not in conflict with any higher form of law, such as a state statute or constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies. The difference between an ordinance and a resolution is that the latter requires less legal formality and has a lower legal status. Ordinarily, the statutes or charter will specify or imply those legislative actions that must be by ordinance and those that may be by resolution. Revenue raising measures, such as the imposition of taxes, special assessments and service charges, universally require ordinances. See Resolution.

**Original Budget.** The first complete adopted budget of a government. 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 net position of a governmental fund 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 net position of a governmental fund 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 Postemployment Benefits (OPEB).** Benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as the postemployment health care benefits paid in the period after employer (if any), regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits or termination payments for sick leave.

**Other Sources of GAAP.** Potential sources of accounting and financial reporting guidance that may be used in the absence of authoritative guidance on one of the four levels of the hierarchy of GAAP for state and local governments. Examples of other sources of GAAP for state and local governments include concept statements of GASB, pronouncements of FASB that are not authoritative for government, professional publications, textbooks, and position papers of professional organizations. GASB concept statements take precedence as another source of GAAP.

**Outflows of Resources (or Outlays).** A consumption of net position by the government that is applicable to the reporting period (expenses or expenditures). Synonymous with expenditures. See Capital Expenditures.

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

**Outcome Measures.** A term used in connection with service efforts and accomplishments reporting. Indicators that measure accomplishments or results that occur (at least partially) because of services provided. Results also include measures of public perceptions of outcomes.

**Output Measures.** A term used in connection with service efforts and accomplishments reporting. Indicators that measure the quantity of services provided. Output measures include both measures of the “quantity of service provided” and measures of the “quantity of a service provided that meets a certain quality requirement.”

**Overdraft.** (1) The amount by which checks, drafts, or other demands for payment on the treasury or on a bank exceed the amount of the credit against which they are drawn. (2) The amount by which requisitions, purchase orders, or audited vouchers exceed the appropriation or other credit to which they are chargeable.

**Overhead.** Those elements of cost necessary in the production of a good or service that 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 (indirect costs/charges/expenses).

**Overlapping Debt.** The outstanding long-term debt instruments, including bonds, notes, certificates of participation, loans, and capital leases, of governments that overlap geographically, at least in part, with the government preparing the statistical section information.

**Overlapping Governments.** All local governments located wholly or in part within the geographic boundaries of the reporting government.

**Oversight (Responsibility).** A basic criterion for including a government department, agency, institution, commission, public authority, or other organization in a government unit’s reporting entity for basic financial reports. Oversight responsibility is derived from the government unit’s power and includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**Oversight Unit.** In defining the reporting entity, the component unit that has the ability to exercise oversight responsibility. Typically, an oversight unit is the primary unit of government directly responsible to the chief executive and the elected legislative body.

## P

**Par Value.** In the case of bonds, the amount of principal that should be paid at maturity. Par value is referred to as the face value of the security.

**Parameters.** In the context of defined benefit pension and OPEB plans, parameters are the set of requirements for calculating actuarially determined OPEB information included in financial reports.

**Participation.** The ability of an investment to capture market (interest rate) changes through the investment's negotiability or transferability, or redemption terms that consider market rates.

**Participating Interest-Earning Investment Contracts.** Interest-earning investment contracts whose value is affected by market changes in interest rate (e.g., contracts that are negotiable or transferable or whose redemption value considers market rates).

**Passenger Facilities Charges (PFCs).** A fixed fee authorized by the Federal Aviation Administration that airports might impose on each departing passenger for use in eligible construction projects or for related debt service. This charge is collected by whoever sells the ticket and then remitted to the airport.

**Pass-Through Grants.** Grants and other financial assistance received by a governmental entity to transfer to or spend on behalf of a secondary recipient.

**Pay-As-You-Go Basis.** A method of financing a pension plan under which the contributions to the plan are generally made at about the same time in approximately the same amount as benefit payments and expenses becoming due.

**Paying Agent.** An entity responsible for paying long-term debt principal and interest on behalf of the government.

**Payment in Lieu of Taxes (PILOT).** 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 (Leases).** Any requirement that is imposed or can be imposed on the lessee by the lease agreement or by factors outside the lease agreement to disburse cash, incur or assume a liability, perform services, surrender or transfer an asset or rights to an asset or otherwise forego an economic benefit, or suffer an economic detriment.

**Pension (and OPEB) Trust Fund.** Used to report resources require to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other employee benefit plans.

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

**Pension Obligation Bonds.** Bonds issued by employers to finance one or more elements of their pension obligation to employees. Pension obligation bonds may be used 1) to reduce or eliminate the employer's net pension obligation, 2) to pay the employer's annual required contribution for the year, or 3) to reduce or eliminate the plan's unfunded actuarial accrued liability.

**Pension Plan.** Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.

**Pension Related Debt.** All long-term liabilities of an employer to a pension plan, the payment of which is not included in the annual required contributions of a sole or agent employer or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer 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.

**Pensions.** Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.

**Performance Auditing.** A systematic process of objectively obtaining and evaluating evidence regarding the performance of an organization, program, function or activity. Evaluation is made in terms of its economy and efficiency of operations and its effectiveness in achieving desired regulations, for the purpose of ascertaining the degree of correspondence between performance and established criteria and communicating the results to interested users. The performance audit function provides an independent, third-party review of management's performance and the degree to which the performance of the audited entity meets pre-stated expectations.

**Performance Budget.** A budget that basis expenditures primarily upon measurable performance of activities and work programs. A performance budget may also incorporate other basis of expenditure classification, such as character and object class, but these are secondary to activity performance.

**Performance Measurement.** A commonly used term for service efforts and accomplishments reporting.

**Permanent Fund.** Funds used to account for and report resources that are 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. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

**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 for each item or group of items to be inventoried. This system provides an ongoing record of goods ordered, received, and withdrawn, and the balance on hand, in units and frequently also in value.

**Personal Property.** Includes all property that is not real property, either tangible or intangible.

**Petty Cash.** A sum of money set aside on an imprest basis 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. Petty cash accounts should be reported as assets of the fund of ownership. See Imprest Account.

**Petty Cash Voucher.** A form used to record individual disbursements of petty cash.

**Pledged Receivables.** Taxes or other types of receivables either used to secure a collateralized borrowing or sold to a third party in exchange for cash.

**Pledged Revenues.** Revenues to be either collected in the future securing a collateralized borrowing or sold to a third party in exchange for cash.

**Plan Net Position (Plan Net Position Held in Trust for OPEB).** The difference between total plan assets and total plan liabilities at the reporting date.

**Police Power.** The authority for a government to regulate behavior to accomplish a public goal.

**Policy.** A formal written contract of insurance between an insurer and an insured describing among other things, the period and amount of risk coverage the insurer agrees to provide the insured.

**Policyholder.** The party to whom an insurance policy is issued and who pays a premium to an insurer for the insurer’s promise to provide insurance protection.

**Policyholder Dividends.** Payments made or credits extended to the insured by the insurer, usually at the end of a policy year, which result in reducing the net insurance cost to the policyholder. These dividends may be paid in cash to the insured or applied by the insured to reduce premiums due from the next policy year.

**Policy Year Basis.** For disclosure purposes, a method that assigns incurred losses and claim adjustment expenses in the year in which the event that triggered coverage under the pool insurance policy or participation contract occurred. For occurrence-based coverage for which all member has a common contract renewal date, the policy year basis is the same as the accident year basis. For claims made coverages, policy year basis is the same as the report year basis.

**Popular Annual Financial Reporting.** Supplementary financial reporting designed to meet the special needs of interested parties who are either unable or unwilling to use the more detailed financial information provided in traditional COMPREHENSIVE ANNUAL FINANCIAL REPORT.

**Popular Annual Financial Reporting Award.** An awards program sponsored by the GFOA with the objective of encouraging and assisting governments to prepare and publish high-quality popular annual financial reports.

**Population.** The population of any entity of government other than a school district shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor agency of the United States Government. The population of any school district shall be such school district’s average daily attendance as determined by a method prescribed by the Legislature.

**Possessory Interests.** Possession of, claim to, or right to the possession of land or improvements, except when coupled with ownership of the land or improvements in the same person. Taxable improvements on tax-exempted land.

**Postemployment.** The period after employment.

**Postemployment Benefit Changes.** Adjustments to the pension of an inactive employee (or plan member).

**Postemployment Healthcare Benefits.** Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.

**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.

**Potential Component Unit.** A separate government unit, agency, or nonprofit corporation that needs to be evaluated to determine if it is to be included with other component units and the oversight unit to constitute the reporting entity.

**Potentially Misleading to Exclude.** A term used in connection with defining the financial reporting entity. The basis for including a legally separate entity within the financial reporting entity even though that separate entity does not meet either of the normal criteria for inclusion as a component unit (i.e., board appointment or fiscal dependency).

**Preliminary Project Stage.** A term used in connection with computer software developed or obtained for internal use. Costs incurred prior to the development stage of computer software (e.g., the conceptual formulation of alternatives, the evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives).

**Preliminary Views (PV).** A due-process document issued by GASB that solicits comments from interested parties on a proposed authoritative pronouncement prior to the issuance of an exposure draft.

**Premium.** 1) The excess of the price of a security over its face value, excluding any amount of accrued interest bought or sold. 2) The consideration paid for an insurance contract.

**Premium (Insurance).** The consideration paid for an insurance contract.

**Premium Deficiency.** The amount by which expected claims costs (including IBNR) and all expected claim adjustment expenses, expected dividends to policyholders or pool participants, unamortized acquisition costs, and incurred policy maintenance costs exceed related unearned premium revenue.

**Prepaid Items.** Payment in advance of the receipt of goods and services in an exchange transaction. Prepaid items differ from deferred outflows in that they are spread over a shorter period of time than deferred outflows and are regularly recurring costs of operations. Examples of prepaid items are prepaid rent, prepaid interest, and unexpired insurance premiums. See Deferred Charges.

**Preparer.** Those who are responsible for producing financial reports that recognize relevant events in the financial statements or that disclose or present messages about such events elsewhere in the financial report.

**Prepayment of Taxes.** The deposits of money with a government on condition that the amount deposited is to be applied against the tax liability of a designated taxpayer after the taxes have been levied and such liability has been established. See Taxes Collected in Advance.

**Present Value.** A valuation technique used to link future amounts (cash flows or values) to a present amount by employing a discount rate (an application of the income approach).

**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.

**Primary Users of General-Purpose External Financial Reports.** Those groups of financial statement users whose needs guide the development of GAAP. For state and local governments, the primary users of general-purpose external financial reports are (1) those to whom government is primarily accountable (the citizenry), (2) those who directly represent the citizens (legislative and oversight bodies), and (3) those who lead or participate in the lending process (investors and creditors).

**Principal.** In the context of bonds other than deep-discount debt, the face value or par value of a bond or issue of bonds payable on stated dates of maturity. See Face Value and Par Value.

**Prior Secured Roll.** See Redemption Roll.

**Prior Unsecured Roll.** Unsecured taxes unpaid as of February 28 of each fiscal year.

**Prior Years' Tax Levies.** Taxes levied for fiscal periods preceding the current one.

**Principal Act.** Generic statute that applies to local government agencies. All principal acts are state laws.

**Private-Purpose Trust Fund.** Used to report escheat property or all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

**Probable.** Classification of a loss contingency where the future event or events are likely to occur.

**Pro Forma.** Latin: "as a matter of form," "an example." Term is used in conjunction with a noun to denote merely a sample form (i.e., pro formal document, statement, certificate, or presentation) the contents of which may be either wholly or partially hypothetical.

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

**Program Budget.** A budget wherein expenditures are based primarily on programs of work and secondarily on character and object classification, on the one hand, and performance on the other. See Performance Budget and Traditional Budget.

**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 term used in connection with cash flows reporting. A loan made and collected as part of a governmental program that provides a “direct” benefit to “individual” constituents.

**Program Revenue.** Revenues derived directly from the program itself or from parties outside the reporting government’s taxpayers or citizenry, as a whole; program revenues reduce the net cost of the function to be financed from the government’s general revenues. The statement of activities should separately report three categories of program revenues: 1) charges for services, 2) program-specific operating grants and contributions, and 3) program specific capital grants and contributions.

**Program Specific Grants and Contributions (Operating and Capital).** Revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

**Project Costs.** Costs clearly associated with the acquisition, development, and construction of a real estate project.

**Projected Benefit Payments.** All benefits estimated to be payable through the pension or OPEB plan to current active and inactive employees as a result of their past service and their expected future service.

**Projected Unit Credit Actuarial Cost Method (PUC).** A method under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all period prior to a valuation year is called the Actuarial Accrued Liability.

**Property.** “Real property” (for e.g., land and real estate) or “Personal Property” (which is everything else and commonly referred to as *personal property*) that is capable of ownership.

**Proprietary Funds.** Funds consisting of enterprise funds (emphasizing major funds) and internal service funds. The funds focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows.

**Provisions.** In governmental fund types, budgeted amounts to provide for increases or decreases in fund balance classifications.

**Public Authority.** See Authority.

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

**Public Employee Retirement System (PERS).** A special-purpose government that administers one or more pension plans. A PERS may administer other types of employee benefit plans, including postemployment health care plans and deferred compensation plans.

**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 authorizing 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. See Consumption Method.

**Pure Cash Conduit.** A term used in connection with pass-through grants. A grantor that merely transmits grantor-supplied money without having administrative or direct financial involvement in the program.

**Purpose Restrictions.** A 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 (as distinguished from eligibility requirements).

**Purpose Restrictions (Eligibility).** The purpose for which resources is required to be used. All other purposes other than those required are un-allowed (or disallowed).

## Q

**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) cash flows 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 the 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. See Adverse Opinion and Disclaimer of Opinion.

**Quasi-Municipal Corporation.** An agency (e.g., a county, special district, or school district) established by the state primarily to help the state to carry out its functions. Some counties and other agencies ordinarily classified as quasi-municipal corporations have been granted the powers of municipal corporations by their states. See Municipal Corporation.

**Questioned Cost.** A determination by an auditor that an expenditure under a grant does not meet all of the grantor's requirements and, therefore, may be subject to disallowance and subsequent refund to the grantor.

## R

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

**Rate of Return (ROR).** The gain or loss on an investment over a specified period, expressed as a percentage increase over the initial investment cost.

**Rating.** In the context of bonds, normally an evaluation of credit-worthiness performed by an independent rating service.

**Real Account.** An account, the balance of which is carried forward into the next fiscal year (a balance sheet account). See Nominal Account.

**Real Estate or Real Property.** (1) The possession of, claim to, ownership of, or right to possession of land; 2) all mines, minerals, and quarries in the land, all standing timber whether or not belonging to the owner of the land, and all rights and privileges appertaining thereto; and/or 3) improvements.

**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.

**Reasonable Assurance.** A term used in connection with financial auditing. The principle that the goal of the independent audit of the financial statements is to ensure that financial statements are free from "material" misstatement. The principle of reasonable assurance rests on the assumption that it is not cost-beneficial to attempt to ensure that financial statements are free of immaterial misstatements.

**Rebatable Arbitrage.** A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

**Recommended Budget.** The recommended budget is prepared from compiled budget requests by the administrative officer or the auditor, as designated by the board and is recommended to the board by the designated county official on or before June 30 each year, as the board directs. The recommended budget document is formally approved by the board of supervisors to serve as the basis for public hearings prior to the determination of the adopted budget. See Adopted Budget and Budget Request.

**Recipient Government.** 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.

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

**Recoverable Expenditure.** An expenditure that is made for or on behalf of another government, fund, or department or for a private individual, firm, or corporation and that will subsequently be recovered in cash or its equivalent.

**Redemption.** The realization of a right to have the title of property restored free and clear of the lien of any taxes, through payment of money.

**Redemption Amount.** The total amount that would be necessary to redeem tax-defaulted property at the time an election is made to pay delinquent taxes.

**Redemption Roll.** All secured taxes defaulted as of June 30 of each fiscal year.

**Refund.** 1) an amount paid back or credit allowed because of an over collection or because of the return of an object sold. 2) verb, to pay back or allow credit for an amount because of an over collection or because of the return of an object sold. 3) To provide for the payment of an obligation through cash or credit secured by a new obligation.

**Refunding.** Issuance of new debt when proceeds are used to repay previously outstanding debt. The proceeds may be used currently (*current refunding*) or placed in escrow until a later date (*advance refunding*).

**Register.** A record for the consecutive entry of a certain class of events, documents, or transactions, with proper notation of all the required details. See Journal.

**Registered Bond.** A bond whose owner is registered with the issuing government. A registered bond cannot be sold or exchanged without a change of registration.

**Registered Security.** A security that has the name of the owner written on its face. A registered security cannot be negotiated except by the endorsement of the owner.

**Registered Warrant.** A warrant which is registered by the paying officer for future payment due to a present lack of monies 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.

**Regular Serial Bonds.** Serial bonds in which all periodic installments of principal repayment are equal.

**Regulated Enterprises.** Enterprises for which (1) 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), (2) the regulated rates are designed to recover the specific enterprise's costs of providing regulated services or products, and (3) it is reasonable to assume that the regulated activity can set and collect charges sufficient to recover its costs. Regulated enterprises have the "option" of adopting certain specialized guidance issued by FASB. In practice, the term "regulated enterprise" normally is applied only to enterprises that elect this option.

**Reimbursable Expenditures.** See Recoverable expenditure.

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

**Reimbursements.** (1) Repayments of amounts remitted on behalf of another party. (2) Interfund transactions that constitute reimbursements of a fund for expenditures or expenses initially made from it 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 the expenditure or expense in the fund that is reimbursed.

**Reinsurance.** A transaction in which a reinsurer (assuming enterprise), for a consideration (premium), assumes all or part of a risk undertaken originally by another insurer (government). However, the legal rights of the insured are not affected by the reinsurance transaction and the insurance enterprise issuing the insurance contract remains liable to the insured for payment of policy benefits.

**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 Parties.** A government's related organizations, joint ventures, and jointly governed organizations, elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if management or operate policies of the other might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operate policies of the transacting parties (for example, through imposition of will) or if it has an ownership interest in one of the transacting parties and extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

**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 Liquidity.** Organization of the assets and liabilities in a statement of net position with the elements 'closest to cash' placed at the top of each category, followed by elements by descending liquidity.

**Relative Order of Liquidity.** An order for presenting assets and liabilities on the statement of net assets, 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.

**Reliability.** The principle that financial information should be verifiable and free from bias, and should faithfully represent what it purports to represent.

**Religious Exemption.** The tax exemption allowed on property used exclusively for religious purposes.

**Replacement Cost.** The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the measurement date.

**Remote.** Classification of a loss contingency where the change of the future event or events occurring is slight.

**Report.** A statement or description and/or process of communicating information.

**Reporting Entity.** The oversight unit and all of its related component units, if any, that are combined in the COMPREHENSIVE ANNUAL FINANCIAL REPORT/BFS.

**Reporting Package.** A term used in connection with single audits. A package that the auditor must communicate to the Federal Audit Clearing House that includes (1) the government's financial statements, (2) the government's supplementary schedule of expenditures of federal awards, (3) the auditor's reports, (4) a summary schedule of prior audit findings, and (5) a corrective action plan. The reporting package must be accompanied by a special data collection form that summarizes the information contained in the reporting package.

**Reproduction Cost.** The cost as of a certain date of reproducing an exactly similar new property in the same place. Sometimes this term is designated as reproduction cost new to distinguish it from depreciated reproduction cost, which is the reproduction cost of a given property less the estimated accumulated depreciation applicable to it. In the absence of any modifier, however, reproduction cost is understood to be synonymous with reproduction cost new. See Replacement cost.

**Reporting Date.** The date of the financial statements. Generally, the *reporting date* is the last day of the fiscal year.

**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.

**Request for Proposal (RFP).** A formalized method used in the procurement of services by soliciting information concerning the qualifications, experience and proposed compensation arrangements of prospective firms. The RFP sets forth the services being sought and requests information from firms interested in procuring the engagement.

**Required Supplementary Information (RSI).** Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity. RSI is required by GAAP.

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

**Resolution.** A special or temporary order of a legislative body; an order requiring less legal formality than an ordinance or statute. See Ordinance.

**Resource.** An element of the means available to a government to carry out its functions and activities. This includes money, property, equipment, manpower and other assets both tangible and intangible.

**Restricted Assets.** Assets whose use is subject to constraints that are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation.

**Restricted Fund Balance.** Fund balance should be classified as restricted when constraints placed on the use of resources are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation.

**Restricted Fund Balance—Debt Service.** An account used to segregate a portion of the fund balance for resources legally restricted to the payment of general long-term debt principal and interest maturing in future years.

**Restricted Net Assets.** A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

**Restricted Net Position.** 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.

**Retained Earnings.** An equity account reflecting the accumulated earnings of a commercial business in the private sector. The term is not used in governmental accounting, where a *net assets* concept is used instead.

**Retention.** A liability account reflecting amounts due on construction contracts not paid pending final inspection of the project or the lapse of a specified period, or both. The unpaid amount is usually a stated percentage of the contract price.

**Retirement Allowances.** Amounts paid to government employees who have retired from active service or to their survivors.

**Retirement Fund.** See Pension (and other employee benefits) Trust Fund.

**Retrospectively (Experience) Rated Policy.** A term used in connection with public entity risk pools. An insurance policy for which the final amount of the premium is determined by adjusting the initial premium based on actual experience during the period of coverage (sometimes subject to maximum and minimum limits). A retrospectively rated policy is designed to encourage safety by the insured and to compensate the insurer if larger-than-expected losses are incurred.

**Revenue and Claims Development Trend Data.** Required supplementary information mandated by GASB for public entity risk pools.

**Revenue Anticipation Note (RAN).** A 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.

**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 Bonds Payable.** A liability account, which reflects the face value of revenue bonds issued and outstanding.

**Revenue District.** Includes every city and district for which the county officers assess property and collect taxes or assessments.

**Revenues.** (1) Increases in the net current assets of a governmental fund type from other than expenditure refunds and transfers. General long-term debt proceeds and transfers in are classified as other financing sources rather than as revenues. (2) Increases in the net total assets of a proprietary fund type, net total assets from other than expense refunds, capital contributions, and transfers. 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.

**Revolving Fund.** An imprest account that is accounted for as an asset of a fund.

**Risk.** Defined variously as uncertainty of loss, change of loss, or the variance of actual from expected results. Also, the subject matter of an insurance contract.

**Risk Management.** The process of managing an organization's activities to minimize the adverse effects of certain types of losses. The main elements of risk management are *risk control* to minimize the losses that strike a local government entity, and *risk financing* to obtain finances to restore the economic damages of those losses.

**Risk-Sharing Pools.** One of four different types of public entity risk pools. An arrangement by which governments pool risks and funds and share in the cost of losses.

**Roll Being Prepared.** 1) Assessor's Roll: the roll being compiled by the assessor for the ensuing fiscal year prior to certification of valuations to the county auditor. 2) Supplemental Roll: the roll for the fiscal year following the fiscal year in which the change in ownership occurs or new construction is completed.

## S

**Salary-Related Payments.** A term used in connection with compensated absences. Payments by an employer that are directly and incrementally associated with payments made for compensated absences on termination. Such salary-related payments include the employer's share of Social Security and Medicare taxes and also might include the employer's contributions to pension plans.

**Salvage Value.** The estimated value that will be realized upon sale of an asset at the end of its useful life.

**Schedule of Employer Contributions.** A term used in connection with defined benefit pension and OPEB plans. Trend data on employers' annual required contribution to a plan and actual contributions.

**Schedule of Funding Progress.** A term used in connection with defined benefit pension and OPEB plans. Trend data on the relationship between the actuarial value of pension plan assets and the related actuarial accrued liability.

**Schedules.** See Supporting Schedules.

**School District or Entity.** Any school district, community college district, or county superintendent of schools.

**Scope of Public Service.** One of the criteria used to determine whether the statements of a potential component unit should be included in the financial statements of a reporting entity. This criterion embraces two aspects: (1) is the activity for the benefit of the reporting entity and/or its residents, and (2) is the activity conducted within the geographic boundaries of the reporting entity and is it generally available to the citizens of that entity?

**Scrap Value.** The value that will be realized upon sale of an asset if sold for its materials.

**Scrip.** An evidence of indebtedness, usually in small denomination, secured or unsecured, interest bearing or noninterest bearing, stating that the government, under conditions set forth, will pay the face value of the certificate or accept it in payment of certain obligations.

**Secured Roll.** State-assessed property and property which, in the opinion of the assessor, has sufficient value to guarantee payment of taxes levied, which if unpaid can be satisfied by the sale of the property by the tax collector.

**Security.** A negotiable or nonnegotiable instrument that signifies an ownership interest, the right to an ownership interest, or creditor status.

**Security.** A transferrable financial instrument that evidences ownership or creditor-ship, whether in physical or book entry form.

**Securities Lending Transactions.** Transactions in which governmental entities transfer their securities to broker-dealers and other entities for collateral, such as 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 another 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.

**Segment Information.** In the context of governmental financial reporting, the presentation of selected information on certain individual enterprise funds. Such disclosures are required by GAAP for primary governments with activities meeting the definition of segments.

**Segregation of Incompatible Duties.** The principle of internal control that no single employee should be placed in a position that allows that employee both to commit and to conceal an irregularity in the ordinary course of the employee's duties.

**Self-Supporting Debt or Self-Liquidating Debt.** Debt obligations whose principal and interest are payable solely from the earnings of the enterprise for whose construction or improvement the bonds were originally issued. See Revenue Bonds.

**Serial Bonds.** Bonds whose principal is repaid in periodic installments over the life of the issue. See Regular Serial Bonds and Straight Serial Bonds.

**Service Assessments.** Special assessment projects for operating activities that do not result in the purchase or construction of capital assets. Often such service assessments are for services that are normally provided to the public as general government functions and that would otherwise be financed by the general fund or a special revenue fund. Those services include street lighting, street cleaning and snow plowing. Financing for these routine services typically comes from general revenues. However, when routine services are extended to property owners outside the normal service area of the government or are provided at a higher level or at more frequent intervals than that provided the general public, special assessments are sometimes levied. Only the affected property owners are charged for the additional services.

**Service Concession Arrangement.** An arrangement between a transferor (a *government*) and an operator (*governmental or nongovernment entity*) in which 1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a *facility*) in exchange for significant consideration, and 2) the operator collects and is compensated by fees from third parties.

**Service Concession Arrangement (SCA).** An arrangement whereby a government transfers the operation of one of its capital assets to a third-party operator in exchange for consideration, with the operator then being compensated from the fees and charges it collects in connection with the operation of that asset, and with the transferor retaining control over the service and a significant residual interest. It is common to describe such arrangements as public-private partnerships, or public-public partnerships (PPPs). SCAs do not include arrangements in which a government contracts with vendors to provide ancillary services using a public asset (e.g., vendor use of a stadium as a venue to sell food or souvenirs). These types of ancillary services that are operated in conjunction with the facility, as opposed to services that relate to the primary function of the facility itself, are excluded from the scope of this term. See Concession.

**Service Cost(s).** The portion(s) of the actuarial present value of projected benefit payments that are attributed to valuation years.

**Service Efforts and Accomplishments Reporting.** A term used by GASB to describe the presentation of performance measures in connection with general purpose external financial reporting.

**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 governments.

**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 variable-rate debt, bond anticipation notes, tax anticipation notes, and revenue anticipation notes.

**Short-Term Obligations.** Obligations that are scheduled to mature within one year after the date of government's financial statements.

**Significant Deficiency.** A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Single Audit Act of 1984.** Federal legislation that provides for state and local government recipients of federal financial awards to have one audit performed to meet the needs of all federal grantor agencies. The Single Audit Act was amended in 1996.

**Single Employer.** An employer whose employees are provided with pensions or OPEB through a single-employer defined benefit pension or OPEB plan.

**Single Employer Defined Benefit Pension/OPEB Plan.** A defined benefit pension or OPEB plan that is used to provide pensions or OPEB to employees of only one employer.

**Single Function District.** A special district that delivers one service such as water, sewage, or fire protection.

**Single-Program Government.** A term used in connection with financial reporting for special purpose governments. A government that budgets, manages, and accounts for its activities as a single program. Single-program governments that use only governmental funds have the option to combine their fund financial statements and their government-wide financial statements into a single, combining presentation.

**Sinking Fund.** See Debt Service Fund.

**Sinking Fund Bonds.** Bonds issued under an agreement which requires the government to set aside periodically out of its revenues a sum that, with compound earnings thereon, will be sufficient to redeem the bonds at their stated date of maturity. Sinking fund bonds are usually term bonds.

**Solvency Test.** A term used in connection with pension plan financial reporting. Comparison of a pension plan's present assets to its aggregate accrued liabilities classified into the following categories: (1) liability for active member contributions on deposit, (2) liability for future benefits to present retired lives, and (3) liability for service already rendered by active members. In preparing this schedule, valuation assets are arbitrarily allocated first to the liability for active member contributions on deposit, second to the liability for future benefits to present retired lives, and third to the liability for service already rendered by active members, regardless of the method used for asset allocation.

**Special Act.** Special district created by the Legislature tailored to the unique needs of a specific area. Special District Acts include districts that are regional in nature, have unusual governing board requirements, provide unique services, or need special financing.

**Special Assessment.** Capital improvements or services provided by local government entities that are intended primarily to benefit a particular property owner or group of property owners rather than the general citizenry. The benefitting owners pay a regular assessment to the local government through a lien-assessed properties to secure the debt which may or may not be also backed by the full faith and credit of the local government entity as additional security.

**Special Assessment Bonds.** Bonds payable from the proceeds of special assessments. If the bonds are payable only from the collections of special assessments, they are known as special assessment bonds. If, in addition to the assessments, the full faith and credit of the government are pledged, they are known as general-obligation special assessment bonds.

**Special Assessment Receivable.** Claims a government has upon properties until special assessments levied against them have been paid. The term normally applies to those delinquent special assessments the government has taken legal action to collect through the filing of claims.

**Special Assessment Liens Receivable.** Claims a government has upon properties until special assessments levied against them have been paid. The term normally applies to those delinquent special assessments the government has taken legal action to collect 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 Assessments Receivable—Current.** Account for uncollected special assessments that a government has levied and are due within one year and are not yet considered delinquent.

**Special Assessments Receivable—Delinquent.** Account for special assessments remaining unpaid on and after the date to which a penalty for nonpayment is attached.

**Special Assessments Receivable—Noncurrent.** Account for uncollected special assessments that a government has levied but that are not due within one year.

**Special Benefit Assessment.** See Special Assessment, Fixed Charge Assessment, and Service Assessment.

**Special District.** A dependent/independent unit of local government organized to perform a single government 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, transit authorities, port authorities, and electric power authorities. Dependent special districts are usually under the governance of either county or city.

**Special Funding Situations.** A term used in connection with pensions. A situation in which a governmental entity is legally responsible for contributions to pension or OPEB plans that cover the employees of another governmental entity or entities. For example, a state government may be legally responsible for the annual “employer” contributions to a pension plan that covers employees of school districts within the state.

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

**Special Journal.** Journals other than the general journal. A journal in which are entered all entries of a particular type (e.g., cash receipts journals, cash disbursement journals, and purchases journals). See Journal and General Journal.

**Special Lien Bonds.** Special assessment bonds that are liens against particular pieces of property.

**Special Revenue Fund.** A governmental fund 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 revenue funds should not be used to account for resources held in trust for individuals, private organizations, or other governments.

**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.

**Stabilization Arrangements.** These represent formal arrangements to maintain amounts for budget or revenue stabilization, working capital needs, contingencies or emergencies, and other similarly titled purposes. The authority to set aside these amounts generally comes from statute, ordinance, resolution, charter, or constitution. Stabilization amounts may be expended only when certain specific circumstances exist and those circumstances should be such that they would not be expected to occur routinely.

Stabilization funds can be classified as either restricted or committed fund balance if they meet the criteria. If the criteria is not met, then stabilization agreements should be reported as unassigned.

**Standard Cost.** The predetermined cost of performing an operation or producing a product when labor, materials, and equipment are used efficiently under reasonable and normal conditions. Normal conditions exist when there is an absence of special or extraordinary factors affecting the quality or quantity of the work performed or the time or method of performing it.

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

**State and Local Government Series (SLGS, slugs).** Direct obligations of the federal government that the U.S. Treasury issues specifically to provide state and local governments with required cash flows at yields that do not exceed Internal Revenue Service arbitrage limits.

**State-Assessed Roll.** Utility properties assessed by the State Board of Equalization that are comprised of both unitary and nonunitary value, which is considered part of the secured roll.

**State Controller.** The elected California State fiscal officer prescribed by the constitution with such additional powers, duties, and functions as the Legislature may confer or impose upon the office.

**Statement of Cash Receipts and Disbursements.** A financial presentation summarizing an entity's cash transactions in an accounting period. This statement is not currently required by GAAP.

**Statement of Activities.** Report of the results of operations of the reporting government presented in a format that reports the net (*expense*) revenue of its individual functions.

**Statement of Cash Flows.** Required statement for proprietary funds, nonexpendable trust funds, and governmental entities that use proprietary fund accounting, directly showing the cash inflows and outflows of a period and reconciling operating cash flows to operating income.

**Statement of Net Position.** Report of all financial and capital resources. Local government entities are encouraged to present the statement in a format that displays assets plus deferred outflows of resources less liabilities plus deferred inflows of resources equal net position, although the traditional balance sheet format (assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources plus net position) may be used.

**Statement of Revenues, Expenditures, and Changes in Fund Balance.** A report of information about the inflows, outflows, and balances of current financial resources of each major governmental fund and for the nonmajor governmental funds in aggregate. A total column should be presented as of the period ended by the reporting date.

**Statement of Revenues, Expenses, and Changes in Net Position.** The operating statement for proprietary funds or fiduciary funds.

**Statistical Section.** The third of three essential components of any COMPREHENSIVE ANNUAL FINANCIAL REPORT. The statistical section provides a broad range of trend data covering key financial indicators from the past 10 fiscal years (e.g., general government revenues and expenditures, property tax collections, debt burden). It also contains demographic and miscellaneous data useful in assessing a government's financial condition. The contents of the statistical section normally fall outside the scope of the independent audit of the financial statements.

**Statistical Tables.** Presentations included in the statistical section of the COMPREHENSIVE ANNUAL FINANCIAL REPORT/CUFR providing detailed data on the physical, economic, social and political characteristics of the reporting government.

**Statute.** A written law enacted by a duly organized and constituted legislative body. See Ordinance, Resolution, and Order.

**Straight Serial Bonds.** Serial bonds in which the annual installments of bond principal are equal or nearly equal.

**Structured Settlement.** A term used in connection with risk financing. A means of satisfying a claim liability, consisting of an initial cash payment to meet specific present financial needs combined with a stream of future payments designed to meet future financial needs, generally funded by annuity contracts.

**Subactivity.** A special line of work performed in carrying out a governmental activity. (e.g., "cleaning luminaries" and "replacing defective street lamps" would be subactivities under the activity of "street light maintenance").

**Subfunction.** A grouping of related activities within a particular governmental function. (e.g., "police" is a subfunction of the function "public safety".)

**Subobject.** A subdivision within an expenditure object classification (e.g., "regular employees" is a possible subobject classification within the "personal services—salaries and wages" expenditure object classification). May be used in a similar context when revenues utilize object classifications.

**Subsequent Event.** Events or transactions that affect the financial statements after the reporting date. Recognized events require adjustments to the financial statements as they existed prior to the reporting date. Non-recognized events may require disclosure.

**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 (or general ledger account). See General Ledger.

**Summary of Significant Accounting Policies (SSAP).** 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, cash flows, 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 the 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.

**Supplemental Roll.** The roll prepared or amended in accordance with the provisions of the Revenue and Taxation Code section 75 et seq., and containing properties that have changed ownership or had new construction completed.

**Supplementary Information (SI).** Supporting information that is useful for placing basic financial statements and notes to basic financial statements in an appropriate operational, economic, or historical context. SI is presented with the basic financial statements, notes to basic financial statements, and RSI in a government's general purpose external financial report.

**Supporting Schedules.** Financial presentations used: 1) to demonstrate compliance with finance-related legal and contractual provisions; 2) to aggregate and present in greater detail information spread throughout the financial statements (e.g., cash balances, investments, current and delinquent taxes); 3) to present in greater detail information reported in the financial statements (e.g., additional revenue sources detail, changes in general capital assets by function); and 4) to present information not disclosed in GAAP basic financial statements (e.g., cash receipts and disbursements, changes in Agency Fund assets and liabilities).

**Surety Bond.** A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through nonperformance or through defalcation (e.g., a surety bond might be required of an independent contractor). Surety bonds also include fidelity bonds covering government officials and employees.

**Susceptible to Accrual.** Revenues of governmental funds that are collected or collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**Suspense Account.** An account that carries charges or credits temporarily, pending the determination of the proper account or accounts to which they are to be posted.

**Swap.** A type of derivative instrument in which there is an agreement to exchange future cash flows. These cash flows may be either fixed or variable and may be either received or paid. Variable cash flows depend on the reference rate.

**System Development Fees.** See Connection Fees.

## T

**Tap Fees.** See Connection Fees.

**Tax Anticipation Note (TAN).** Notes or warrants issued in anticipation of collection of taxes, usually retired only from tax collections, and frequently only from the proceeds of the tax levy whose collection they anticipate.

**Tax Anticipation Warrants.** See Tax Anticipation Notes.

**Tax Certificate.** A certificate issued by a government as evidence of the conditional transfer of title to tax-delinquent property from the original owner to the holder of the certificate. If the owner does not pay the amount of the tax arrearage and other charges required by law during the specified period of redemption, the holder can foreclose to obtain title. Also called tax sale certificate and tax lien certificate in some jurisdictions. See Tax Deed.

**Tax Deed.** A written instrument by which title to property sold for taxes is transferred unconditionally to the purchaser. A tax deed is issued upon foreclosure of the tax lien and is obtained by the purchaser at the tax sale. The tax lien cannot be foreclosed until the expiration of the period during which the owner may redeem the property by paying the delinquent taxes and other charges. See Tax Certificate.

**Tax-Defaulted Property.** See Defaulted Taxes.

**Tax-Exempt Bonds.** State and local government securities whose interest is exempt from taxation by the federal government or within the jurisdiction issued.

**Tax-Increment Financing.** Financing secured by the anticipated incremental increase in tax revenues resulting from the redevelopment of an area.

**Tax Levy Ordinance.** An ordinance through which taxes are levied.

**Tax Liens.** Claims governments have upon properties until the taxes levied against them have been paid. This term is sometimes limited to those delinquent taxes the government has taken legal action to collect through the filing of liens.

**Tax Liens Receivable.** Legal claims against property that have been exercised because of nonpayment of delinquent taxes, interest and penalties. Amounts accumulated in this account include delinquent taxes, interest and penalties receivable thereon, and costs of converting delinquent taxes into tax liens.

**Tax Notes.** See Tax Anticipation Notes.

**Tax Rate.** The amount of tax stated in terms of a unit of the tax base (e.g., 25 mills per dollar of assessed valuation of taxable property).

**Tax Rate Area (TRA).** A geographic area served by a unique combination of jurisdictions.

**Tax-Rate Limit.** The maximum rate at which a government may levy a tax. The limit may apply to taxes raised for a particular purpose or to taxes imposed for all purposes, and may apply to a single government or to a class of governments operating in a particular area. Overall tax-rate limits usually restrict levies for all purposes and of all governments, state and local, having jurisdiction in a given area.

**Tax Roll.** The official list showing the amount of taxes levied against each taxpayer or property. Frequently, the tax roll and the assessment roll are combined, but even in these cases the two can be distinguished.

**Tax Supplement.** A tax levied by a local government having the same base as a similar tax levied by a higher level of government, such as a state. The local tax supplement is frequently administered by the higher level of government along with its own tax (e.g., locally imposed, state-administered sales tax).

**Tax Title Notes.** Obligations secured by pledges of the government's interest in certain tax liens or tax titles.

**Taxable Assessed Value.** The total assessed value minus all exemptions other than the homeowner's exemption.

**Taxable Value.** Means and includes the base year full cash value, adjusted for any given lien date as required by law, or the full cash value for the same date, whichever is less.

**Taxes.** 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).

**Taxes Collected in Advance.** A liability account reflecting taxes collected before they are formally levied.

**Taxes Levied** An asset account reflecting taxes that are levied by the reporting government for other governments that, when collected, are to be paid over to those governments.

**Tax Power.** The authority for a local government entity to raise money to pay for projects and services.

**Taxes Receivable—Current.** Account for the uncollected portion of taxes that a government has levied, that are due within one year, and that are not considered delinquent.

**Taxes Receivable—Delinquent.** Account for taxes remaining unpaid on and after the date on which a penalty for nonpayment attaches. Delinquent taxes receivable is classified as such until paid, abated, canceled, or converted into tax liens.

**Taxing Agency.** Includes the state, county, city, and every district that assesses property for taxation purposes and levies taxes or assessments on the property so assessed.

**Technical Agenda.** A term used in connection with GASB's due process procedure. A list of research projects formally undertaken by GASB as part of its development of authoritative standards of accounting and financial reporting.

**Technical Bulletin.** In context of GASB pronouncements, a document issued by the staff of GASB to provide guidance for applying GASB statements and interpretations and resolving accounting issues not directly addressed by them. The Accounting Standards and Procedures Committee of the County Auditor's Association of California issues similar documents that relate to specific accounting issues and their related treatments that are unique to California counties.

**Teeter Plan.** See Alternate Method of Tax Apportionment.

**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. See Tax Anticipation Notes.

**Ten Percent Criterion.** The first of two tests used to determine whether a given governmental fund or enterprise fund should 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. See Five Percent Criterion.

**Term Bonds.** Bonds that mature, in total, on one date.

**Termination Benefits.** Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination related benefits.

**Termination Payments Method.** A method of calculating the liability for earned sick leave for which it is probable that the benefits will result in termination payments. Under this method, the amount of the liability is estimated based on a governmental entity's past experience of making termination payments for sick leave, adjusted for the effect of changes in its termination policy and other factors.

**Timber Advisory Committee.** A standing committee appointed by the board and composed of one representative of the Board of Equalization, one representative of the Board of Forestry, five assessors from the rate adjustment counties, one member representing small-scale timber owners, and one member representing large-scale timber owners.

**Timberland.** (Timber Yield Tax). Privately owned land, or land acquired for state forest purposes, which is devoted to and used for growing and harvesting timber and compatible uses, and which is capable of growing an average annual volume of wood fiber of at least 15 cubic feet per acre.

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

**Time Requirements.** Specification of 1) the period when resources are required to be used (sold, disbursed, or consumed) or when use may begin (for example, operating or capital grants for a specific period), or 2) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.

**Timing Differences.** In the context of budgetary accounting, 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).

**Total OPEB Liability.** The portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GAAP. The total OPEB liability is the liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is not administered through a trust.

**Total Pension Liability.** The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service.

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

**Traditional Budget.** A term sometimes applied to the budget of a government wherein expenditures are based entirely or primarily on objects of expenditure. See Program Budget and Performance Budget.

**Transaction Costs.** The costs to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability that 1) are directly attributable to the disposal of the asset or the transfer of the liability, and 2) meet both of the following criteria: they result directly from and are essential to that transaction, and they would not have been incurred by the entity had the decision to sell the asset or transfer the liability not been made.

**Transaction Date.** The date on which a transaction is recorded in accounting records in conformity with GAAP. A long-term commitment may have more than one transaction date.

**Transfers.** See Interfund Transfers and Intra-Fund Transfers.

**Transfers of Operations.** A transfer of operations is a government combination involving the operations of a government or nongovernmental entity, rather than a combination of legally separate entities, in which no significant consideration is exchanged. Operations may be transferred to another existing entity or to a new entity.

**Transportation Costs.** The costs that would be incurred to transport an asset from its current location to its principal or most advantageous market.

**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.”

**Trust Funds.** See Fiduciary Fund.

**Trustee.** A fiduciary holding property on behalf of another.

**Type A Program.** A term used in connection with the determination of major programs for purposes of single audits. Type A programs are defined on the basis of the relationship between program expenditures and total federal awards expended.

**Type B Program.** A term used in connection with the determination of major programs for purposes of single audits. A Type B program is any program with insufficient program expenditures to qualify as a Type A program.

## U

**Unallocated Balance of Appropriation.** An appropriation balance available for allotment.

**Unallocated Claim Adjustment Expenses.** A term used in connection with risk financing. Costs that cannot be associated with specific claims but are related to claims paid or in the process of settlement, such as salaries and other internal costs of the pool's claims department.

**Unallocated Depreciation.** A term used in connection with the government-wide statement of activities. Depreciation not properly reported as a direct expense of a functional category.

**Unamortized Discounts on Bonds Sold.** A contra-liability account used to reflect that portion of the face value of bonds exceeding the amount received from their sale (excluding amounts paid for accrued interest) which remains to be amortized over the remaining life of the bonds.

**Unamortized Premiums on Bonds Sold.** A liability account used to reflect that portion of the excess of bond proceeds over exceeding par value and which remains to be amortized over the remaining life of such bonds.

**Unamortized Premiums on Investments.** An asset account used to reflect that portion of the excess of the amount paid for investments (excluding amounts paid for accrued interest) over their face value, which remains to be amortized over the remaining life of such investments.

**Unanticipated Available Financing.** Material sums of available financing not included in the budget, which may legally be made available for the financing requirements of the local government entity.

**Unassigned Fund Balance.** The 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 may be necessary to report a negative unassigned fund balance.

**Unavailable Fund Balance.** That portion of the governmental-type fund balance that is unavailable for financing the budget requirements for the accounting period involved. This is a conventional term, which identifies the nonspendable, restricted, committed and assigned portion of the fund balance, and should not be used in a GAAP financial presentation.

**Unbilled Accounts Receivable.** An account designating the estimated amount of accounts receivable for service that have not yet been billed (e.g., if a utility bills its customers bimonthly but prepares monthly financial statements, the amount of goods sold or services rendered during the first month of the bimonthly period would be reflected in the balance sheet under this account title).

**Uncommitted Balance of Appropriations.** The portion of an appropriation remaining after the deduction of expenditures and encumbrances.

**Underlying Securities.** The securities lent by the lender to the borrower.

**Understandability.** The principle that information in financial reports should be expressed as simply as possible.

**Underwriter.** In the context of bonds, a dealer who purchases a new issue for resale.

**Underwriting.** The process of selecting, classifying, evaluating, rating, and assuming risks.

**Undivided Interest.** An arrangement (also known as a “joint operation”) that resembles a joint venture but no entity or organization is created by the participants. An undivided interest is an ownership arrangement in which two or more parties own property in which title is held individually to the extent of each party’s interest. Implied in that definition is that each participant is also liable for specific, identifiable obligations (if any) of the operation. Because an undivided interest is not a legal entity, borrowing to finance its operations often is done individually by each participant. An additional consequence of the absence of a formal organizational structure is that there is no entity with assets, liabilities, expenditures/expenses, or revenues, or the resulting equity, to allocate to participants.

**Unearned Revenue.** Unearned revenues arise when revenues are received in an exchange transaction prior to their normal time of receipt and should be recorded as liabilities. Revenues that are the result of imposed and other nonexchange transactions have separate recognition rules that apply and are generally recorded as deferred inflows of resources.

**Unencumbered Allotment.** That portion of an allotment not yet expended or encumbered.

**Unencumbered Appropriation.** That portion of an appropriation not yet expended or encumbered.

**Unexpended Allotment.** That portion of an allotment not yet expended.

**Unexpended Appropriation.** That portion of an appropriation not yet expended.

**Unfunded Actuarial Accrued Liability.** The excess of the actuarial accrued liability over the actuarial value of assets. This value may be negative, in which case it may be expressed as a negative unfunded actuarial accrued liability, the excess of the actuarial value of assets over the actuarial accrued liability, or the funding excess.

**Unit Cost.** In the context of cost accounting, the cost of producing a unit of product or rendering a unit of service (e.g., the cost of treating and purifying 1,000 gallons of sewage).

**Unit of Account.** The level at which an asset or a liability is aggregated or disaggregated for recognition or disclosure purposes.

**Unitary Property.** A group of properties that operate as a unit as part of the primary function of the assessee.

**Unqualified Opinion.** An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

**Unliquidated Encumbrances.** Encumbrances outstanding. See Encumbrances.

**Unrealized Gains and Losses.** A term used in connection with the valuation of investments. Cumulative change in the market value of investments prior to their disposition.

**Unrealized Revenues.** A term used in connection with budgeting. The difference between estimated revenues and actual revenues.

**Unrestricted Net Assets.** That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

**Unrestricted Net Position.** 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.

**Unsecured Roll.** The county assessor's certified assessment listing of properties which, in his opinion, do not constitute sufficient "permanence." either through immovability or other intrinsic qualities, to guarantee payment of taxes levied against them.

## V

**Value.** As used in governmental accounting, 1) the act of describing anything in terms of money, or 2) to measure in terms of money. The term should not be used without further qualification. See Book Value and Face Value.

**Valuation Technique.** A specific method or combination of methods used to determine the fair value of an asset or liability.

**Variable Interest Rate.** A rate of interest subject to adjustment (e.g., the rate of interest specified may be a percentage of the prime rate on certain set dates).

**Vessel.** See Documented Vessel.

**Vesting Method.** An estimate of accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees, classes, or groups of employees will become eligible to receive termination payments.

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

**Voucher System.** A system that 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 that have been pre-audited and approved for payment but that have not been paid.

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

**Voting Majority.** When the number of a government's appointees to a component unit's board is sufficient to exhibit control.

**Vulnerability Assessment.** A term used in connection with evaluations of internal controls. The risk-based systematic prioritization of internal control evaluations.

## W

**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 and Deposit Warrant.

**Warrants Payable.** The amount of warrants outstanding and unpaid.

**Wasting Assets.** Mines, timberlands, quarries, oil fields and similar assets that diminish in value by the removal of their contents.

**Welfare Exemption.** A tax exemption on property used exclusively for religious, hospital, scientific, or charitable purposes, owned and operated by community chests, funds, foundations, or corporations organized and operated for religious, hospital, scientific, or charitable purposes.

**Widely Recognized and Prevalent Practice.** A term used in connections with the hierarchy of GAAP for state and local governments. The principal that accounting and financial reporting practice should itself serve as a source of GAAP in the absence of higher-level guidance.

**Williamson Act.** See Open Space Land.

**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.

**Work Order.** A written order authorizing and directing the performance of a certain task and issued to the person who is to direct the work. Among the items of information included on the order are the nature and location of the job, specifications of the work to be performed, and a job number, which is referred to in reporting the amount of labor, materials and equipment used.

**Work Program.** A plan of work proposed to be done during a particular period by the administrative agency in carrying out its assigned activities.

**Work Unit.** A fixed quantity that will consistently measure work effort expended in the performance of an activity or the production of a good.

**Working Capital Fund.** See Internal Service Fund.

## X

NONE

## Y

**Yellow Book.** Term commonly used to describe the General Accounting Office's publication, *Government Auditing Standards*, the source of GAGAS.

**Yield.** See Effective Interest Rate.

**Yield-Maintenance Repurchase/Reverse Repurchase Agreement.** A type of dollar repurchase/reverse repurchase agreement in which the securities returned provide the seller-borrower with a yield specified in the agreement. See Repurchase Agreement and Reverse Repurchase Agreement.

## Z

**Zero-Coupon Debt.** Deep discount debt issued with a stated interest rate of zero percent.