

# FINANCIAL MANAGEMENT FOR GEORGIA LOCAL UNITS OF ADMINISTRATION

Date Issued	Effective Date	Section	Title:
July 1, 1994	July 1, 1994	VII	Appendices
Revision No.	Date Revised	Appendix	Title:
2	December 2019	2	Glossary of Terms

## NATURE AND PURPOSE

The following explanations of terms are presented to aid in understanding the narratives and illustrations included in this manual and the terminology generally used in governmental accounting, auditing, financial reporting and local units of administration (LUA) financial management.

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

**ACCOUNTING PERIOD** See FISCAL PERIOD.

**ACCOUNTING SYSTEM** The methods and records established to identify, assemble, analyze, classify, record and report an LUA's transactions and to maintain accountability for the related assets and liabilities.

**ACCOUNTS PAYABLE** A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by an LUA.

**ACCOUNTS RECEIVABLE** An asset account reflecting amounts due from private persons or organizations for goods and services furnished by an LUA (but not including amounts due from other funds or other LUAs).

**ACCRUAL BASIS** The recording of the financial effects on an LUA of transactions and other events and circumstances that have cash consequences for the LUA in the periods in which those transactions, events, and circumstances occur, rather than only in the periods in which cash is received or paid by the LUA.

**ACCRUED INTEREST PAYABLE** A liability account reflecting interest costs that have been

incurred but are not due until a later date.

**ACCOUNT SALARIES AND WAGES PAYABLE** A liability account reflecting salaries and wages earned by employees but not due until a later date.

**ACCUMULATED DEPRECIATION** A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of fixed assets.

**AD VALOREM TAX** A tax based on value (e.g., property taxes).

**ADVANCE FROM OTHER FUND** A liability account used to record noncurrent portions of amounts owed by one fund to another fund within the same LUA. See DUE TO \_\_\_\_\_ FUNDS.

**ADVANCE REFUNDING BONDS** Bonds issued to refinance an outstanding bond issue before the date the outstanding bonds become due or callable. Proceeds of the advance refunding bonds are deposited in escrow with a fiduciary, invested in U.S. Treasury Bonds or other authorized securities, and used to redeem the underlying bonds at maturity or call date to pay interest on the bonds being refunded or the advance refunding bonds.

**ADVANCE TO OTHER FUNDS** An asset account used to record noncurrent portions of a loan by one fund to another fund within the same LUA. See DUE FROM \_\_\_\_\_ FUNDS.

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

**ALLOT** To divide a budgetary appropriation into amounts that may be encumbered or expended during an allotment period (e.g., an LUA may choose to allot its annual budget to 12 monthly periods). See ALLOTMENT and ALLOTMENT PERIOD.

**ALLOTMENT** A part of an appropriation which may be encumbered or expended during a given period. See ALLOT and ALLOTMENT PERIOD.

**ALLOTMENT PERIOD** A period of time during which an allotment is effective. See ALLOT and ALLOTMENT.

**ALLOWANCE FOR UNCOLLECTIBLES** A contra-asset account used to indicate the portion of a receivable not expected to be collected.

**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.

**ANNUAL BUDGET** A budget applicable to a single fiscal year. See also BUDGET and OPERATING BUDGET.

**ANNUAL FINANCIAL REPORT** A financial report applicable to a single fiscal year.

**ANNUAL OPERATING BUDGET** See OPERATING BUDGET.

**APPRAISAL** See APPRAISE.

**APPRAISE** To estimate the value of property. If the property is valued for taxation purposes, the narrower term "assess" is substituted. In Georgia, property is appraised at 40% of market value.

**APPROPRIATED BUDGET** The expenditure authority created by the action adopting a budget, and the related estimated revenues. The appropriated budget would include all reserves, transfers, allocations, supplemental appropriations and other legally authorized legislative and executive changes.

**APPROPRIATION** A legal authorization granted by the school board to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and as to the time (i.e., the fiscal year) when it may be expended.

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

**APPROPRIATION BILL, RESOLUTION, or ORDER** A bill, resolution, or order by means of which appropriations are given legal effect.

**ARBITRAGE** Classically, the simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In LUA finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

**ASSESS** To establish an official property value for the purpose of taxation.

**ASSESSED VALUATION** A valuation set upon real estate or other property by a government as a basis for levying taxes. In Georgia, the assessed value should be 40% of the fair market value.

**ASSESSMENT** (1) The process of making the official valuation of property for purposes of taxation. (2) The valuation placed upon property as a result of this process.

**ASSET** Property that has value and can be used to pay debts.

**AUDIT** A methodical examination of utilization of resources. It 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 INTERNAL AUDITING, INDEPENDENT AUDIT, SINGLE AUDIT, and PERFORMANCE AUDITING.

**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 is presented in the audit report in conformity with GAGAS. A typical audit finding is composed of a statement of the condition (i.e., weakness or instance of noncompliance) and the criterion or criteria used to define it, an explanation of the cause of the condition, a discussion of its results and recommendations for improvement. Findings ordinarily are presented together with a response from management, which states management's concurrence or nonconcurrence with each finding and its plan for corrective action.

**AUDIT PROGRAM** A detailed outline of work to be done and procedures to be followed in any given audit by the auditor.

**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 audit, the focus of audit testing as well as the reference point used by auditors when evaluating the results of audit tests or otherwise exercising their professional judgment. The minimum acceptable audit scope for LUAs would result in an opinion on the basic (i.e., general purpose) financial statements, with each fund category considered separately when applying materiality evaluations.

**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.

**AUDITOR'S OPINION** A statement signed by an independent auditor in which he or she states that he or she has examined the financial statements in accordance with generally accepted auditing standards (with exceptions, if any) and in which he or she expresses an opinion on the financial position and results of operations of some or all of the constituent funds of the LUA as appropriate. See UNQUALIFIED OPINION.

**BALANCE SHEET** The financial statement disclosing the assets, liabilities, and equities of an entity at a specified date in conformity with GAAP.

**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 LUA's account as opposed to the LUA'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** Those financial statements, including notes thereto, necessary for the fair presentation of the financial position and results of operations of an entity in conformity with GAAP. The basic financial statements include a Statement of Net Assets, Statement of Activities, Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances, reconciling schedules between fund balance and net assets and change in fund balance and change in net assets, and notes to the financial statements. See GENERAL PURPOSE FINANCIAL STATEMENTS, and GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

**BASIS OF ACCOUNTING** A term used to refer to *when* revenues, expenditures, expenses, and transfers – and the related assets and liabilities – are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

**BASIS POINT** One basis point is equal to 1/100 of 1 percent. If interest rates rise from 7.50% to 7.75%, the difference is referred to as an increase of 25 basis points.

**BETTERMENT** An addition made to, or change made in, a capital asset which is expected to prolong its life or to increase its efficiency over and above that arising from maintenance, and the cost of which therefore is added (i.e., capitalized) to the book value of the asset. The term sometimes is applied to sidewalks, sewers, and highways, but it is preferable to designate these as "improvements."

**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 LUA.

**BOND** Most often, a written promise to pay a specified sum of money (called the face value or principal amount), at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate. Sometimes, however, all or a substantial portion of the interest is included in the face value of the security. See DEEP-DISCOUNT DEBT and ZERO-COUPON DEBT. The difference between a note and a bond is that the latter is issued for a longer period and requires greater legal formality. See GENERAL OBLIGATION BONDS PAYABLE and REVENUE BONDS PAYABLE. See also SURETY BOND.

**BOND ANTICIPATION NOTES (BANs)** Short-term interest-bearing notes issued by an LUA in anticipation of bonds to be issued at a later date. The notes are retired from proceeds of the bond issue to which they are related. See INTERIM BORROWING.

**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 RESOLUTION** A 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.

**BONDS AUTHORIZED AND UNISSUED** Bonds that have been authorized legally but not issued and that can be issued and sold without further authorization.

**BONDS PAYABLE** Generally, the face value of bonds issued and unpaid. In the case of deep-discount and zero-coupon bonds, however, only the accredited value of the security is reported as bonds payable on the balance sheet.

**BOOK VALUE** Value as shown by the books of account. In the case of assets 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, book value is understood to be synonymous with net book value. See CARRYING AMOUNT.

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

**BUDGET DOCUMENT** The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. The budget document usually consists of 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 the information as to 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.

**BUDGET-GAAP DIFFERENCES** Differences between the GAAP reporting model and an LUA's budgetary practices.

**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 LUA's experience during the past period and its financial status at the time of the message, and recommendations regarding the financial policy for the coming period.

**BUDGETARY ACCOUNTS** Accounts used to enter the formally adopted annual operating budget into the general ledger as part of the management control techniques of formal budgetary integration.

**BUDGETARY BASIS DIFFERENCE** See BUDGET-GAAP DIFFERENCES.

**BUDGETARY COMPARISONS** LUA GAAP financial reports should include, as required supplementary information, comparisons of approved budgeted amounts with actual results of operations for the General Fund and each special revenue fund with a legally adopted budget.

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

**BUDGETARY ENTITY DIFFERENCES** See BUDGET-GAAP DIFFERENCES.

**BUDGETARY PERSPECTIVE DIFFERENCES** See BUDGET-GAAP DIFFERENCES.

**BUDGETARY TIMING DIFFERENCES** See BUDGET-GAAP DIFFERENCES.

**BUILDINGS** A capital asset account reflecting the acquisition cost of permanent structures owned or held by an LUA and improvements thereon.

**BUSINESS-TYPE ACTIVITIES** Those activities of an LUA carried out primarily to provide specific services in exchanges for a specific user charge.

**CAFR** See COMPREHENSIVE ANNUAL FINANCIAL REPORT.

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

**CAPITAL ASSETS** Long-lived tangible assets with a life of at least one year and exceeding a predetermined amount obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, equipment, improvements other than buildings and land. In the private sector, these assets are referred to most often as property, plant and equipment.

**CAPITAL BUDGET** A plan of proposed capital outlays and the means of financing them. See CAPITAL PROGRAM.

**CAPITAL EXPENDITURES** Expenditures resulting in the acquisition of, or addition to the LUA's general capital assets.

**CAPITAL GRANTS** Grants which are restricted by the grantor for the acquisition and/or construction of capital assets.

**CAPITAL IMPROVEMENT PROGRAM** See CAPITAL PROGRAM.

**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. It sets forth each project or other contemplated expenditure in which the LUA is to have a part and specifies the resources estimated to be available to finance the projected expenditures.

**CARRYING AMOUNT** The amount at which assets and liabilities are reported in the financial statements. Carrying amount also is known as book value. See BOOK VALUE.

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

**CHARACTER CLASSIFICATION** Expenditure classification according to the periods expenditures are presumed to benefit. The four character groupings are (1) current operating expenditures, presumed to benefit the current fiscal period; (2) debt service, presumed to benefit prior fiscal periods as well as current and future periods; (3) capital outlays, presumed to benefit the current and future fiscal periods and (4) intergovernmental, when one LUA transfers resources to another.

**CHART OF ACCOUNTS** The Chart of Accounts is designed to provide Local Units of Administration (LUAs) with a comprehensive account structure for internal financial requirements, as well as external transmissions to the Georgia Department of Education and other agencies. In addition, the Chart of Accounts provides uniform financial reporting for school districts, charter schools and Regional Education Service Agencies (RESAs) to be used in planning, analyzing, comparing, and reporting the financial activities. LUAs are required to utilize the Chart of Accounts for financial reporting per O.C.G.A. §20-2-320, and State Board Rule 160-5-2-.21.

**COMPENSATED ABSENCES** Absences, such as vacation, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance and long-term disability pay.

**COMPONENT UNITS** Legally separate organizations for which the elected officials of the primary LUA are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary LUA is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**COMPREHENSIVE ANNUAL FINANCIAL REPORTING (CAFR)** The official annual report of an LUA. It includes (a) basic financial statements (b) combining statements by fund category, (c) required supplementary information, (d) statistical schedules, and (e) letter of transmittal.. Every LUA reporting entity should prepare a CAFR.

**CONSOLIDATED APPLICATION (CONAPP)** The Elementary and Secondary Education Act (ESEA) of 1965, as amended by The Every Student Succeeds Act (ESSA) of 2015, requires the Georgia Department of Education (GaDOE) to collect a consolidated local plan or application from each local educational agency (LEA) in the state receiving federal funds. The consolidated local plan contains descriptions, information, assurances, and other materials that are considered by the GaDOE as absolutely necessary to define how the LEA will support its students under the law.

**CONSOLIDATION – ADMINISTRATION FUNDS** The Elementary and Secondary Education Act (ESEA), as amended by the Every Student Succeeds Act of 2015 (ESSA), allows a local educational agency (LEA) flexibility to consolidate funds for administration of one or more ESSA programs, upon approval of the Georgia Department of Education (GaDOE). Consolidating federal administrative funds may provide LEAs with greater flexibility in the administration of federal ESSA programs by allowing them to charge administrative costs to an administrative pool instead of assigning specific costs to specific programs. As long as the cost is an allowable administrative activity under any one of the programs that have been consolidated, it may be charged to the administrative cost pool. An LEA would not have to keep separate records, by individual program, to account for costs related to administering the programs included in the consolidation. The consolidated funds would be treated as a single cost objective and the LEA would not have to maintain personnel activity reports but rather do semi-annual certifications for employees whose job duties and responsibilities are allowable under the consolidated administrative funds requirements.

**CONSOLIDATION – SCHOOLWIDE** Section 1114 of Title I of the ESEA allows a school in which 40 percent or more of its students are from low-income families to use its Title I funds, along with other Federal, State, and local funds, to operate a schoolwide program to upgrade the entire educational program in the school to improve the academic performance of all students, particularly the lowest-achieving students. The purpose of consolidating funds is to help a schoolwide program school effectively design and implement a comprehensive plan to upgrade the entire educational program in the school based on the school's needs identified through its comprehensive needs assessment. By consolidating funds from Federal, State, and local sources, a schoolwide program school can address its needs using *all* of the resources available to it. This gives a school more flexibility in how it uses available resources to meet the specifically identified needs of its students.

**CONTINGENT LIABILITY** Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

**CONTRIBUTED CAPITAL** The permanent fund capital of a proprietary fund. Contributed capital forms one of two classifications of equity found on the balance sheet of a proprietary fund. Contributed capital is created when a residual equity transfer is received by a proprietary fund, when a fixed asset is “transferred” to a proprietary fund, or when a grant is received that is externally restricted to capital acquisition or construction. Contributions restricted to capital acquisitions and construction and fixed assets received from developers and customers, as well as amounts of tap fees in excess of related costs, also would be reported as contributed capital.

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

**CURRENT REFUNDING** Transaction where new debt is issued and the proceeds are used to repay old debt immediately.

**CUSTODIAL FUNDS** Assets held by an LUA in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. If governmental entity controls the activity and the assets, the fund is not custodial in nature but should be reported as a Governmental Fund. GASB Statement No. 84 clarified the definition of custodial funds effective July 1, 2019. Activity in the Custodial Funds must meet all of the following criteria per GASB 84:

- The assets associated with the activity are controlled by the government.
- The assets associated with the activity are not derived either:
  - Solely from the government’s own-source revenues or
  - From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants for which the government does not have administrative involvement or direct financial involvement.
- The assets associated with the activity have one or more of the following characteristics:
  - The assets are (a) administered through a trust in which the government itself is not a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legal protected from the creditors of the government.
  - The assets are for the benefit of individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets. Additionally, the assets are not derived from the government’s provision of goods or services to those individuals.

- The assets are for the benefit of organizations or other governments that are not part of the financial reporting entity. Additionally, the assets are not derived from the government's provision of goods or services to those organizations or other governments.

**DEBT** An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of LUAs include bonds and notes. See ACCOUNTS PAYABLE, BOND, NOTE PAYABLE, LONG-TERM DEBT and GENERAL LONG-TERM DEBT.

**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.

**DEEP DISCOUNT DEBT** Debt issued with a stated interest rate of less than 75% of the effective interest rate.

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

**DEFERRED CHARGES** Expenditures which are not chargeable to the fiscal period in which made but are carried on the asset side of the balance sheet pending amortization or other disposition. An example is Discount on Bonds Issued. Deferred charges differ from prepaid expenses in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation. See PREPAID ITEMS.

**DEFERRED COMPENSATION PLANS** Plans that offer employees the opportunity to defer receipt of a portion of their salary and the related liability for federal income taxes. Several sections of the Internal Revenue Code authorize certain state and local governments to provide deferred compensation plans for their employees.

**DEFERRED INFLOW OF RESOURCES** An acquisition of net assets by the LEA that is applicable to a future reporting period. For example, deferred revenue and advance collections.

**DEFERRED OUTFLOW OF RESOURCES** A consumption of net assets by the LEA that is applicable to a future reporting period. For example, prepaid items and deferred charges.

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

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

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

**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 their ability to redeem the bonds, issuers of demand bonds frequently enter into short-term standby liquidity agreements and long-term "takeout" agreements.

**DEMAND DEPOSIT** Accounts with financial institutions or cash management pools where cash may be deposited or withdrawn at any time without prior notice or penalty.

**DEPOSITORY INSURANCE** Insurance on deposits with financial institutions. FDIC, FSLIC and some state governments provide this insurance.

**DEPRECIATION** (1) Expiration in the service life of capital assets, other than wasting assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset other than a wasting asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

**DIRECT DEBT** The debt which an LUA has incurred in its own name or assumed through the annexation of territory or consolidation with another LUA. See OVERLAPPING DEBT.

**DISBURSEMENT** A payment in cash or by check.

**DISCLAIMER OF OPINION** Statement issued on financial statements when the auditor is unable to form or has not formed an opinion as to the fairness of presentation of the financial statements in conformity with generally accepted accounting principles. The reason for the disclaimer of opinion will be included in the opinion letter.

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

**DISCRETE PRESENTATIONS (DISCRETELY PRESENTED)** The method of reporting financial data of component units in a column(s) separate from the financial data of the primary LUA. An integral part of this method of presentation is that individual component unit supporting information is required to be provided either in condensed financial statements within the notes to the reporting entity's financial statements, or in combining statements in its GPFS.

**DISCUSSION MEMORANDUM (DM)** A document issued by either the GASB or the FASB as a basis for written comments by respondents, leading to the issuance of one or more GASB or FASB pronouncements. In a DM, neither the GASB nor the FASB attempts to reach any conclusions about the issues and related arguments and implications presented. A DM is not an authoritative document and should not be used to justify departures from GAAP.

**DOUBLE ENTRY** A system of bookkeeping which requires for every entry made to the debit side of an account or accounts an entry for a corresponding amount or amounts to the credit side of another account or accounts.

**DUE FROM \_\_\_\_\_ FUND** An asset account used to indicate amounts owed to a particular fund by another fund in the same LUA for goods sold or services rendered. This account includes only short-term obligations on open account and not noncurrent portions of long-term loans. See ADVANCE \_\_\_\_\_ TO \_\_\_\_\_ FUND.

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

**DUE TO FISCAL AGENT** A liability account reflecting amounts due to fiscal agents, such as commercial banks, for servicing an LUA's maturing interest and principal payments on indebtedness.

**DUE TO \_\_\_\_\_ FUND** A liability account reflecting amounts owed by a particular fund to another fund in the same LUA for goods sold or services rendered. These amounts include only short-term obligations on open account and not noncurrent portions of long-term loans. See ADVANCE FROM \_\_\_\_\_ FUND.

**DUE TO \_\_\_\_\_ LUA** A liability account reflecting amounts owed by the reporting LUA to the named LUA.

**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 OBSOLESCENCE** The loss of value of property resulting from influences external to the property itself.

**EFFECTIVE INTEREST RATE** The rate of earning 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.

**ENCUMBRANCES** Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances do not constitute expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed. Chapter I-8 discusses encumbrances.

**ENDOWMENT** Funds or property donated with either a temporary or permanent restriction as to the use of principal.

**ENTERPRISE FUND** A fund established to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the school board is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the school board has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**ENTITY** (1) The basic unit upon which accounting and/or financial reporting activities focus. The basic governmental legal and accounting entity is the individual fund. (2) That combination of funds that constitutes the reporting entity for financial reporting purposes and alone may issue CAFRs and GPFS.

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

**EQUIPMENT** See MACHINERY AND EQUIPMENT.

**EQUITY ACCOUNTS** Those accounts presenting the excess of assets over liabilities in the fund.

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

**ESTIMATED LIFE** The expected economic useful life of an asset from the date placed in service to the projected retirement date.

**EXPECTED LIFE** See ESTIMATED LIFE.

**EXPENDITURES** Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service, and capital outlays, and intergovernmental grants, entitlements and shared revenues.

**EXPENSES** Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

**EXPOSURE DRAFT (ED)** A proposed statement or interpretation issued for public comment by the GASB or the FASB.

**EXTERNAL AUDIT** See INDEPENDENT AUDIT.

**FACE VALUE** As applied to securities, this term designates the amount of liability stated in the security document. See PAR VALUE.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)** A federal institution that insures deposits of federally chartered banks.

**FEDERAL FINANCIAL ASSISTANCE** For purposes of applying the provisions of the Single Audit Act Amendments of 1996 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.

**FIDELITY BOND** A written promise to indemnify against losses from theft, defalcation, and misappropriation of public monies by LUA officers and employees.

**FIDUCIARY FUND CATEGORY** The trust and agency funds used to account for assets held by an LUA unit in a trustee capacity or as an agent for individuals, private organizations, other government units and/or other funds.

**FINANCIAL AUDIT** An audit made to determine whether the financial statements of an LUA are presented fairly in conformity with GAAP.

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

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

**FINANCIAL EFFICIENCY STAR RATING** O.C.G.A. §20-14-33 requires the Governor's Office of Student Achievement (GOSA), in coordination with GaDOE, to create a financial efficiency rating. The law requires that GOSA and the GaDOE collaborate to "adopt and annually review, and revise as necessary, indicators of the quality of learning by students, financial efficiency, and school climate for individual schools and for school systems." Financial efficiency "may include an analysis of how federal and state funds spent by local school systems impact student achievement and school improvement, and components used to determine financial efficiency may include actual achievement, resource efficiency, and student participation in standardized testing." The FESR utilizes a three-year average of per pupil expenditures and College and Career Ready Performance Index (CCRPI) scores to determine the rating. The ratings will be displayed as supplemental information to CCRPI scores. In addition, the rating

must be based upon five stars. The FESR applies a scale of one-half star to five stars, in which a rating of one-half star designates a high-spending district with a low CCRPI and a rating of five stars designates a low-spending district with a high CCRPI. The FESR is designed to provide information on the relationship between per pupil expenditure (PPE) and academic achievement. The FESR should be one measure that a user evaluates in conjunction with all other information

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

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

**FINANCIAL STATEMENTS** See BASIC FINANCIAL STATEMENTS.

**FISCAL AGENT** A fiduciary agent, usually a bank, who performs the function of paying debt principal and interest for the LUA when due.

**FISCAL FUNDING CLAUSES** A clause in a lease agreement providing that the lease is cancelable if the legislature or other funding authority does not appropriate the funds necessary for the LUA unit to fulfill its obligations under the lease agreement.

**FISCAL PERIOD** Any period at the end of which an LUA determines its financial position and the results of its operations. See ACCOUNTING PERIOD.

**FISCAL YEAR** A 12-month period to which the annual operating budget applies and at the end of which an LUA determines its financial position and the results of its operations. July 1 through June 30 is the fiscal year for Georgia LUAs.

**FISCALLY INDEPENDENT/FISCALLY DEPENDENT LUA** A government is fiscally *independent* if it can (1) determine its budget without another government having the substantive authority to approve and modify that budget, (2) levy taxes or set rates or charges without substantive approval by another government and (3) issue bonded debt without substantive approval by another government. A government is fiscally *dependent* if it is unable to complete one or more of these procedures without the substantive approval of another government.

**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.

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

**FIXTURES** Attachments to buildings which are not intended to be removed and which cannot be removed without damage to the buildings. Those fixtures with a useful life presumed to be as long as that of the building itself are considered a part of the building; all others are classified as equipment.

**FLEXIBLE BUDGET** A budget whose dollar amounts vary according to the volume of goods or services to be provided.

**FLOW OF CURRENT FINANCIAL RESOURCES** A measurement focus that recognizes the net effect of transactions on current financial resources by recording accruals for those revenue and expenditure transactions which have occurred by year end that are normally expected to result in cash receipt or disbursement early enough in the following year either (a) to provide financial resources to liquidate liabilities recorded in the fund at year end or (b) to require the use of available expendable financial resources reported at year end.

**FLOW OF ECONOMIC RESOURCES** The measurement focus used in the commercial model and in proprietary and similar private-purpose trust funds to measure economic resources, the claims to those economic resources and the effects of transactions, events and circumstances that change economic resources and claims to those resources. This focus includes depreciation of capital assets, deferral of unearned revenues and prepaid expenses, and amortization of the resulting liabilities and assets. Under this measurement focus, all assets and liabilities are reported on the balance sheet, whether current or noncurrent. Also, the accrual basis of accounting is used, with the result that operating statements report expenses rather than expenditures.

**FORECLOSURE** The seizure of property as payment for delinquent taxes. Ordinarily, property foreclosed is resold to liquidate delinquent taxes, but on occasion governments retain possession for their own needs. In Georgia, normally the county government (or the government that has responsibility for collecting its taxes) will use the foreclosure procedure.

**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 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.

**FULL FAITH AND CREDIT** A pledge of the general taxing power of an LUA for the payment of debt obligations. Bonds carrying such pledges are referred to as general obligation bonds or full faith and credit bonds. In Georgia, all general obligation bonds must be approved through a voter referendum.

**FUNCTION** A group of related activities aimed at accomplishing a major service or regulatory program for which an LUA is responsible. For example, instruction 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 purposes for which expenditures are made. Examples are instruction, school administration, pupil transportation, etc.

**FUND** A fiscal and accounting entity with a self-balancing set of accounts recording certain assets, related liabilities and residual equities or balances, and changes in them, which are segregated for specific activities or to meet certain legal or administrative restrictions.

**FUND BALANCE** The difference between fund assets and liabilities of governmental funds and similar trust funds.

**FUND BALANCE - RESTRICTED FOR ADVANCE TO \_\_\_\_\_ FUND** An account used to segregate a portion of a fund balance to indicate that noncurrent portions of long-term interfund receivables do not represent "available spendable resources" because they are not current assets.

**FUND BALANCE - RESTRICTED FOR DEBT SERVICE** An account used to segregate a portion of fund balance for Debt Service Fund resources legally restricted to the payment of general long-term debt principal and interest amounts maturing in future years.

**FUND BALANCE - ASSIGNED FOR ENCUMBRANCES** An account used to segregate a portion of fund balance of expenditure upon vendor performance.

**FUND BALANCE - ASSIGNED FOR NONCURRENT LOANS RECEIVABLE** An account used to segregate a portion of fund balance to indicate that noncurrent portions of long-term loans receivable do not represent "available spendable resources" because they are not current assets.

**FUND BALANCE - NONSPENDABLE** An account used to segregate a portion of fund balance to indicate that prepaid items do not present "available spendable resources" even though they are a component of net current assets.

**FUND BALANCE SHEET** A balance sheet for a single fund. See FUND and BALANCE SHEET.

**FUND CAPITAL ASSETS** Those capital assets associated with proprietary or trust funds. See CAPITAL ASSETS.

**FUND CATEGORY** Any one of three categories into which all funds are classified in governmental accounting. The three fund categories are: Governmental, Proprietary, and Fiduciary.

**FUND FINANCIAL STATEMENTS** Fund financial statements should be used to report additional and detailed information about the primary government. Governments should report governmental, proprietary, and fiduciary funds to the extent that they have activities that meet the criteria for using those funds.

**GENERIC FUND TYPE** The three fund categories are further subdivided into generic fund types as follows: Governmental - general, special revenue, debt service, capital projects, and permanent; Proprietary - enterprise, internal service, and Fiduciary - trust and agency.

**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 fund used to account for all financial resources except those required to be accounted for in another fund.

**GENERAL JOURNAL** A journal in which are entered all entries not recorded in special journals. See JOURNAL and SPECIAL JOURNAL.

**GENERAL LEDGER** A 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 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 BONDS** Bonds for the payment of which the full faith and credit of the issuing government are pledged.

**GENERAL PURPOSE FINANCIAL STATEMENTS (GPFS)** Government-wide statements, fund statements, two reconciliations between the government-wide and fund statements, notes to the financial statements, management's discussion and analysis, and budgetary comparison schedule constitute the minimum financial reporting needed for fair presentation

in conformity with GAAP. See BASIC FINANCIAL STATEMENTS, and "LIFTABLE" GENERAL PURPOSE FINANCIAL STATEMENTS. The government-wide statements include the Statement of Net Assets and Statement of Activities. The fund statements include the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. The two reconciliations are the Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.

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

**GENERALLY ACCEPTED AUDITING STANDARDS (GAAS)** Standards established by the AICPA for the conduct and reporting of financial audits. There are 10 basic GAAS, classed into three broad categories: general standards, standards of field work and standards of reporting. The Auditing Standards Board of the AICPA publishes SAS to comment and expand upon these basic standards. These SAS, together with the 10 basic standards, constitute GAAS. These GAAS set forth the objectives of the audit and establish 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 ("yellow book") for the conduct and reporting of both financial and performance audits. GAGAS set forth general standards applicable to both types of audits and separate standards of field work and reporting for financial and performance audits. The GAGAS standards of field work and reporting for financial audits incorporate and build upon GAAS.

**GOVERNMENTAL ACCOUNTING** The composite activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of governments, including LUAs.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)** The authoritative accounting and financial reporting standard-setting body for government entities.

**GOVERNMENTAL FUND CATEGORY** Funds used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities – except those accounted for in proprietary funds and fiduciary funds. In essence, these funds are accounting segregations of financial resources. Expendable assets are assigned to a particular governmental fund type according to the purposes for which they may or must be used. Current liabilities are assigned to the fund type from which they are to be paid. The difference between the assets and liabilities of governmental fund types is referred to as fund balance. The measurement focus in these fund types is on the determination of financial position and changes in financial position (sources, uses and balances of financial resources),

rather than on net income determination. The statement of revenues, expenditures and changes in fund balance is the primary governmental fund category operating statement. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers and other changes in fund balance. Under current GAAP, there are five governmental generic fund types: general, special revenue, debt service, permanent, and capital projects.

**GOVERNMENT-WIDE FINANCIAL STATEMENT** The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements should report information about the overall government without displaying individual funds or fund types; exclude information about fiduciary activities, including component units that are fiduciary in nature (such as certain public employee retirement systems); distinguish between the primary government and its discretely presented component units ; distinguish between governmental activities and business-type activities of the primary government; and measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting.

**GRANTS** Contributions or gifts of cash or other assets from the State of Georgia or the federal government to be used or expended for a specified purpose, activity, or facility. See also CAPITAL GRANTS and OPERATING GRANTS.

**GRANTS-IN-AID** See GRANTS.

**GROSS BONDED DEBT** The total amount of direct debt of an LUA represented by outstanding bonds before deduction of any assets available and earmarked for their retirement.

**HISTORICAL COST** See COST

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

**IMPREST ACCOUNT** An account into which a fixed amount of money is placed for minor disbursements or disbursements for a specific purpose (e.g., payroll). When disbursements are made, a voucher is completed to record their 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 the appropriate general ledger accounts are charged. The total of cash plus substantiating vouchers always should equal the total fixed amount of money set in the imprest account. See PETTY CASH.

**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.

**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 OPERATING TRANSFERS, and NET INCOME.

**INCOME BEFORE OPERATING TRANSFERS** Proprietary fund operating and nonoperating revenues minus operating and nonoperating expenses.

**INCURRED BUT NOT REPORTED (IBNR) CLAIMS/LOSSES** Claims for insured events that have occurred but have not yet been reported to the government entity, insurer or reinsurer as of the date of the financial statements. IBNR claims also may include expected future developments on claims already reported.

**INDEPENDENT AUDIT** An audit performed by an independent auditor, such as the Georgia Department of Audits.

**INDIRECT CHARGES** See OVERHEAD.

**INDIRECT COST RATE** The indirect cost rate is a means of determining, in a reasonable manner, the percentage of allowable indirect costs that each federal program or activity should bear. In general, an indirect cost rate is the ratio of total indirect costs to total direct and unallowable costs, excluding extraordinary or distorting expenditures such as capital outlay, debt service, etc. An indirect cost rate does not increase the grant award. It simply allows a portion of the grant to reimburse the LEA for indirect cost such as for centralized accounting, auditing, payroll, etc. With an approved indirect cost rate issued by GADOE, LEAs can transfer a certain percentage of funds from each applicable grant to the district's general fund as compensation for the indirect costs incurred in managing the federal grants. Federal law or grant conditions may limit the amount of indirect costs, require use a different rate than the negotiated indirect cost rate, or prohibit any recovery of indirect costs. Recovery of indirect costs from grants is determined by the terms and conditions of the applicable grants and is subject to the availability of funds.

**FUND STATEMENTS** Statements of position and results of operations prepared using the basis of accounting and measurement focus applicable to the category of funds. Focus is on major category of funds.

**INFRASTRUCTURE ASSETS** Public domain capital assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the government unit.

**INSUBSTANCE DEFEASANCE** An advance refunding in which the LUA is not legally released from being the primary obligor on the refunded bonds, but the possibility of the LUA's having to make additional payments is considered remote under criteria provided by SFAS No. 76. 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 (unusually 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.

**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 RECEIVABLE ON INVESTMENTS** An asset account reflecting the amount of interest receivable on LUA investments.

**INTERFUND ACCOUNTS** Accounts in which transfers between funds are reflected. See INTERFUND TRANSACTIONS.

**INTERFUND LOAN** Loans made by one fund to another.

**INTERFUND TRANSACTIONS** Transactions between funds of the same LUA.

**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 or bond issuance. See BOND 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 AUDITING** An independent appraisal of the diverse operations and controls within an LUA 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 CONTROL STRUCTURE** Policies and procedures established to provide reasonable assurance that specific LUA objectives will be achieved.

**INTERNAL SERVICE FUND** A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of an LUA, or to other LUAs, on a cost-reimbursement basis.

**INVENTORY** (1) A detailed list showing quantities, descriptions and values of property and, frequently, units of measure and unit prices. (2) An asset account reflecting the cost of goods held for resale or for use in operations.

**INVENTORY OF STORES FOR RESALE** An asset account which reflects the cost of goods held for resale rather than use in operations.

**INVENTORY OF SUPPLIES** An asset account which reflects the cost of goods on hand for use in operations.

**INVESTMENTS** Most commonly, securities and real estate held for the production of revenues in the form of interest, dividends, rentals or lease payments. The term does not include fixed assets used in LUA operations.

**JOINT VENTURES** A legal entity or other contractual arrangement in which an LUA participates as a separate and specific activity for the benefit of the public or service recipients and in which the LUA retains an ongoing financial interest.

**JOURNAL** A book of original entry. See GENERAL JOURNAL and SPECIAL JOURNAL.

**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 an LUA as the result of a court decision, including a condemnation award in payment for private property taken for public use.

**LAND** A capital asset account which reflects the cost of land owned by an LUA.

**LAND IMPROVEMENTS** Buildings, other structures, and other attachments or annexations to land which are intended to remain so attached or annexed, such as sidewalks, trees, driveways, drains, and sewers.

**LAPSE** As applied to appropriations, this term denotes 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.

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

**LEASE-PURCHASE AGREEMENTS** Contractual agreements which are termed "leases," but which in substance amount to purchase contracts. See CAPITAL LEASES.

**LEDGER** A group of accounts in which are recorded the financial transactions of an entity. See GENERAL LEDGER and SUBSIDIARY LEDGER.

**LEGAL LEVEL OF BUDGETARY CONTROL** The level at which spending in excess of budgeted amounts are not authorized by the local board.

**LEGAL OPINION** (1) The opinion of an official authorized to render it, such as an attorney general or LUA attorney as to legality. (2) In the case of governmental bonds, the opinion of a specialized bond attorney as to the legality of bond issue.

**LEGALLY SEPARATE ORGANIZATION** An organization created as a body corporate or a body corporate and politic or otherwise possessing similar corporate powers. An organization that has separate legal standing has an identity of its own as an "artificial person" with a personality and existence distinct from that of its creator and others.

**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 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 (a) appropriated budget, (b) legally authorized nonappropriated budget review and approval process, which is outside the appropriated budget process or (c) 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.

**LEVY** (Verb) To impose taxes or service charges for the support of LUA activities. (Noun) The total amount of taxes, special assessments, or service charges imposed by a government.

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

**"LIFTABLE" GENERAL PURPOSE FINANCIAL STATEMENTS (GPFS)** The GPFS are designed to be "liftable" from the Financial Section of the comprehensive annual financial report (CAFR) for inclusion in official statements for securities offerings or for widespread distribution, along with an independent auditor's opinion, to users requiring less detailed information than is contained in the full CAFR. In order to be "liftable," the GPFS must include all disclosures necessary for their fair presentation in conformity with GAAP including certain specified disclosures related to individual funds. See GENERAL PURPOSE FINANCIAL STATEMENTS.

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

**LOANS RECEIVABLE** An asset account reflecting amounts which have been loaned to individuals or organizations external to an LUA, including notes taken as security for such loans. Loans to other LUAs should be recorded and reported separately.

**LONG-TERM DEBT** Any unmatured debt that is not a fund liability.

**MACHINERY AND EQUIPMENT** Property that does not lose its identity when removed from its location and is not changed materially or consumed immediately (e.g., within one year) by use.

**MAJOR FUND** Governmental and enterprise fund financial statement focus is on major funds. Major funds are defined as those that satisfy *both* of the following criteria (A). 10% Threshold—Total assets, liabilities, revenues, or expenditures/expenses of the governmental (enterprise) fund are equal to or greater than 10 percent of the corresponding element total (assets, liability, and so forth) for all funds that are considered governmental funds (enterprise funds). (B). 5% Threshold—The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and Enterprise Funds combined.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)** MD&A information should “provide an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions.” It is considered required supplementary information.

**MARKET RISK** The risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreement will decline. Market risk is affected by the length to maturity of a security, the need to liquidate a security before maturity, the extent to which collateral exceeds the amount invested and how often the amount of collateral is adjusted for changing market values.

**MATURED BONDS PAYABLE** A liability account reflecting unpaid bonds which have reached or passed their maturity date.

**MATURED INTEREST PAYABLE** A liability account reflecting unpaid interest on bonds which have reached or passed their maturity date.

**MAINTENANCE** The upkeep of physical properties in condition for use or occupancy. Examples are the inspection of equipment to detect defects and the making of repairs.

**MEASUREMENT FOCUS** The accounting convention that determines (1) which assets and which liabilities are included on an LUA'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).

**MILLAGE** Rate used in calculating taxes based upon the value of property, expressed in mills per dollar of property value.

**MODIFIED ACCRUAL BASIS** The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is, when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred except for (1) inventories of materials and supplies that may be considered expenditures either when purchased or when used, and (2) prepaid insurance and similar items that may be considered expenditures either when paid for or when consumed. All governmental funds are accounted for using the modified accrual basis of accounting.

**MODIFIED AUDIT OPINION** Audit opinions that are issued to LEA's financial statements when the auditor found that those statements were not prepared and present fairly in accordance with Generally Accepted Accounting Principles (GAAP). The three modified opinions which are issued to financial statements, based on the level of the findings are Qualified, Adverse and Disclaimer opinions.

**NET BONDED DEBT** Gross bonded debt less any cash or other assets available and earmarked for its retirement (e.g., sinking fund accumulations) and all self-supporting debt.

**NET BOOK VALUE** See BOOK VALUE.

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

**NET POSITION** The residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.  $\text{Assets} + \text{deferred outflows of resources} - \text{liabilities} - \text{deferred inflows of resources} = \text{net position}$ .

**NET PROFIT** See NET INCOME.

**NET REVENUE** See NET INCOME.

**NET REVENUES AVAILABLE FOR DEBT SERVICE** Proprietary fund gross operating revenues less operating and maintenance expenses but inclusive of depreciation and bond interest. "Net revenue available for debt service" as thus defined is used to compute "coverage" on revenue bond issues.

**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.

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

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

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

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

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

**OBJECT** As used in expenditure classification, this term applies to the specific article purchased or the specific service obtained; for example, clerical salaries would be an object within the object class, personal services. See CHARACTER CLASSIFICATION, FUNCTION, and OBJECT CLASS.

**OBJECT CLASS** Expenditure classification according to the types of items purchased or services obtained; for example, personal services, materials, supplies, and equipment.

**OBJECT OF EXPENDITURE** See OBJECT.

**OBLIGATIONS** Amounts which an LUA may be required legally to meet, out of its resources. They include not only actual liabilities, but also unliquidated encumbrances.

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

**OFFICIAL STATEMENT** A document published by an LUA planning to issue bonds that provides information on the proposed bond 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 creditworthiness.

**ONGOING FINANCIAL INTEREST** An equity interest or any other arrangement that allows a participating LUA to have access to a joint venture's resources.

**ONGOING FINANCIAL RESPONSIBILITY** (1) A participating LUA is obligated in some manner for the debts of the joint venture or (2) a joint venture's existence depends on continued funding by the participating LUA.

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

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

**OPERATING GRANT** Grants that are restricted by the grantor to operating purposes or which may be used for either capital or operating purposes at the discretion of the grantee.

**OPERATING INCOME** The excess of proprietary fund operating revenues over operating expenses.

**OPERATING LEASE** A lease agreement that does not meet the criteria for capitalization set forth in SFAS No. 13.

**OPERATING REVENUE** Proprietary fund revenues which are directly related to the fund's primary service activities. They consist primarily of user charges for services.

**OPERATING STATEMENT** The financial statement disclosing the financial results of operations of an entity during an accounting period in conformity with GAAP.

**OPERATING TRANSFERS** All interfund transfers (e.g., legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended).

**ORGANIZATIONAL UNIT** A responsibility center within an LUA.

**ORGANIZATION UNIT CLASSIFICATION** Expenditure classification according to responsibility centers within an LUA's organization structure. Classification of expenditures by organizational unit is essential to fulfilling stewardship responsibility for individual LUA resources.

**OTHER FINANCING SOURCES** Governmental fund general long-term debt proceeds, amounts equal to the present value of minimum lease payments arising from capital leases, proceeds from the sale of general capital assets, and operating transfers in. Such amounts are classified separately from revenues on the governmental operating statement.

**OTHER FINANCING USES** Governmental fund operating transfers out and the amount of refunding bond proceeds deposited with the escrow agent. Such amounts are classified separately from expenditures on the governmental operating statement.

**OUTLAYS** Synonymous with EXPENDITURES. See CAPITAL OUTLAYS.

**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 an article or the performance of a service which are of such a nature that the amount applicable to the product or service cannot be determined accurately or readily. Usually they relate to those objects of expenditure which do not become an integral part of the finished product or service such as rent, heat, light, supplies, management, supervision, etc.

**OVERLAPPING DEBT** The proportionate share of the debts of local governments located wholly or in part within the limits of the reporting government which must be borne by property within each government. The amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the LUA, and (2) applying this percentage to the total debt of the overlapping jurisdiction.

**PAR VALUE** In the case of bonds, the amount of principal which must be paid at maturity. Par value is referred to as the face value of the security.

**PAYING AGENT** An entity responsible for paying of bond principal and interest on behalf of the LUA.

**PENSION TRUST FUND** A Trust Fund used to account for public employee retirement systems. Pension trust funds are accounted for in essentially the same manner as proprietary funds, but with an important expanded emphasis on required net asset reserves.

**PER CAPITA DEBT** The amount of an LUA's debt divided by population, which is used as an indication of the LUA's credit position by reference to the proportionate debt borne per resident.

**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, 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 prestated expectations.

**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.

**PETTY CASH** A sum of money set aside on an imprest basis for the purpose of making change or paying small obligations for which the issuance of a formal voucher and 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's seven fund types. Petty cash accounts should be reported as assets of the fund of ownership. See IMPREST ACCOUNT.

**PETTY CASH VOUCHER** A voucher used to record individual disbursements of petty cash. See IMPREST ACCOUNT.

**PLEGDED REVENUES** The funds obligated for payment of debt service and other deposits required by the bond contract.

**POINT** In the context of bond issuances, one percent of the par value of the bond. Because bonds are quoted as a percentage of \$1,000, a point is equal to \$10. See BASIS POINT.

**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.

**PREMIUM** The excess of the price of a security over its face value, excluding any amount of accrued interest bought or sold.

**PREPAID ITEMS** Payment in advance of the receipt of goods and services in an exchange transaction. Prepaid items (e.g., prepaid rent and unexpired insurance premiums) differ from deferred charges (e.g., unamortized issuance costs) in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operations.

**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.

**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.

**PROGRAM BUDGET** A budget wherein expenditures are based primarily on programs of work, and secondarily on character and object class budget, on the one hand, and the performance budget, on the other.

**PROPRIETARY FUND CATEGORY** Sometimes referred to as income determination or commercial-type funds, the classification used to account for an LUA's ongoing organizations and activities that are similar to those often found in the private sector (i.e., enterprise and internal service funds). All assets, liabilities, equities, revenues, expenses and transfers relating to the LUA's business and quasi-business activities are accounted for through proprietary funds. The GAAP used is generally that applicable to similar businesses in the private sector and the measurement focus is on determination of net income, financial position and changes in financial position. However, where the GASB has issued pronouncements applicable to those entities and activities, they should be guided by these pronouncements.

**PUBLIC ACCOUNTING** The practice of holding oneself out to be a CPA or public accountant and at the same time performing for a client one or more types of services rendered by public accountants (e.g., auditing). This term should not be confused with governmental accounting.

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

**PURCHASES METHOD** The method under which inventories are recorded as expenditures when acquired.

**QUALIFIED OPINION** A modified opinion stating that "except for" the effect of the matter to which the qualification relates, the financial statements present fairly the financial position, results of operations and (when applicable) changes in financial position in conformity with GAAP. Such an opinion is expressed when a lack of sufficient, competent evidential matter or restrictions on the scope of the auditor's examination have led the auditor to conclude that an unqualified opinion cannot be expressed, or when the auditor believes, on the basis of his 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-EXTERNAL TRANSACTIONS** Inter-fund transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the LUA. For example, payments in lieu of taxes from an enterprise fund to the general fund; internal service fund billings to departments; routine employer contributions from the general fund to a pension trust fund; and routine service charges for inspection, engineering, utilities, or similar services provided by a department financed from one fund to a department financed from another fund should be accounted for as revenues, expenditures, or expenses in the funds involved.

**RATINGS** In the context of bonds, normally an evaluation of creditworthiness performed by an independent rating service.

**RECEIPTS** Cash received.

**REFUND** (Noun) An amount paid back or credit allowed because of an over collection or because of the return of an object sold. (Verb) To pay back or allow credit for an amount because of an over collection or because of the return of an object sold. (Verb) To provide for the payment of an obligation through cash or credit secured by a new obligation.

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

**REGISTERED BOND** A bond whose owner is registered with the issuing LUA. A registered bond cannot be sold or exchanged without a change of registration.

**REGULAR SERIAL BONDS** Serial bonds in which all periodic installments of principal repayment are equal.

**REIMBURSEMENTS** (1) Repayments of amounts remitted on behalf of another party. (2) Inter-fund transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund, e.g., an expenditure properly chargeable to a special revenue fund was initially made from the general fund, which is subsequently reimbursed. They 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.

**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.

**REMAINING LIFE** The number of years from present to anticipated retirement date.

**REPLACEMENT COST** The amount of cash or other consideration that would be required today to obtain the same asset or its equivalent. See REPRODUCTION COST.

**REPORTING ENTITY** The oversight unit and all of its component units, if any, that are combined in the CAFR/GPFS.

**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 amount of accumulated depreciation applicable to it. In the absence of any modifier, however, the term "production cost" is understood to be synonymous

with "reproduction cost new." See REPLACEMENT COST.

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

**REQUIRED SUPPLEMENTARY INFORMATION** Consists of statements, schedules, statistical data or other information which, according to the GASB, is necessary to supplement, although not required to be a part of, the general purpose financial statements.

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

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

**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.

**REVENUES** (1) Increases in the net current assets of a governmental fund type from other than expenditure refunds. Also, general long-term debt proceeds and operating transfers-in are classified as "other financing sources" rather than revenues. (2) Increases in the net total assets of a proprietary fund type from other than expense refunds. Also, operating transfers-in are classified separately from revenues.

**RISK MANAGEMENT** All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

**SABBATICAL** Type of leave from normal duties granted by some employers so employees can perform research or public service or can obtain additional training to enhance the reputation of or otherwise benefit the employer.

**SALARY-RELATED BENEFITS** Benefits and payments that are directly related to salary payments such as taxes, pension payments and employee insurance premiums.

**SALVAGE VALUE** An estimate of residual value of the asset or property at the end of its estimated useful life. Also, the amount that would be realized if property was sold for its recovery value.

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

**SELF INSURANCE** A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses.

**SERIAL BONDS** Bonds whose principal is repaid in periodic installments over the life of the issue. See REGULAR SERIAL BONDS and STRAIGHT SERIAL BONDS.

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

**SHORT-TERM DEBT** Debt with a maturity of one year or less after the date of issuance. Short-term debt usually includes bond anticipation notes, tax anticipations notes, and revenue anticipation notes.

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

**SINKING FUND** See DEBT SERVICE FUND.

**SPECIAL JOURNAL** A journal in which are entered all entries of a particular type. Examples include cash receipts journals, cash disbursement journals, purchases journals, etc. See JOURNAL and GENERAL JOURNAL.

**SPECIAL REVENUE FUND** A fund used to account for the proceeds of specific revenue sources (other than special assessments or for major capital projects) that are legally restricted to expenditure for specified purposes. Under GAAP, the use of special revenue funds is required only when legally mandated.

**STANDARD COST** The predetermined cost of performing an operation or producing a product when labor, materials, and equipment are utilized 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.

**STATE AND LOCAL GOVERNMENT SERIES (SLGS, "slugs")** Direct obligations of the U.S. 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.

**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 FINANCIAL POSITION** See BALANCE SHEET.

**STATEMENT OF REVENUES AND EXPENDITURES** The financial statement that is the governmental fund GAAP operating statement. It presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in an entity's net current assets.

**STATEMENT OF REVENUES AND EXPENSES** The financial statement that is the proprietary and fiduciary funds GAAP operating statement. It presents increases (revenues, gains and operating transfers in) and decreases (expenses, losses and operating transfers out) in an entity's net total net assets.

**STATISTICAL TABLES** Presentations included in the statistical section of the CAFR/CUFR providing detailed data on the physical, economic, social and political characteristics of the reporting LUA. They are intended to provide CAFR/CUFR users with a broader and more complete understanding of the LUA and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section. Statistical tables usually cover more than two fiscal years and often present data from outside the accounting records. Therefore, in contrast to financial section information, statistical section data are not usually susceptible to independent audit.

**STORES** Goods subject to requisition and use that are on hand in storerooms.

**STRAIGHT SERIAL BONDS** Serial bonds in which the annual installments of bond principal are equal or nearly equal.

**SUBSIDIARY ACCOUNT** One of a group of related accounts which support in detail the debit and credit summaries recorded in a control account. An example is the individual accounts receivable detail for the accounts receivable control account in the general ledger. See SUBSIDIARY LEDGER.

**SUBSIDIARY LEDGER** A group of subsidiary accounts, the sum of the balances of which is equal of the balance of the related control account. See GENERAL LEDGER and SUBSIDIARY ACCOUNT.

**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, changes in financial position or results of operations. In general, the disclosure should encompass important judgments as to the appropriateness of principles relating to the recognition of revenue and allocation of asset costs to current and future periods; in particular, it should encompass those accounting principles and methods that involve any of the following: (1) a selection from existing acceptable alternatives, (2) principles and methods peculiar to the LUA and (3) unusual or innovative applications of accounting principles, including those peculiar to the LUA.

**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 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. For example, a surety bond might be required of an independent contractor. Surety bonds also include fidelity bonds covering LUA officials and employees.

**TAX ANTICIPATION NOTES** 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 an LUA as evidence of the conditional transfer of title to tax delinquent property from the original owner on 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 issued upon foreclosure of the tax lien 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 DIGEST** In the case of real property, the official list containing the legal description of each parcel of property and its assessed valuation. The name and address of the last known owner also usually are shown. In the case of personal property, the assessment roll is the official list containing the name and address of the owner, a description of the personal property, and its assessed value.

**TAX EXEMPT BONDS** State and local government securities whose interest is exempt from taxation by the federal government or within the jurisdiction issued.

**TAX LIENS** Claims governments have upon properties until taxes levied against them have been paid. This term is sometimes limited to those delinquent taxes for the collection of which legal action has been taken through the filing of liens.

**TAX LIENS RECEIVABLE** Legal claims against property which 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., a mill.

**TAX RATE LIMIT** The maximum rate at which an LUA may levy a tax. In Georgia, the limit applies to maintenance and operations purposes, and is limited by the Constitution to 20 mills. A separate levy for debt service purposes is not subject to the 20 mills limit.

**TAX ROLL** The official list showing the amount of taxes levied against each taxpayer or property.

**TAXES RECEIVABLE - DELINQUENT** Taxes remaining unpaid on and after the date on which a penalty for nonpayment attaches. Delinquent taxes receivable are classified as such until paid, abated, cancelled, or converted into tax liens.

**TEMPORARY LOANS** Short-term obligations representing amounts borrowed for the 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.

**TERM BONDS** Bonds that mature, in total, on one date.

**TERMINATION BENEFITS** Benefits provided to employees in connection with their termination of employment. They may be either *special termination benefits* offered only for a short period of time or *contractual termination benefits* required by the terms of a plan only if a specified event occurs.

**TITLE AD VALOREM TAX (TAVT)** Vehicles, purchased on or after March 1, 2013 and titled in Georgia, are subject to Title Ad Valorem Tax (TAVT). It replaced the sales tax and annual ad valorem tax (annual motor vehicle tax), and is paid every time vehicle ownership is transferred or a new resident registers the vehicle in Georgia for the first time. TAVT is a one-time tax that is paid at the time the vehicle is titled.

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

**TRANSFERABILITY** Federal Transferability for State and Local Educational Agencies (State and Local Transferability Act) is authorized under Subpart 2 of Part A of Title VI of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA) of 2015. The ESSA amended the transferability authority by changing the programs from and to which a local educational agency (LEA) may transfer funds and removing limits on the amount of funds that may be transferred. Transferability is a flexibility authority that permits local educational agencies (LEAs) to transfer a portion of the funding they receive by formula under certain federal programs to their allocations under other programs.

**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** Funds used to account for assets held by an LUA in a trustee capacity for individuals, private organizations, other LUAs, and/or other funds. See PENSION TRUST FUND.

**TRUSTEE** A fiduciary holding property on behalf of another.

**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 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.

**UNBILLED ACCOUNTS RECEIVABLE** An account designating the estimated amount of accounts receivable for goods or services 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.

**UNDERLYING SECURITIES** Securities transferred in accordance with a reverse-repurchase agreement.

**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.

**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.

**UNLIQUIDATED ENCUMBRANCES** Encumbrances outstanding. See ENCUMBRANCES.

**UNMODIFIED OPINION** An auditor's opinion stating that the financial statements present fairly the financial position and results of operations in conformity with GAAP (which includes adequate disclosure). This conclusion may be expressed only when the auditor has formed such an opinion on the basis of an examination made in accordance with GAGAS.

**VALUE** As used in governmental accounting, this term designates: (1) the act of describing anything in terms of money; or (2) the measure of a thing in terms of money. The term should not be used without further qualification. See also BOOK VALUE and FACE VALUE.

**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.

**VESTED BENEFIT** A benefit for which the employer has an obligation to make payment even if an employee terminates; thus, the benefit is not contingent on an employee's future service.

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

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

**VOUCHERS PAYABLE** Liabilities for goods and services evidenced by vouchers which have been preaudited and approved for payment but which have not been paid.

**YIELD** See EFFECTIVE INTEREST RATE.

**ZERO COUPON DEBT** Debt discount debt issued with a stated interest rate of 0 (zero) percent.