



Glossary

Certain specialized terms or acronyms may be used in this publication. The following is a list of some of those acronyms:

ABP	Accounting Principles Board
AICPA	American Institute of Certified Public Accountants
CARF	Comprehensive Annual Financial Report
FAF	Financial Accounting Foundation
FASB	Financial Accounting Standards Board
FASAC	Financial Accounting Standards Advisory Board
GAAP	Generally accepted accounting principles
GAAS	Generally accepted auditing standards
GAGAS	Generally accepted governmental auditing standards
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GASAC	Governmental Accounting Standards Advisory Council
IGAS	Interpretation of Governmental Accounting Standards
NCGA	National Council on Governmental Accounting
OMB	Office of Management and Budget (federal)
OPEB	Other postemployment benefits
Q&A	Comprehensive Implementation Guide
SAS	Statement of Auditing Standards
SEC	Securities and Exchange Commission
SGAC	Statement of Governmental Accounting Concepts
SGAS	Statement of Governmental Accounting Standards
TB	Technical Bulletin

Accountability – Term used by the GASB to describe a government’s duty to justify the raising and spending of public funds. The GASB has indentified accountability as the “paramount objective” of financial reporting “from which all other objectives must flow.” [SGAC 1]

Accounting Principles Board (APB) – Authoritative private-sector standards setting body that preceded the FASB. The APB issued guidance in the form of *Opinions*.

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

Accrual basis of accounting – Method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the related cash flows.

Accrual – A liability resulting from an expense for which no invoice or other



official document is available yet. Also called an accrued expense.

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

Adopted budget – Formal action by the City Council that sets the spending limits for the fiscal year.

Advanced refunding – Refunding transaction where the proceeds of the refunding bonds are placed in escrow pending the call date or maturity of the debt to be refunded.

Agency funds – One of four types of fiduciary funds. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. [SGAS 34]

Analytical review – Term used by auditors to describe the process of attempting to determine the reasonableness of financial data by comparing their behavior with other financial or nonfinancial data.

Annual required contribution (ARC) – Term used in connection with defined benefit pension and other postemployment benefit plans to describe the amount an

employer must contribute in a given year. [SGAS 27 and SGAS 45]

Appropriation – An authorization made by the City Council which permits the City to incur obligations and to make expenditures of resources.

Arbitrage –The reinvestment of the proceeds of tax-exempt securities in materially higher yielding taxable securities. The City is subject to Federal regulations regarding arbitrage.

Assessed valuation – Valuation set upon real estate or other property by a government as a basis for levying property taxes. In Arizona, property values are established by the county Assessor.

Audit Guides – Series of AICPA publications that enjoy potential “level 2” status on the hierarchy of authoritative sources of GAAP.

Audit Scope - In the context of a financial statement audit, the coverage provided by the independent auditor’s opinion. For example, required supplemental information normally is not included within the scope of a financial statement audit (i.e., the independent auditor does not offer an opinion on its fair presentation).

Auditor’s report on internal control and compliance over financial reporting – Report issued in conjunction with a financial audit performed in accordance with GAGAS. The independent auditor reports on internal control weaknesses and instance of noncompliance in connection



with the financial audit, but does not offer an opinion on internal controls or compliance.

Availability criterion – Requirement under the modified accrual basis of accounting that revenues be recognized only when they are collected or collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. [NCGA Statement 1]

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

Basic financial statements – Minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.

Basis difference – Differences that arise when the basis of budgeting differs from the basis of accounting prescribed by GAAP for a given fund type [NCGA Interpretation 10]

Basis of accounting – Timing of recognition for financial reporting purposes (i.e., when the effects of transactions or events should be recognized in financial statements). [SGAS 11]

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

Base budget – Maintaining current service levels. Changes in demand or activity levels may create the need for additional

resources or free-up resources for other purposes.

Balanced budget – A budget that contains ongoing revenues equal to the ongoing expenditures of the City. In addition, the balanced budget will not include one-time (non-recurring) sources to fund continuing (recurring) uses, postpone expenditures, or use external borrowing for operational requirements.

Blending – Presentation of the data of a component unit as though it were one or more fund(s) of the primary government. [SGAS 14]

Bond – A long-term debt or promise to pay. It is a promise to repay a specified amount (principal amount or face value), at a specified date in the future (maturity date), along with periodic interest at a specific rate. Bonds are primarily used to finance capital projects.

Budget amendment – A change of budget appropriation between expenditure accounts. Budget amendments do not change the legal spending limit adopted by City Council.

Budgetary control – The control or management of governmental unit or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of authorized appropriations and available revenues.

Budgetary integration – Use of recording the operating budget in the general ledger



to facilitate control over revenues and expenditures during the fiscal year.

Budgetary reporting – As used by accountants, requirement to present budget-to-actual comparisons in connection with general purpose external financial reporting. Budgetary reporting is required to demonstrate compliance at a legal level of control for all governmental funds with appropriated budgets.

Business-type activities – One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds. [SGAS 34]

Capital and related financing activities – Term used in connection with cash flows reporting. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors or credit. [SGAS 9]

Capital assets – Land, improvements to land, easements, buildings, building improvements, vehicles machinery, equipment, works of art, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. [SGAS 34]

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

Capital projects fund – Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. [NCGA Statement 1]

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

Cash basis of accounting – Basis of accounting that recognized transactions or events when related cash amounts are received or disbursed.

Cash equivalent – Short-term, highly liquid investments that are both (a) readily convertible to know amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities (maturity as of the date the investment was purchased by the reporting government) of three months or less meet this definition. [SGAS 9]

Certificate of Achievement for Excellence in Financial Reporting Program – Program sponsored by the Government Finance Officers Association to encourage state and local governments to prepare high-quality comprehensive annual financial reports.



Character classification – Classification of expenditures according to the periods they are presumed to benefit. The four character groupings are (a) current operating expenditures, presumed to benefit the current fiscal period; (b) debt service expenditures, presumed to benefit prior fiscal periods as well as current and future periods; (c) capital outlay expenditures, presumed to benefit the current and future fiscal periods; and (d) intergovernmental expenditures, when one government transfers resources to another. [NCGA Statement 1]

Classified presentation – Separate reporting of the current and noncurrent portions of assets and liabilities to permit the calculation of working capital. A classified presentation is required for the proprietary statement of net assets.

Collateral – In the context of deposits with financial institutions, security pledged by the financial institution to a government entity for its deposit. [SGAS 3]

Combining financial statements – Financial statements that report separate columns for individual funds or component units.

Commercial paper – Unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

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

Community Facilities District (CFD) – A separate legal entity established by a local government agency which allows for financing of public improvements and services.

Comparability – Principle according to which differences between financial reports should be substantive differences in the underlying transactions of the governmental structure rather than the selection of different alternatives in accounting procedures or practices. [SGAC 1]

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

Component unit – Legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. [SGAS 14]

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

Comprehensive framework if internal control – Structure of internal control that provides for (a) a favorable control environment, (b) the continuing assessment



of risk, (c) the design, implementation, and maintenance of effective control-related policies and procedures, (d) the effective communication of information, and (e) ongoing monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

Conduit debt – Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a local governmental entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. [IGAS 2]

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

Consistency – Notion that once an accounting principle or reporting method is adopted, it will be used for all similar transactions and events. [SGAC 1]

Contingency – A budgetary reserve set aside for emergency or unanticipated expenditures and/or revenue shortfalls. The City Council must approve all uses of contingency funds.

COSO – Committee of Sponsoring Organizations of the Treadway Commission on Fraudulent Financial Reporting.

Published *Internal Control: An Integrated Framework*.

Current financial resources

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

Current refunding – Refunding transactions in which the proceeds of the refunding debt are applied immediately to redeem the debt to be refunded.

Custodial credit risk – Risk that a government will not be able to recover deposits if the depository financial institution fails, or (b) to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. [Q&A]

Debt service fund – Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. [NCGA Statement 1]

Defeasance – In financial reporting, the netting of outstanding liabilities and related assets on the statement of position. Defeased debt is no longer reported as a liability on the statement of position.

Deferred revenue – Resource inflows that do not yet meet the criteria for revenue



recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

Designated unreserved fund balance – Management’s intended use of available expendable financial resources in governmental funds reflecting actual plans approved by the government’s senior management. Designations reflect a government’s self-imposed limitations on the use of otherwise available expendable financial resources in governmental funds.

Department – A major administrative division of the City which indicates overall management responsibility for an operation or group of related operations within a functional area.

Depreciation – An accounting transaction which spreads the purchase cost of an asset across its useful life.

Development fees – Fees charged to developers to cover, in whole or in part, the anticipated costs of improvements that will be necessary as a result of the development. Also called expansion fees.

Division – A functional unit of a department.

Discrete presentation – Method of reporting financial data of a component unit separately from financial data of the primary government. [SGAS 14]

Economic resources measurement focus - Measurement focus where the aim of a set of financial statements is to report

inflows, outflows, and balances affecting or reflecting an entity’s net assets. The economic resources measurement focus is used for proprietary and trust funds, as well as for government-wide financial reporting. It is also used by business enterprises and nonprofit organizations in the private sector.

Effectiveness – Term used by auditors to describe the degree to which an entity, program, or procedure is successful in achieving its goals and objectives.

Efficiency – Term used by auditors to describe the degree to which an entity, program, or procedure is successful at achieving its goals and objectives with the least use of scarce resources.

Eligibility requirements – Term used in connection with government-mandated and voluntary nonexchange transactions to describe conditions established by the provider of resources. [SGAS 33]

Encumbrance – Commitments related to unperformed contracts for goods or services. For financial reporting purposes, encumbrance accounting is restricted to governmental funds.

Enterprise fund – Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services. [SGAS 34]

Exchange transactions – Transactions in which each party receives and gives up essentially equal values. [SGAS 33]

Exchange-like transactions – Transactions in which there is an identifiable exchange between the reporting government and another party, but the



values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange. [SGAS 33]

Expenditure-driven grants – Government-mandated or voluntary nonexchange transactions in which expenditure is the prime factor for determining eligibility. Also known as *reimbursement grants*.

Expenditures – Under the current financial resources measurement focus, decreases in net financial resources not properly classified as *other financing uses*.

Fair value – In the context of investment valuation, the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. [SGAS 31]

Fiduciary funds – Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. [SGAS 34]

Final amended budget – Original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized. [SGAS 34]

Financial accountability – Relationship warranting the inclusion of a legally

separate organization in the reporting entity of another government. [SGAS 14]

Financial Accounting Foundation (FAF) – Nonprofit organization responsible for overseeing the operations of both the GASB and FASB.

Financial Accounting Standards Advisory Council (FASAC) – Advisory group that assists the FASB. The FASAC includes representatives of all of the FASB's major constituents.

Financial Accounting Standards Board (FASB) – Authoritative accounting and financial reporting standard-setting body for business enterprises and nonprofit organizations. The FASB is the direct successor to the Committee on Accounting Procedure and the Accounting Principles Board.

Financial audits – Audits designed to provide independent assurance of the presentation of financial information.

Financial reporting entity – 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. [SGAS 14]

Financial resources – Resources that are or will become available for spending. Includes cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments).



Financial section – One of the three basic sections of a comprehensive annual financial report. The financial section contains the auditor’s report, management’s discussion and analysis, the basic financial statements (including notes to the financial statements), required supplementary information, combining statements, and supplementary information, as needed.

Fiscal accountability – Responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public monies in the short term. [SGAS 34]

Fiscal dependence – Situation requiring the inclusion of a legally separate entity as a component unit within the financial reporting entity because the governing board of the primary government may *arbitrarily* override the financial decisions of the legally separate entity regarding a) its budget, (b) the levying of taxes or the setting of rates or charges, or (c) the issuance of bonded debt.

Formula grants – Government-mandated or voluntary nonexchange transactions involving the provision of resources based upon established criteria other than the incurrence of qualifying expenditures. Also referred to as “shared revenues”.

Function – Group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety).

Fund – Fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual

equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. [NCGA Statement 1]

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

Fund classifications – One of three categories – governmental, proprietary, and fiduciary – used to classify fund types.

GAAP hierarchy – Identification and ranking of the source of *generally accepted accounting principles* (GAAP).

General Fund – One of the five governmental fund types. The general fund typically serve as the chief operating fund of a government. The general fund is used to account for all financial resources except those required to be accounted for in another fund. [NCGA Statement 1]

Generally accepted accounting principles (GAAP) – Conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements.

Generally accepted auditing standards (GAAS) – Rules and procedures that govern the conduct of a financial audit.

Generally accepted governmental auditing standards (GAGAS) – Standards for the conduct and reporting of both financial and performance audits in the public sector as promulgated by the GAO.

Government Accountability Office (GAO) – Investigative arm of the U.S. Congress



charged with improving the performance and accountability of the federal government. The GAO issues the publication *Governmental Auditing Standards*, commonly known as the “Yellow Book” which sets generally accepted governmental audit standards (GAGAS).

Government Finance officers

Association (GFOA) – Association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local governments. Also sponsors the Certificate of Achievement for Excellence in Financial Reporting program.

Governmental Accounting Standards

Advisory Council (GASAC) – Advisory body established to assist the GASB. The membership of the GASA represents all major groups with an interest in accounting and financial reporting for state and local governments.

Governmental Accounting Standards

Board (GASB) – Ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the NCGA.

Governmental Activities – Activities generally finance through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are usually reported in governmental funds and internal service funds. [SGAS 34]

Governmental entity – For accounting and financial reporting purposes, an entity

subject to the hierarchy of GAAP applicable to state and local governmental units.

Governmental financial reporting model

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

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

Government-mandated nonexchange transactions

– Situation where a higher level government requires performance of a lower level government and provides it full or partial funding to do so. [SGAS 33]

Government-wide financial statements

– Financial statements that incorporate all of a government’s governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements; the statement of net assets and the statement of activities. [SGAS 34]

Impact fees – Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development.

Impairment – Significant, unexpected decline in the service utility of a capital asset. [SGAS 42]

Implementation guides – Guidance on the proper implementation of authoritative accounting and financial reporting standards



issued by the staff of the GASB.
Implementation guides are level 4 GAAAP.

Imposed nonexchange revenues –

Revenues that result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions. Examples of imposed nonexchange transactions are property taxes and fines. [SGAS 33]

“In-relation-to” opinion – Indication in the independent auditor’s report that the auditor does *not* render an opinion on the fair presentation *per se* of certain information contained in the financial report, but does assert that the information in question is fairly presented *in relation to* the audited financial statements.

Incurred but not reported (IBNR) claims –

In connection with risk financing, claims for insured events that have occurred but the claim has not yet been reported to the insuring entity as of the date of the financial statements. IBNR claims include (a) known loss events that are expected to be presented later as claims, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported. [SGAS 10]

Independent auditor – Auditors who are independent, both in fact and appearance, of the entities they audit. Both GAAS and GAGAS set specific criteria that must be met for an auditor to be considered independent.

Independent auditor’s report – Official written communication of the results of an audit. In a financial audit, the independent

auditor’s report typically will offer (or disclaim) an opinion on whether a set of financial statements is fairly presented in conformity with GAAP.

Indirect expenses – Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category. [SGAS 34]

Infrastructure – Long-lived capital assets that normally are statutory in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and wastewater systems, dams, and lighting systems. [SGAS 34]

In-substance defeasance of debt –

Situation that occurs when debt is considered defeased for accounting and financial reporting purposes, even though a legal defeasance has not occurred. When debt is defeased, it is no longer reported on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

Interest rate risk – Risk that changes in the interest rates will adversely affect the fair value of an investment. [SGAS40]

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



activity comprises interfund transfers and interfund reimbursements.

Interfund loans – Amounts provided between funds and blended component units with a requirement for repayment. [SGAS 34]

Interfund reimbursements – Repayments by one fund or blended component unit of a primary government to another for expenditures or expenses incurred on its behalf. [SGAS 34]

Interfund services provided and used – Sales and purchases of goods and services between funds and blended component units of the primary government for a price approximating their external exchange value. [SGAS 34]

Interfund transfers – Flows of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for repayment. [SGAS 34]

Internal control framework – Integrated set of policies and procedures designed to assist management to achieve its goals and objectives. To be truly comprehensive, a government's internal control framework must (a) provide a favorable control environment, (b) provide for the continuing assessment of risk, (c) provide for the design, implementation, and maintenance of effective control-related policies and procedures, (d) provide for the effective communication of information, and (e) provide for the ongoing monitoring of the effectiveness of control-related policies and

procedures as well as the resolution of potential problems identified by controls.

Internal service funds – Proprietary fund type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. [SGAS 34]

Introductory section – First of the three essential components of any comprehensive annual financial report. The introductory section typically provides general information on a government's structure and personnel as well as information useful in assessing the government's economic condition. The key element of the introductory section is the letter of transmittal.

Invested in capital assets, net of related debt – One of the three components of net assets that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

Joint venture – Legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) and ongoing financial responsibility. [SGAS 14]



Jointly governed organization – Regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. [SGAS 14]

Legal debt margin – Excess of amount of the legally authorized debt over the amount of debt outstanding.

Legal defeasance – Situation that occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

Legal level of budgetary control – Level at which a government's management may not reallocate resources without special approval from the legislative body.

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

Level of effort requirement – Requirement that a grant recipient not use grant resources to reduce its own participation in a given program or activity.

Lien date – For property (ad valorem) taxes, the date when an enforceable legal claim to taxable property arises.

Major fund – Governmental fund or enterprise fund reported as a separate column in the basic fund financial statements and subject to a separate opinion in the independent auditor's report.

Major program – Term used in the context of Single Audits. As part of the Single Audit, the independent auditor must gain an understanding of internal control over compliance for each major federal award program and then test it. In addition, the independent auditor must render an opinion on whether the government complied with laws, regulations, and provisions of contracts or grant agreements that could have a direct and material effect on each major federal awards program.

Management letter – In the context of the independent audit of the financial statements, a formal communication by the auditor to management that focuses on internal control weaknesses discovered in the course of the audit of the financial statements.

Management's discussion and analysis – Component of required supplementary information used to introduce the basis financial statements and provide analytical overview of the government's financial activities. [SGAS 34]

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

Material weakness – Reportable condition (internal control weakness) of such magnitude that it could potentially result in a



material misstatement of the financial statements.

Materiality – In the context of financial reporting, the notion that an omission or misstatement of accounting information is of such significance as to make it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Measurement focus - Types of balances (and related changes) reported in a given set of financial statements (i.e., economic resources, current financial resources, assets and liabilities resulting from cash transactions).

Modified accrual basis of accounting – Basis of accounting used in conjunction with the current financial resources measurement focus that modifies the accrual basis of accounting in two important ways 1) revenue are not recognized until they are measurable and available, and 2) expenditures are recognized in the period in which governments in general normally liquidate the related liability rather than when that liability is first incurred (if earlier).

Modified approach – Election *not* to depreciate infrastructure assets that are part of a network or subsystem of a network that meets two requirements. First, the government manages the eligible infrastructure assets using an asset management system that has certain specified characteristics; second, the government documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level

established and disclosed by the government. [SGAS 34]

Money market investment – Short-term, highly liquid debt instrument, including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. [SGAS 31]

National Advisory Council on State and Local Budgeting (NACSLB) – Working group created by eight public-sector organizations to establish a comprehensive framework for public-sector budgeting that could be used by state and local governments as an ideal against which to measure and improve the quality of their own budget practices.

National Committee on Governmental Accounting – Committee of the Municipal Finance Officers Association that served as the authoritative accounting and financial reporting standards-setting body for local governments from 1946 until the establishment of the National Council on Governmental Accounting in the 1970s.

National Council on Governmental Accounting (NCGA) – Immediate predecessor of the GASB as the authoritative accounting and financial reporting standards-setting body for state and local governments.

Net general obligation debt – General obligation debt reduced by the amount of any accumulated resources restricted to repaying the principal of such debt. [SGAS 44]

Net pension/OPEB obligation – The cumulative difference between annual



pension/OPEB costs and the other employer's contributions to the plan.

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

Noncapital financing activities – Term used in connection with cash flows reporting. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. [SGAS 9]

Nonexchange transaction – Transactions in which a government (including the federal government, as a provider) either gives or receives value (benefit) to/from another party without directly receiving/giving equal value in exchange. [SGAS 33]

Nonoperating revenue and expenses – In the context of the proprietary fund operating statement, revenue and expenses not qualifying as operating items (e.g., taxes, grants that are not equivalent to contracts for services, and most interest revenue and expense).

Nonreciprocal Interfund activity – Counterpart of nonexchange transactions within the primary government. Includes both Interfund transfers and Interfund reimbursements. [SGAS 34]

Office of Management and Budget (OMB) – Agency of the federal government with regulatory oversight of Single Audits.

Operating activities – Term used in conjunction with cash reporting. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. [SGAS 9]

Operating revenues and expenses – Cost of goods sold and services provided to customers and the revenues thus generated.

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

Original budget – First complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. [SGAS 34]

Other financing source – Increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the *other*



financing sources category is limited to items so classified by GAAP.

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

Other postemployment benefits (OPEB) – Postemployment benefits other than pension benefits. Includes postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits. [SGAS 43]

Outcome measures – In the context of service efforts and accomplishments reporting, indicators that measure accomplishments or results that occur (at least partially) because of service provided. [SGAC 2]

Output measures – Term used in connection with service efforts and accomplishments reporting. Indicators that measure the quantity of services provided. Output measures include both measure of the *quantity of service provided* and measures of the *quantity of services provided that meets a certain quality requirement*. [SGAC 2]

Overlapping debt – In the context of the statistical section, the outstanding long-term debt instruments of governments that overlap geographically, at least in part, with the government preparing the statistical section information. [SGAS 44]

Overlapping governments – In the context of the statistical section, all local governments located wholly or in part within the geographic boundaries of the reporting government. [SGAS 44]

Overlapping rate - In the context of the statistical section, an amount or percentage applied to a unit of a specific revenue base by governments that overlap geographically, at least in part, with the government preparing the statistical section information. [SGAS 44]

Own-source revenue – In the context of the statistical section, revenues that are generated by a government itself (e.g., tax revenues, water and wastewater charges, investment income) rather than provided from some outside source (e.g., intergovernmental aid and shared revenues). [SGAS 44]

Pass-through grants – Grants and other financial assistance received by a governmental entity to transfer to, or spend on behalf of, a secondary recipient. [SGAS 24]

Payment in lieu of taxes - Payment that a property owner not subject to taxation makes to a government to compensate it for services that the property owner receives that are normally financed through property taxes.

Pension (and OPEB) trust funds – Fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. [SGAS 34]



Performance measurement – Commonly used term for service efforts and accomplishments reporting.

Permanent funds – Governmental fund type used to report resources that are legally restricted to the extent that only the earnings, and not the principal, may be used for purposes that support the reporting government's programs. [SGAS 34]

Perspective differences – Difference between the basis for budgeting and GAAP that result when the structure used for budgeting differs from the fund structure used for GAAP financial reporting. [NCGA Interpretation 10]

Postemployment – Period following termination of employment, including the time between termination and retirement. [SGAS 43]

Postemployment healthcare benefits – Medical, dental, vision, and other health-related benefits provided to terminated employees, retired employees, dependents, and beneficiaries. [SGAS 43]

Primary government – Term used in connection with defining the financial reporting entity. 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. The primary government is the focus of the financial reporting entity. [SGAS 14]

Private-purpose trust funds – Fiduciary trust fund type used to report all trust arrangements, other than those properly

reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. [SGAS 34]

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

Program revenue – In the context of the government-wide statement of activities, revenue that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues. [SGAS 34]

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

Public employee retirement system – State or local governmental entity entrusted with administering one or more pension plans; it also may administer other postemployment benefit plans and deferred compensation plans. [SGAS 25]

Public-entity risk pool – Cooperative group of governmental entities joining together to finance an exposure, liability or risk. A pool may be a stand-alone entity or part of a larger governmental entity that acts as the pool's sponsor. [SGAS 10]

Purpose restriction – In the context of government-mandated and voluntary nonexchange transactions, legal limitations



that specify the purpose or purposes for which resources are required to be used (as distinguished from eligibility requirements). [SGAS 33]

Qualified opinion – In the context of financial audits, a modification of the independent auditor’s report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditor’s general assertion that the financial statements are fairly presented.

Questioned costs – In the context of Single Audits, a determination by the independent auditor that an expenditure under a federal grant does not meet all of the grantor’s requirements and therefore may be subject to refund to the grantor.

Realized gains and losses – Differences between the carrying value of an asset and its price at the time of sale if the asset had been reported at other than fair value.

Reappropriation – Inclusion of a balance from the prior year’s budget as part of the budget of the subsequent fiscal year.

Reasonable assurance – Principle that the goal of the independent audit of the financial statements is to ensure that those statements are free from *material* misstatement (based on the assumption that it is not cost beneficial to ensure that financial statements are free of *immaterial* misstatements).

Rebatable arbitrage – Requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt

securities are reinvested in a taxable money market instrument with a higher yield.

Reciprocal Interfund activity – Interfund counterpart to exchange and exchange-like transactions. Includes both Interfund loans and Interfund services provided and used. [SGAS 34]

Refunding – Issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). [SGAS 23]

Reverse repurchase agreement – Agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for the same securities or for different securities. [SGAS 3]

Risk-sharing pool One of four different type of public-entity risk pool. An arrangement by which governments pool risks and funds and share in the cost of losses. [SGAS 10]

Schedule of employer contributions – In the context of defined benefit pension plans and other postemployment benefit plans, trend data on employers’ annual required contribution to a plan and actual contributions.



Schedule of funding progress – In the context of defined benefit pension plans and other postemployment benefit plans, trend data on the relationship between the actuarial value of plan assets and the related actuarial accrued liability.

Segment – Identifiable activity (or grouping of activities) reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately.

Service efforts and accomplishment reporting – Term used by the GASB to describe the presentation of performance measures in connection with general purpose external financial reporting.

Single Audit – Audit designed to meet the needs of all federal grantor agencies and performed in accordance with the Single Audit Act of 1984 (as amended) and Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*.

Single Audit Act of 1984 – Federal legislation that provides for state and local government recipients of federal financial awards to have one audit performed to meet the needs of all federal grantor agencies. The Single Audit Act was amended in 1996.

Special assessment – Compulsory levy made against certain properties to defray all or part of the cost of a specific capital

improvement or service deemed to benefit primarily those properties.

Special items – Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. [SGAS 34]

Special revenue fund – Governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specific purposes. (NCGA Statement 1]

Statistical section – Third of three essential components of any comprehensive annual financial report, it 1) provides information on financial trends, 2) provides information on revenue capacity, 3) provides information on debt capacity, 4) provides demographic and economic information, and 5) provides operating information.

Summary of significant accounting policies (SAAP) – First of the notes to the financial statements. The basis content should include a discussion of 1) any selection of an accounting treatment when GAAP permit more than one approach, 2) accounting practices unique to state and local governments, and 3) unusual or innovative application of GAAP.

Supplementary information – Financial information presented together with basis financial statements that is not included within the scope of the audit of those statements. When the presentation of certain supplementary information is



mandated by the GASB it is referred to as *required supplementary information*.

Susceptible to accrual – In the context of the modified accrual basis of accounting, revenues that are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. [NCGA Statement 1]

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

Unqualified opinion – Opinion rendered without reservation by the independent audit that financial statements are fairly presented.

Unrealized gains or losses – Difference between the carrying value of an asset and its fair value prior to sale.

Unrealized revenues – In the context of budgeting, the difference between estimated revenues and actual revenues.

Unrestricted net assets – That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

Voluntary nonexchange transaction – Transaction that result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement. [SGAS 33]

Weighted average maturity (WAM) – In the context of investment disclosure, a measurement that expresses investment time horizons – the time when investments become due and payable – in years or

months, weighted to reflect the dollar size of individual investments within an investment type. [SGAS 40]

Yellow book – Term commonly used to describe the Government Accountability Office's publication *Governmental Auditing Standards*, the source of GAGAS.