

**SECTION O**                      **TERMINOLOGY**

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The following definitions of terms were taken, with some modifications, from the November 2000 edition of the Governmental Accounting Standards Board's publication, *What You Should Know about Your School District's Finances - A Guide to Financial Statements*. These definitions are provided in order to facilitate understanding of various narrative discussions and illustrations included in this manual.

ACCOUNTABILITY: a responsibility to justify your actions to another party

ACCOUNT GROUPS: accounting entities used by districts (prior to GASB STATEMENT 34) to list GENERAL FIXED ASSETS and GENERAL LONG-TERM DEBTS generally financed or repaid through the governmental funds

ACCOUNTING: see FINANCIAL ACCOUNTING

ACCOUNTING EQUATION: the equation stating the relationship among the elements recorded by FINANCIAL ACCOUNTING. For the GOVERNMENTAL FUNDS it is  $assets = liabilities + fund\ balance$ ; the equation is rearranged for other funds and the DISTRICT-WIDE FINANCIAL STATEMENTS:  $assets - liabilities = net\ assets$

ACCOUNTS PAYABLE: amounts a district owes to external persons or groups

ACCOUNTS RECEIVABLE: amounts a district is due to receive

ACCRUAL BASIS OF ACCOUNTING: all flows of resources (and thus all CHANGES IN NET ASSETS) during the year are recorded regardless of whether they involved cash flowing into or out of the district

ACCUMULATED DEPRECIATION: the sum of all annual DEPRECIATION EXPENSES to date for a CAPITAL ASSET; it is subtracted from HISTORICAL COST on a STATEMENT OF NET ASSETS

ADDITIONS: increases in the NET ASSETS of a FIDUCIARY FUND, including contributions by employers and employees and investment earnings

AGENCY FUNDS: a type of FIDUCIARY FUND that contains resources held on a temporary, purely custodial basis by a district on behalf of others

APPROPRIATIONS: legal authorizations to make EXPENDITURES, or to enter into obligations to make EXPENDITURES, for specific purposes

ASSETS: resources owned or controlled by a district, as a result of a past TRANSACTION or other event, that have a recognizable monetary value

AUDITOR'S REPORT: a letter accompanying the financial statements that presents a CPA's or other auditor's opinion concerning whether the statements are presented fairly in conformity with GAAP

BALANCE SHEET: a financial statement that compares what an entity owns with what it owes; districts use them to report the CURRENT FINANCIAL RESOURCES (ASSETS, LIABILITIES, and FUND BALANCES) of the GOVERNMENTAL FUNDS, and sometimes to report the ASSETS, LIABILITIES, and NET ASSETS of the PROPRIETARY FUNDS

BASIC FINANCIAL STATEMENTS (BFS): the heart of a district's annual financial report, consisting of DISTRICT-WIDE FINANCIAL STATEMENTS, FUND FINANCIAL STATEMENTS, and NOTES TO THE

## FINANCIAL STATEMENTS

**BASIS OF ACCOUNTING:** the decision rule a district employs to determine when to record the ASSETS, LIABILITIES, REVENUES, and EXPENSES/EXPENDITURES specified by the relevant MEASUREMENT FOCUS; two principal bases used by districts are ACCRUAL and MODIFIED ACCRUAL

**BFS:** see BASIC FINANCIAL STATEMENTS

**BONDS:** a form of debt issued by districts that is repaid, usually with INTEREST, over periods stretching from a few years to a few decades; they typically are issued to finance the acquisition, construction, and rehabilitation of CAPITAL ASSETS

**BUDGETARY COMPARISON SCHEDULE/STATEMENT:** a document comparing data from a district's ORIGINAL and FINAL BUDGETS with actual results for a given year; a district may present the comparison as one of the BASIC FINANCIAL STATEMENTS or as a schedule with the REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**BUSINESS-TYPE ACTIVITIES (BTA):** activities primarily financed with fees charged for goods and services and generally reported in ENTERPRISE FUNDS, as well as the DISTRICT-WIDE FINANCIAL STATEMENTS

**CAFR:** see COMPREHENSIVE ANNUAL FINANCIAL REPORT

**CAPITAL AND RELATED FINANCING CASH FLOWS:** cash received from borrowing, grants, or other sources and disbursed by a district for the purpose of buying, selling, building, and rehabilitating CAPITAL ASSETS

**CAPITAL ASSETS:** ASSETS used in operations that have initial USEFUL LIVES of more than one year, such as land, buildings, improvements to buildings, vehicles, equipment, and INFRASTRUCTURE

**CAPITAL CONTRIBUTIONS:** amounts received that are restricted for building or purchasing, CAPITAL ASSETS, or the receipt of an actual capital asset

**CAPITAL GRANTS:** INTERGOVERNMENTAL AID that is restricted for the purpose of purchasing, constructing, or renovating CAPITAL ASSETS

**CAPITAL PROJECTS FUND:** a GOVERNMENTAL FUND used to account for the flows of resources related to the construction, acquisition, and renovation of CAPITAL ASSETS

**CATEGORICAL GRANTS:** INTERGOVERNMENTAL AID restricted to a specific purpose

**CERTIFIED PUBLIC ACCOUNTANT (CPA):** professional designation earned by achieving specified standards of accounting education and work experience and by passing a national examination

**CHANGE IN FINANCIAL POSITION:** refers to how finances changed as a district was run during the course of a period; most simply defined as CHANGE IN NET ASSETS

**CHANGE IN FUND BALANCE:** the increase or decrease from year to year in FUND BALANCE; it is the sum total of the flows (REVENUES, EXPENDITURES, and OTHER FINANCING SOURCES AND USES) reported in the GOVERNMENTAL FUNDS

**CHANGE IN FUND NET ASSETS:** the increase or decrease from year to year in the NET ASSETS of the PROPRIETARY FUNDS; it is the sum total of REVENUES, EXPENSES, gains, and losses reported in the STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

**CHANGE IN NET ASSETS:** the increase or decrease from year to year in the NET ASSETS of the whole district; it is the sum total of REVENUES, EXPENSES, gains, and losses reported in the district-wide STATEMENT OF ACTIVITIES

**CHARGES FOR SERVICES:** fees and other charges to the users or recipients of the goods and services a district provides

**CLAIMS AND JUDGMENTS:** LIABILITIES of a district related to claims for payment (such as from insured employees) and court-imposed awards

**CLASSIFIED FORMAT:** a method of organizing a STATEMENT OF NET ASSETS or BALANCE SHEET that divides ASSETS and LIABILITIES between CURRENT and NONCURRENT

**COMBINING FINANCIAL STATEMENTS:** statements that present the finances of multiple similar accounting entities, such as NONMAJOR FUNDS or INTERNAL SERVICE FUNDS; combining statements for COMPONENT UNITS may be presented among the BASIC FINANCIAL STATEMENTS, and for other purposes with the supplementary material in the CAFR

**COMMON-SIZE RATIOS:** calculations that put financial data in a metric that allows comparisons over time and across districts; see PERCENTAGE CHANGE and PERCENTAGE DISTRIBUTION

**COMPARATIVE FINANCIAL STATEMENTS:** documents presenting the information from a particular statement for more than one year; districts may include them among the supplementary material in the CAFR

**COMPENSATED ABSENCES:** unused vacation and other leave time for which employees will be paid when they retire or otherwise cease to work for a district

**COMPONENT UNITS:** legally separate organizations, often governmental, for which the elected officials of a district are financially accountable; it is rare for districts to have component units

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):** a district's official annual financial report, containing the BASIC FINANCIAL STATEMENTS as well as introductory material and additional statements and schedules with financial, economic, and demographic information

**CONDENSED FINANCIAL STATEMENTS:** documents containing a substantially reduced set of information from another, complete financial statement; districts may use them rather than COMBINING FINANCIAL STATEMENTS to report COMPONENT UNITS

**CONTINGENT LIABILITIES:** potential future LIABILITIES based on conditions that were unresolved as of the date of the financial statements, such as pending court cases, disputed claims, and unfilled purchase orders

**COVERAGE RATIOS:** types of SOLVENCY RATIOS used to assess a district's ability to repay LONG-TERM DEBT; examples include INTEREST COVERAGE and DEBT SERVICE COVERAGE

**CPA:** see CERTIFIED PUBLIC ACCOUNTANT

**CREDIT RATING:** a grade given by a private credit rating firm to a particular outstanding or pending issue of debt to assist investors and creditors in determining the likelihood that a district will be able to make INTEREST and PRINCIPAL payments on time

**CURRENT ASSETS:** cash and other ASSETS expected or required to be converted to cash within a year that face no restrictions that would prevent a district from doing so

**CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS:** this is applied to the GOVERNMENTAL FUNDS to report on the flows or resources that occurred within or soon after a given year; it does not include CAPITAL ASSETS or the portion of LONG-TERM DEBT due beyond the current year

**CURRENT LIABILITIES:** LIABILITIES that are due now or expected to become due within a year, and which generally require the use of CURRENT ASSETS to satisfy them

**CURRENT RATIO:** a calculation to assess if a district has enough liquid ASSETS to cover the LIABILITIES that are due now or expected to come due in the next year; calculated as follows: current assets ÷ current liabilities

**DEBT SERVICE:** the payment of INTEREST and PRINCIPAL on amounts borrowed

**DEBT SERVICE COVERAGE RATIO:** a kind of COVERAGE RATIO used to assess a district's ability to pay INTEREST on and repay the PRINCIPAL of its LONG-TERM DEBT

**DEBT SERVICE FUND:** a GOVERNMENTAL FUND to account for the payment of INTEREST and PRINCIPAL on LONG-TERM DEBT

**DEBT-TO-ASSETS RATIO:** a LEVERAGE RATIO used to assess the degree to which a government's ASSETS are financed through borrowing and other long-term obligations; it is calculated as follows: liabilities ÷ assets

**DEBT-TO-NET-ASSETS RATIO:** a LEVERAGE RATIO used to assess the degree to which a government's ASSETS are financed through borrowing and other long-term obligations; it is calculated as follows: liabilities ÷ net assets

**DEDUCTIONS:** reductions in the NET ASSETS of FIDUCIARY FUNDS; primarily benefit payments and the costs of general administration

**DEFERRED REVENUE:** LIABILITIES representing resources received by a district that do not yet qualify to be recorded as REVENUES

**DEPRECIATION EXPENSE:** the systematic allocation of the HISTORICAL COST of a CAPITAL ASSET over its USEFUL LIFE; it is a proxy for the cost of using a capital asset in the operations of a district, or for the gradual wearing out of a CAPITAL ASSET over time

**DESIGNATIONS:** self-imposed constraints on the use of NET ASSETS or FUND BALANCES; they do not qualify as RESTRICTIONS or RESERVATIONS because they are not legally or externally specified

**DIRECT EXPENSE:** an EXPENSE specifically associated with a service, program, or department and; therefore, clearly identifiable to a particular functional or program expense category

**DISTRICT-WIDE FINANCIAL STATEMENTS:** statements covering all of a district's activities (except FIDUCIARY ACTIVITIES); they are prepared using the ECONOMIC RESOURCES MEASUREMENT FOCUS and ACCRUAL BASIS OF ACCOUNTING; they appear first among the BASIC FINANCIAL STATEMENTS and include the STATEMENT OF NET ASSETS and STATEMENT OF ACTIVITIES

**DOUBLE-ENTRY ACCOUNTING:** a system of recording financial data, developed more than 500 years ago, that is based on the premise that for every account –ASSET, LIABILITY, or NET ASSETS–that is affected by a TRANSACTION, there must be at least one other account affected in such a way that the ACCOUNTING EQUATION remains balanced

**ECONOMIC RESOURCES MEASUREMENT FOCUS:** applied to all governmental accounting and reporting except for the GOVERNMENTAL FUNDS; this measurement focus includes all of the resources of a district, both capital and financial, current and long-term

**ENCUMBRANCES:** amounts committed to pay for goods and services a district contracted for but did not receive prior to the end of the year

**ENTERPRISE FUNDS:** a type of Proprietary Fund that accounts for goods and services provided to those outside the district, generally on a user-charge basis; they are virtually synonymous with a district's BUSINESS-TYPE ACTIVITIES

**EXPENDITURE ACCRUAL:** see MODIFIED ACCRUAL BASIS OF ACCOUNTING

**EXPENDITURES:** the outflow of cash, a promise to pay, or other financial resources in return for goods and services that have been received

**EXPENSE ACCRUAL:** see ACCRUAL BASIS OF ACCOUNTING

**EXPENSES:** decreases in NET ASSETS resulting from the using up or outflows of ASSETS in the course of operating a district and providing goods and services

**EXTRAORDINARY ITEMS:** CHANGES IN NET ASSETS or CHANGES IN FUND BALANCES that are both unusual in nature and infrequent in occurrence, they are reported separately from REVENUES and EXPENSES/EXPENDITURES

**FASB:** see FINANCIAL ACCOUNTING STANDARDS BOARD

**FIDUCIARY ACTIVITIES:** activities in which a district acts as trustee or agent for resources that belong to others, such as employee pension plans; these activities are not included in the DISTRICT-WIDE FINANCIAL STATEMENTS because their resources do not belong to the district and are not available to be used

**FIDUCIARY FUNDS:** FUNDS used to account for FIDUCIARY ACTIVITIES; they employ the ECONOMIC RESOURCES MEASUREMENT FOCUS and ACCRUAL BASIS OF ACCOUNTING; types of FIDUCIARY FUNDS include PENSION (AND OTHER EMPLOYEE BENEFIT) TRUSTS, INVESTMENT TRUSTS, PRIVATE-PURPOSE TRUSTS, and AGENCY FUNDS

**FINAL BUDGET:** the budget that reflects all legal changes made to the ORIGINAL BUDGET subsequent to the start of the year (even those that occur after the end of the year)

**FINANCIAL ACCOUNTING:** the systematic measuring and recording of the financial effect of an organization's activities for the purpose of external reporting

**FINANCIAL ACCOUNTING STANDARDS BOARD (FASB):** the GASB's counterpart for the private sector, with responsibility for for-profit and not-for-profit nongovernmental entities

**FINANCIAL ANALYSIS:** the examination and processing of FINANCIAL STATEMENTS and other relevant information to draw conclusions about a district's financial health upon which decisions may be based

**FINANCIAL POSITION:** a district's financial status at a given point in time

**FINANCIAL RATIOS:** numbers calculated from financial statement information for the purpose of conducting FINANCIAL ANALYSIS

**FINANCIAL REPORTING:** the process of summarizing an organization's accounting information and reporting it to the public

**FINANCIAL SECTION:** the portion of the CAFR containing the BASIC FINANCIAL STATEMENTS and other supporting FINANCIAL STATEMENTS and schedules

**FINANCIAL STATEMENTS:** documents prepared by a district for the purpose of reporting its finances to the public

**FISCAL YEAR:** the typical period covered by a district's financial statements

**FRINGE BENEFITS:** nonsalary compensation for employees, such as pension contributions and health and life insurance premiums

**FULL ACCRUAL:** see ACCRUAL BASIS OF ACCOUNTING

**FUND:** a fiscal and accounting entity created by a district for the purpose of tracking the finances of a particular activity or group of activities

**FUND BALANCE:** what remains after liabilities are subtracted from assets

**FUND FINANCIAL STATEMENTS:** statements reporting the finances of a district's GOVERNMENTAL, PROPRIETARY, and FIDUCIARY FUNDS

**GAAP:** see GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

**GASB STATEMENT 34:** a set of substantial revisions, approved in June 1999, to the model that districts follow when reporting their finances to the public; the full title is *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*

**GENERAL FIXED ASSETS ACCOUNT GROUP (GFAAG):** a summary of a district's general fixed assets included in the financial statements prior to the implementation of GASB STATEMENT 34

**GENERAL FUND:** accounts for all activities not reported in the other FUNDS

**GENERAL LONG-TERM DEBT ACCOUNT GROUP (GLTDAG):** a summary of a district's general LONG-TERM DEBT included in the financial statements prior to the implementation of GASB STATEMENT 34

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP):** the body of standards promulgated by the GASB, its predecessors, and the AICPA that govern how districts account for and report their finances externally

**GENERAL OBLIGATION (GO) DEBT:** debt issued by a district (generally long-term BONDS) that typically is

secured by the full faith and credit of the district - meaning all of its taxing and revenue-raising capability

GENERAL REVENUES: all REVENUES that are not PROGRAM REVENUES; most commonly taxes

GFAAG: see GENERAL FIXED ASSETS ACCOUNT GROUP

GLTDAG: see GENERAL LONG-TERM DEBT ACCOUNT GROUP

GOVERNMENTAL ACTIVITIES: activities generally financed with taxes and unrestricted INTERGOVERNMENTAL AID and generally reported in the GOVERNMENTAL FUNDS, as well as the DISTRICT-WIDE FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS: these funds track the finances of a district's basic services and collectively are virtually synonymous with the GOVERNMENTAL ACTIVITIES reported in the DISTRICT-WIDE FINANCIAL STATEMENTS; they are reported using the CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS and MODIFIED ACCRUAL BASIS OF ACCOUNTING, and include the GENERAL, SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECTS, and PERMANENT FUNDS

HISTORICAL COST: the original construction cost or acquisition price of a CAPITAL ASSET; it is reported in a STATEMENT OF NET ASSETS, less ACCUMULATED DEPRECIATION

INDIRECT EXPENSE: a cost that is not related directly to the provision of a good or service to the public, but rather is related to support and administration activities such as custodial and security services, personnel, and print shops; some districts allocate indirect expenses among the functional and program expense categories on their STATEMENT OF ACTIVITIES

INTEREST: the cost of using borrowed money, it is typically a percentage of PRINCIPAL

INTEREST COVERAGE RATIO: a kind of COVERAGE RATIO used to assess a district's ability to pay future INTEREST payments on its LONG-TERM DEBT

INTERFUND ELIMINATIONS: adjustments made when converting individual FUND information to district-wide data to avoid double-counting due to the effect of TRANSFERS or other movements of resources among funds

INTERGENERATIONAL EQUITY: the degree to which a district is using resources accumulated from previous years or borrowing from future years to finance the costs of present-day services

INTERGOVERNMENTAL AID: grants to or from other districts; for local districts, they typically come from the state and federal governments

INTERNAL SERVICE FUND: a type of PROPRIETARY FUND that tracks the activities that provide goods or services primarily to the other agencies or programs of a district; generally included with the GOVERNMENTAL ACTIVITIES in the DISTRICT-WIDE FINANCIAL STATEMENTS

INTRODUCTORY SECTION: the first part of the CAFR; it contains the letter of transmittal, organizational charts, and other general information about a district

INVESTING CASH FLOWS: the exchange of cash related to the buying and selling of investments, as well as investment earnings

INVESTMENT TRUST FUND: a type of FIDUCIARY FUND to track the portion of a district's investment pools that belongs to other districts

**LETTER OF TRANSMITTAL:** a welcoming message to the user of the CAFR, presented in the INTRODUCTORY SECTION, from a district's chief executive - the superintendent, board president, or equivalent position - or finance officers; it may include information not found in the MD&A, such as subjective information

**LEVERAGE RATIOS:** calculations to assess the degree to which a district's ASSETS are financed through borrowing and other long-term obligations

**LIABILITIES:** amounts a district owes

**LIQUIDITY:** how quickly an ASSET can be exchanged for cash or is expected to be used up, taking into account any restrictions as to when the asset can be used

**LIQUIDITY RATIOS:** calculations to assess a district's ability to pay for its most immediate obligations

**LONG-TERM DEBT:** see NONCURRENT LIABILITIES

**MAJOR FUNDS:** a district's most significant GOVERNMENTAL and ENTERPRISE FUNDS, based on specific size criteria, the GENERAL FUND is always considered major, and districts can designate other important funds as well; they are displayed individually on the FINANCIAL STATEMENTS

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A):** an overview and analysis, prepared by a district's finance officers, of the information in the district's FINANCIAL STATEMENTS; it is a form of RSI, although it appears before the BASIC FINANCIAL STATEMENTS

**MATURITY:** refers to when LIABILITIES are due to be settled

**MD&A:** see MANAGEMENT'S DISCUSSION AND ANALYSIS

**MEASUREMENT FOCUS:** the definition of the kinds of TRANSACTIONS or events a district should consider when accounting for and reporting its finances, see ECONOMIC RESOURCES MEASUREMENT FOCUS and CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS

**MFBA:** see MEASUREMENT FOCUS and BASIS OF ACCOUNTING

**MODIFIED ACCRUAL BASIS OF ACCOUNTING:** the basis a district uses for its GOVERNMENTAL FUNDS; it records EXPENDITURES rather than EXPENSES, and requires that payment on REVENUES be received during the year or soon enough thereafter to be used to liquidate the current year's LIABILITIES

**NET ASSETS:** what remains after LIABILITIES have been subtracted from ASSETS

**NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT:** CAPITAL ASSETS net of ACCUMULATED DEPRECIATION, less outstanding debts incurred by a district to buy or construct them

**NET COST:** the portion of the cost of providing services - after deducting USER FEES and CATEGORICAL GRANTS or donations - that is financed by GENERAL REVENUES such as taxes; also called NET EXPENSE

**NET (EXPENSE) REVENUE:** the remainder after PROGRAM REVENUES are subtracted from EXPENSES; a functional expense category with a positive number provides net revenue to the district; a functional expense category with a negative number places a net expense on the district that generally is financed with taxes and other GENERAL REVENUES; this information is found in the STATEMENT OF ACTIVITIES

**NONCAPITAL FINANCING CASH FLOWS:** the exchange of cash related to grants received from or provided to other governments, as well as transfers and borrowing for purposes other than purchasing, constructing, or rehabilitating CAPITAL ASSETS

**NONCURRENT ASSETS:** ASSETS expected to be liquidated beyond the coming year or that are restricted from being liquidated in the current year

**NONCURRENT LIABILITIES:** LIABILITIES that come due beyond the coming year

**NONMAJOR FUNDS:** FUNDS that do not qualify as MAJOR FUNDS

**NOTE:** a form of debt issued by districts that is typically repaid within one year; notes are commonly used to even out cash flows over the course of a year

**NOTES TO THE FINANCIAL STATEMENTS:** note disclosures provide additional information that is essential for financial statements to fairly present the finances of a district; they are considered a component of the BASIC FINANCIAL STATEMENTS

**ON-BEHALF PAYMENTS:** direct payments made by a district to a third party or received from another government for FRINGE BENEFITS and salaries of employees of another, legally separate organization or government

**OPERATING CASH FLOWS:** the exchange of cash related to a district's provision of services and the production and provision of goods

**OPERATING EXPENSES:** the costs of producing and providing goods and services to customers and of collecting payment from them

**OPERATING GRANTS:** INTERGOVERNMENTAL AID received or provided that is not restricted to capital activities

**OPERATING REVENUES:** fees and charges generated by an activity's production and provision of goods and services to customers

**ORIGINAL BUDGET:** the first legally adopted budget for a given year, including any legal adjustments made to it subsequent to adoption but prior to the start of the year

**OTHER FINANCING SOURCES AND USES:** flows of resources other than REVENUES and EXPENSES in the GOVERNMENTAL FUNDS that increase and reduce FUND BALANCES; a common example is proceeds from LONG-TERM DEBT

**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUND:** a type of FIDUCIARY FUND used to account for resources held in trust for the members and beneficiaries of employee benefit plans

**PERCENTAGE CHANGE:** a COMMON-SIZE RATIO that shows the magnitude of change over time; it is calculated as follows:  $(\text{base year} - \text{comparison year}) \div \text{comparison year}$

**PERCENTAGE DISTRIBUTION:** a COMMON-SIZE RATIO for determining the proportions that individual

elements represent of a total; it is calculated as follows: individual element ÷ total

**PERMANENT FUND:** a GOVERNMENTAL FUND for reporting resources legally restricted so that only the earnings they generate, and not the resources themselves, may be used to finance operations

**PREPAID EXPENSE:** an ASSET related to resources a district gives to another party but for which the district has not yet received a good or service in return; the ASSET essentially represents a *right* to receive the good or service in the future; an example is rent that is paid in advance

**PRINCIPAL:** the original amount borrowed via a mortgage, BONDS, NOTES, or other debt instrument; or original amounts invested by a district

**PRIVATE-PURPOSE TRUST FUND:** a type of FIDUCIARY FUND used to report all trust arrangements not reported in another kind of FIDUCIARY FUND

**PROGRAM REVENUES:** REVENUES produced by an activity's fees and charges or received as OPERATING or CAPITAL GRANTS specifically for that activity

**PROPRIETARY FUNDS:** FUNDS that track a district's activities that are operated like businesses, charging customers a fee in return for goods or services; there are two kinds - ENTERPRISE and INTERNAL SERVICE FUNDS

**PUBLIC ENTITY RISK POOL:** an arrangement by which multiple districts join together to finance activities that involve risk or a liability, such as providing health or life insurance to employees

**QUICK RATIO:** a LIQUIDITY RATIO used to assess a district's ability to raise enough resources to cover its most immediate LIABILITIES; it is calculated as follows: (cash + current investments) ÷ current liabilities

**RAN:** see REVENUE ANTICIPATION NOTE

**RECONCILIATIONS:** schedules to financial statements that present the adjustments necessary to generally explain how the BASIS OF ACCOUNTING differs in two sets of statements; districts prepare reconciliations between the DISTRICT-WIDE and GOVERNMENTAL FUNDS FINANCIAL STATEMENTS; the STATEMENT OF CASH FLOWS and STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS of the ENTERPRISE FUNDS; and the actual budget results and STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

**REQUIRED SUPPLEMENTARY INFORMATION (RSI):** important additional information that supports and explains the data in the BASIC FINANCIAL STATEMENTS; RSI is not a part of the BFS, but districts are required to provide it together with them; RSI materials follow the NOTES TO THE FINANCIAL STATEMENTS, with the exception of the MD&A, which precedes the statements

**RESERVED FUND BALANCE:** portions of FUND BALANCE that are set aside for future purposes and, therefore, cannot be appropriated for general uses

**RESTRICTED ASSETS:** ASSETS a district is externally or legally prohibited from using for general operating purposes

**RESTRICTED NET ASSETS:** NET ASSETS restricted to a particular purpose internally by law or by other

organizations or persons external to a district

REVENUE ANTICIPATION NOTE (RAN): NOTE issued in advance of receiving payments of nontax revenues

REVENUE DISPERSION: the degree to which a district's REVENUES come from a few sources versus a wide variety of sources

REVENUES: increases in NET ASSETS connected with growth in ASSETS as a result, directly or indirectly, of providing goods and services

RSI: see REQUIRED SUPPLEMENTARY INFORMATION

SALVAGE VALUE: theoretically, the value of a CAPITAL ASSET at the end of its USEFUL LIFE; it is subtracted before HISTORICAL COST is allocated over the useful life via the DEPRECIATION EXPENSE; also called residual value

SOLVENCY RATIOS: calculations that examine a district's ability to meet long-term obligations

SPECIAL ITEMS: CHANGES IN NET ASSETS or CHANGES IN FUND BALANCES that are within the control of a district and are either unusual in nature or infrequent in occurrence; they are reported separately from REVENUES and EXPENSES/EXPENDITURES

SPECIAL REVENUE FUND: a GOVERNMENTAL FUND that tracks REVENUE sources legally restricted to specific uses

STATEMENT OF ACTIVITIES: a FINANCIAL STATEMENT that reports a district's EXPENSES, REVENUES, and other changes in its NET ASSETS during the year, as well as NET (EXPENSE) REVENUE

STATEMENT OF CASH FLOWS: a FINANCIAL STATEMENT that reports the inflows and outflows of cash during a given period for operating and other purposes; districts prepare this statement for their PROPRIETARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS: a FINANCIAL STATEMENT that reports ADDITIONS to and DEDUCTIONS from the NET ASSETS of FIDUCIARY FUNDS during a given period

STATEMENT OF FIDUCIARY NET ASSETS: a FINANCIAL STATEMENT that reports the ASSETS, LIABILITIES, and NET ASSETS of FIDUCIARY FUNDS at a given point in time

STATEMENT OF NET ASSETS: a FINANCIAL STATEMENT that reports ASSETS, LIABILITIES, and NET ASSETS at a given point in time; one of a district's DISTRICT-WIDE FINANCIAL STATEMENTS, as well as a PROPRIETARY FUNDS financial statement

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES: a FINANCIAL STATEMENT that reports the REVENUES, EXPENDITURES, and other CHANGES IN FUND BALANCES of the GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS: a FINANCIAL STATEMENT that reports the REVENUES, EXPENSES, and other CHANGES IN NET ASSETS of the PROPRIETARY FUNDS

STATISTICAL SECTION: the portion of the CAFR that contains additional financial, economic, and demographic

information, generally for multiple years, relating to the district and its environs

STEWARDSHIP: the act of being accountable and demonstrating ACCOUNTABILITY to another party

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: explains the general accounting methods and assumptions employed by a district when recording financial information and reporting that information in its FINANCIAL STATEMENTS, especially those instances in which a district has a choice between two or more approaches

TAN: see Tax ANTICIPATION NOTE

TAX AND REVENUE ANTICIPATION NOTE (TRAN): NOTE issued in advance of receiving payments from taxes and other revenues

TAX ANTICIPATION NOTE (TAN): NOTE issued in advance of receiving payments from tax revenues

TAXES RECEIVABLE: payments due to a district from levied taxes

TRAN: see TAX AND REVENUE ANTICIPATION NOTE

TRANSACTIONS: events in which something of value is exchanged between a district and another party external to the district

TRANSFERS: shifts of resources from one part of a district to another without receiving something in return, such as from GOVERNMENTAL ACTIVITIES to BUSINESS-TYPE ACTIVITIES, or from the GENERAL FUND to a DEBT SERVICE FUND

TRANSMITTAL LETTER: see LETTER OF TRANSMITTAL

UNRESERVED FUND BALANCE: portions of FUND BALANCE that are available to be appropriated for general uses, less DESIGNATIONS

UNRESTRICTED NET ASSETS: all NET ASSETS neither restricted nor invested in CAPITAL ASSETS, net of related debt

USEFUL LIFE: period during which a CAPITAL ASSET is expected to be usable for district operations

USER FEES: see CHARGES FOR SERVICES

VENDORS PAYABLE: amounts owed to businesses that have sold a district goods or services

WAGES PAYABLE: amounts owed to employees for work performed

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