

OREGON ACCOUNTING MANUAL

SUBJECT: Accounting and Financial Reporting

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DIVISION: State Controller's Division

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Chapter: Glossary

Accountability The recognition and acceptance that one is answerable for whatever happens within a particular area of activity regardless of the cause; also, the physical protection of assets, records, and computer files.

Accounting System The processes used to record transactions related to revenues, expenditures, assets and liabilities; to record or control non-capital or capital assets; and to record or produce vouchers, checks, purchase orders, and invoices. The accounting system is the process that identifies and records transactions to maintain accountability.

Accrual Basis of Accounting A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur regardless of the timing of the related cash flows.

Accrued Interest Earned Interest earned on bonds or COPS from the time the issue is effective to the sale date.

Activity A specific service or production performed by one or more components of a government to accomplish a function for which the government is responsible.

Activity Based Costing (ABC) A cost-accounting concept based on the premise that the products and services provided by an organization require that organization to perform activities and that those activities require the organization to incur costs. In ABC, any cost that cannot be assigned directly to a product or service is traced to the activities that make that cost necessary. The cumulative cost of each activity is then traced to those other activities, products, or services that make that activity necessary.

Adjustment A correction or modification to an account balance.

Administrative Limitation Limitation not established by the Legislature.

Adopted Budget The final budget produced by a Legislative session. The legislatively approved budget, in contrast, includes E-Board actions and other changes that occur after the end of the Legislative session.

ADPICS Advanced Purchasing and Inventory Control System, the State of Oregon's purchasing and inventory control system.

Agency Any elected or appointed state officer, board, commission, department, institution, branch, or other instrumentality of Oregon state government whose costs are paid wholly or in part from funds held in the State Treasury. Also any agency, board, commission or other governmental unit that uses OSPS to process employee payrolls.

Agency Fund A fiduciary fund type used to account for assets held by the State as an agent for other governmental units, other organizations, or individuals.

Agency Head The highest authority of any state agency, board, or commission.

Agency Number A three-digit identification number assigned by the Department of Administrative Services to state agencies.

Agent One who, under state agency authority, performs a duty or function on the agency's behalf, subject to agency direction and control. Any person or organization with legal capacity to contract could be an agent of an agency. Volunteers can be agents.

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

Agent Relationships Relationships between agencies where one agency is acting as an agent on behalf of another agency.

Aging Schedule A schedule showing the breakdown of accounts receivable balances according to the length of time each account is past due, generally in 30-day intervals.

Allocation Indirect assignment of costs, usually in a manner that spreads costs arbitrarily across multiple programs or activities.

Allocation Plan The schedule of State Lottery money allocations by quarter for the biennium based on anticipated revenues.

Allocation Schedule The quarterly schedule of State Lottery money allocations and distributions that are actually made.

Allotment A part of an appropriation or expenditure limitation that may be encumbered or expended during a given period, usually 3 months.

Amortization The portion of the cost of a limited life or intangible asset charged as an expense during a particular period, or the reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

Ancillary Charges Costs necessary to put a capital asset into use, such as freight and handling, insurance in transit, and assembly or installations costs. These costs are capitalized as part of the asset.

Appropriation A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended. In the State of Oregon, appropriation is the term used for the expenditure budget for the General Fund. In all other funds, the term limitation is used.

Appropriation Number A five digit number in R*STARS that identifies the legal authority for disbursements.

Approved Budget Legislatively approved limitation or appropriation. The approved budget includes E-Board actions and other changes to the legislative adopted budget.

Approved Rates and Assessments Rates and assessments that have been submitted in the Statewide Central Service Cost Allocation Plan and have been approved for charges to federal programs by the U.S. Department of Health and Human Services, Division of Cost Allocation.

Approving Officer The agency head or his/her designee lawfully possessing the authority to obligate or authorize an expenditure of state funds. The approving officer can delegate expenditure decision authority to responsible subordinates by dollar limits, expenditure type limits, or in total.

Arbitrage The difference earned from investing low-yielding tax-exempt bond/COP proceeds in higher yielding taxable securities.

Arbitrage Rebate Payable The amounts due to the Internal Revenue Service for interest earned on unspent bond or COP proceeds that exceeds legally allowable returns.

Audit Agency A state agency that has been assigned to review the Single Audit Report of a subrecipient organization, which may be a local government or other non-profit organization.

Audit Letters Letters written to agencies by the Audits Division after an audit has been completed to provide recommendations and list findings not included in the formal report.

Audit Reports Formalized audits or review reports prepared by the Audits Division.

Audit Resolution The prompt review and correction of conditions which caused audit findings.

Audits Division The Audits Division of the Secretary of State.

Authorized Purchases Purchases which further the business of the State. A purchase will "further the business of the State" only when the purchase: (1) is authorized by statute and by the Department of Administrative Services (DAS) rule or policy or agency rule or procedure; (2) will promote or support the lawful operation of the agency on whose behalf the purchase is made; and (3) is covered by public funds that are currently available to the agency, by appropriation, expenditure limitation or other legislative authority and where applicable, by DAS allotment for the purpose of the purchase.

Authorized User Individual who has signed the Credit Card Application and Agreement form and has been authorized by the Approving Officer and/or the departmental custodian to use the credit card.

Available Funds Funds appropriated or otherwise made available by the Legislative Assembly to pay amounts due under a financing agreement for the fiscal period in which the payments are due, together with any unexpended proceeds of the financing agreement, and any reserves or other amounts which may have been deposited in trust to pay amounts due under the financing agreement.

Bargain Purchase Option A provision in a lease allowing the lessee to buy an asset sometime during the term of the lease at a price considerably lower than the fair market value of the asset. If there is reasonable assurance at the start of a lease that a purchase option will be exercised, the lease should be considered a capital lease.

Basis of Accounting The basis of accounting refers to the timing of when actual revenues, expenses, expenditures, and transfers and their related affect on assets and liabilities are recognized in the accounts and reported in the official accounting records and financial statements. The bases of accounting used in Oregon are the cash, accrual, and modified accrual. Each of these bases is separately defined in this glossary.

Benefit A reduction in risk, a cost savings, or an improvement in efficiency or effectiveness.

Biennium A period of two years beginning July 1 of each odd-numbered year.

Billing A request for payment where a state agency sends an invoice or other type of claim for a specific amount. This includes receivables due from private persons, firms or corporations, other agencies, the federal government, employees, and other parties.

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

Borrower Rebates Payments from a lender to a borrower as compensation for the use of cash collateral provided by the borrower in securities lending transactions.

Budget Instructions The biennial budget preparation manual developed and issued by the Budget and Management Division.

Building and Structure Repair Interior and exterior decorating, or minor additions and/or repairs to fixtures attached to or installed in or on a building, e.g., wiring, plumbing, or carpentry, but not including capital expenditures. It does not increase the value of the building or structure.

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, and are usually reported in enterprise funds.

CAFRS The software system used by SARS to produce the Comprehensive Annual Financial Report of the State of Oregon from R*STARS data.

Capital Assets Tangible or intangible assets used in agency operations that have initial estimated useful lives beyond a single year and an initial cost (inclusive of ancillary charges) of at least \$5,000.

Capital Construction Expenditure for the construction of new buildings or additions to existing buildings. Construction costs include architect fees, land acquisition, land clearing, interest during construction, materials, subcontractors and agency labor. These projects are to be separately budgeted and accounted for in a specific cost center. Current budgetary definitions allow capital construction to be used only if the project amount is \$500,000 or more. Beginning in the 2011-13 biennium, the amount is increased to \$1,000,000 or more.

Capital Contributions Contributions of net assets (equity) to a proprietary fund or to the government-wide reporting fund.

Capital Improvements Expenditures for improvements to land or improvements and remodeling of existing buildings which increase the value, extend the useful life of the property, or make it adaptable to a different use. The same elements included in capital construction would be included in capital improvements. Improvements include any amount expended to improve leased property including those provided by the lessor if lump sum payment is required by the lessee. These projects are to be separately budgeted and accounted for in a specific cost center. Current budgetary definitions require capital improvement accounting for projects totaling less than \$500,000. Beginning in the 2011-13 biennium, the amount is changed to less than \$1,000,000.

Capital Lease A lease of real or personal property which meets the criteria for capitalizing an asset and recording a liability in the accounting records.

Capital Outlay Expenditures for acquiring capital assets.

Capital Project Funds Funds used to account for financial resources segregated for the construction or acquisition of major capital facilities. A capital projects fund is established upon project or debt issue authorization by the Legislature. All expenditures necessary to bring the facility to a state of readiness for its intended purpose are reported as capital project fund costs. On June 30, the activity is capitalized in the government-wide reporting fund or the appropriate proprietary fund type. Partially completed projects are included in the construction in progress account. Upon completion of a project, the buildings or other structures are recorded at cost.

Cash Includes currency on hand and currency in deposits with banks or other financial institutions. Cash also includes deposits in accounts or cash management pools that have the general characteristics of demand deposit accounts, i.e., an agency may deposit additional cash at any time and effectively withdraw cash at any time without prior notice or penalty.

Cash Account Account in State Treasury established by the Legislature upon which warrants can be drawn.

Cash Equivalents Short-term, highly liquid investments that are both (a) readily convertible to known 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 of three months or less meet this definition. Examples of common cash equivalents include U.S. Treasury bills, commercial paper, certificates of deposit, money market funds, and cash management pools.

Cash Basis of Accounting Under the cash basis of accounting, revenues and transfers from other funds are not recorded in the accounts until cash is received, and expenditures or expenses (as appropriate) and transfers to other funds are recorded only when cash is disbursed. The cash basis refers to the timing and recording of actual transactions (revenue/expenditures) when cash changes hands without reference to a defined fiscal period such as a month, quarter, or year.

CFDA Catalog of Federal Domestic Assistance.

Change Fund A small fund of cash on site used to make change for over-the-counter customer purchases of services or supplies. This fund is kept at the minimum level needed to handle normal customer service needs and is maintained with daily cash receipts.

Change of Official Station Transfer to a new official station for the benefit of the employing agency.

Charge Card A card, charge card account number, or other identifying symbol, instrument, or device that can be used to pay for goods or services. The cardholder must pay the balance in full when they receive the charge card statement. Generally, payment may be made without penalty within a grace period of several days.

Charge Card Transaction A sale or other transaction or act in which a charge card is used to pay for, or to obtain on credit, goods or services.

Charge Card Transaction Record Any record or evidence of a charge card transaction, including, without limitation, any paper, sales draft, instrument or other writing and any electronic or magnetic transmission or record.

Chief Financial Officer The highest financial authority (directly responsible for financial activities) of any state agency.

Claim A demand for payment, reimbursement, or compensation for injury or damage under law or contract. A demand for payment due for delivery of services.

Cognizant Agency The federal agency assigned by the federal Office of Management and Budget to carry out the responsibilities described in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

Collection Agency A business which acts as an agent for an entity to be the collector of debts, usually for a percentage of the amount collected. Can also refer to a collection unit within a state agency.

Collection Effort A written record kept of actions taken to collect a receivable owed to the state, including documentation produced by automated systems.

Collection Letter A letter sent to a debtor requesting payment of an amount that was previously billed and is now past due.

Collections All payments received by an agency as payment towards billings or receivables, including amounts received from collection agencies.

Compensated Absences Absences for which employees will be paid, such as vacation leave or compensatory time.

Compensation Any remuneration payable to an employee for employment or contractual services rendered by the employee to the employer.

Component Unit A legally separate organization for which the elected officials of the primary government are financially accountable. Component units can also be 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.

Comprehensive Annual Financial Report (CAFR) A governmental unit's official annual report prepared and published as a matter of public record. In addition to the basic financial statements, the CAFR should contain introductory material, schedules to demonstrate legal compliance, and statistical tables specified in the Governmental Accounting Standards Board Codification.

Concentration of Credit Risk The risk of loss attributed to the magnitude of a government's investment in a single issuer.

Contributing Agency An agency distributing federal funds to one or more local governments or non-profit organizations.

Control Activities A component of internal control; namely, the policies and procedures that help ensure management directives are carried out.

Control Environment The foundation for all other components of internal control, providing discipline and structure. Factors include (1) integrity and ethical values, (2) commitment to competence, (3) board of directors or audit committee participation, (4) management's philosophy and operating style, (5) organizational structure, (6) assignment of authority and responsibility, and (7) human resource policies and procedures.

Control Objectives The objectives of an internal control process: (1) reliable financial reporting, (2) effective and efficient operations, and (3) compliance with applicable laws and regulations.

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

Cost Allocation Plan The documentation identifying, accumulating, and distributing allowable costs under grants and contracts together with the allocation methods used.

Council The Oregon Investment Council.

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

Credit Bureau A business which furnishes information concerning the paying habits of businesses and individuals and the extent of their credit buying. These bureaus are linked together by computer to form large national electronic networks. The credit ratings and payment history can be used in judging the account's reliability.

Credit Card A card, credit card account number, or other identifying symbol, instrument, or device that can be used to pay for, or to obtain on credit, goods or services.

Credit Card Transaction A sale or other transaction or act in which a credit card is used to pay for, or to obtain on credit, goods or services.

Credit Card Transaction Record Any record or evidence of a credit card transaction, including, without limitation, any paper, sales draft, instrument or other writing and any electronic or magnetic transmission or record.

Credit Enhancement Agreement Any agreement or contractual relationship between the State and any bank, trust company, insurance company, pension fund, or other financial institution providing additional credit on or security for a financing agreement or certificates of participation authorized by Oregon law.

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

Cross Cutting Issues Issues that affect multiple federal programs such as inadequate internal controls or programs omitted from the Schedule of Expenditures of Federal Awards.

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

Customer The customer of a state agency who receives a particular product or service.

DAS (Oregon) Department of Administrative Services.

Debt A sum certain due and owing an agency which has accrued as a result of the delivery of goods or services or through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for that sum.

Debt Service Fund An accounting fund used to account for the accumulation of resources for, and the payment of interest and principal on, general governmental obligations that are included in the government-wide reporting fund.

Debtor Any private person, firm, or corporation owing money to or having a past due account with any agency whose obligation has not been adjudicated, satisfied by court order, set aside by court order, or discharged in bankruptcy.

Dedicated Fund A fund in the State Treasury that by law is dedicated, appropriated, or set aside for a limited object or purpose, but does not include a revolving fund or a trust fund.

Delinquent Any receivable which is 30 days or more past due.

Department The Department of Administrative Services (DAS) of the State of Oregon.

Department Custodian An employee authorized as the person responsible for the safekeeping and control of a credit card assigned to an office, section, division, or department. The custodian controls the credit card, checks it out to other designated users when necessary, maintains the log of purchase activity, and reconciles the monthly credit card billing statements.

Depreciation The expiration of the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. It is the portion of the cost of the capital asset that is charged as an expense during a particular period.

Derived Tax Revenues Revenue resulting from a tax imposed on an exchange transaction, e.g. income taxes.

DHHS Regulations Regulations issued by the federal Department of Health and Human Services to implement OMB Circular A-133.

Direct Cost A cost which can be traced to or identified as part of the cost of a specific product or service or of a department or operating unit, as distinguished from overhead and other indirect costs which must be prorated among several products or services, departments, or operating units.

Director The director of the Department of Administrative Services (DAS).

Division The Department of Administrative Services, State Controller's Division.

Division of Cost Allocation The Division of the U.S. Department of Health and Human Services that is responsible for approving and monitoring the rates and assessments to be charged to federal programs. The federal Department of Health and Human Services (DHHS) is the assigned federal cognizant agency for the State in accordance with OMB Circular A-133.

Documentation Recorded evidence supporting an event or transaction.

Due Date The date a debt is due and payable at the originating state agency.

Dunning Notice A collection letter for past-due accounts.

Effectiveness The degree to which an agency or program is successful at meeting goals, objectives, and statutory mandates.

Efficiency The degree to which an agency or program is successful at meeting goals and objectives with the least use of resources.

Employee Agency staff in the exempt, unclassified, and classified service providing personal services to the employer.

Employee who Executes Payment Documents The agency head or his/her designee lawfully possessing the authority to execute payment documents or cause their preparation. This authority is separate and distinct from that given an approving officer and is for the payment of an obligation, not for authorizing the obligation or expenditure.

Employer The State of Oregon and its various departments, agencies, commissions, and boards.

Encumbrances Obligations in the form of purchase orders or contracts which are chargeable to an appropriation or limitation and for which a part of the appropriation (or limitation) is reserved.

Enterprise Fund An accounting fund used to account for the provision of goods and services to the general public where all or most of the costs involved are primarily paid for in the form of charges to the users of such services.

Entitlements The amount of payment to which a state or local government or an individual is entitled, generally pursuant to state or federal statute.

Estimated Revenues The amount of revenues estimated in an agency's budget to be received or to become receivable during the biennium. This amount will not include beginning cash balances, ending cash balances, or appropriations that finance operations.

Excess Interest Distribution Interest earnings distributed monthly to designated funds in the State Treasury that have cash balances.

Exchange Transactions Transactions in which each party to the transaction gives up or receives essentially equal value.

Executive Service Those unclassified or exempt employees designated as such by the director of the Department of Administrative Services, and those designated as exempt in ORS 240.200(1) or as unclassified in ORS 240.205(1), (2), (3), (4), and (5).

Executory Costs The cost of preparing and executing a contract, which may be included in the payments on the contract and is accounted for as a current expense.

Expenditures Decreases in net financial resources under the current financial resources measurement focus not properly classified as other financing uses.

Expenditure Decision Authority The authority given to a state employee by an approving officer to authorize an expenditure of state funds by review, approval, and signature of a claim or authorization document.

Expenditure Limitation The maximum amount of expenditures authorized by the legislature from fees, moneys, or other revenues collected or received by an agency. An expenditure limitation is usually limited in amount and as to the time when it may be expended.

Expenses Charges incurred, whether paid or unpaid, for operation, maintenance, interest, and other charges presumed to benefit the current fiscal period.

Extraordinary Items Transactions or other financial events that are both unusual in nature and infrequent in occurrence.

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

Fiduciary Funds Accounting funds that account for resources held by a governmental unit in a fiduciary capacity as an agent or trustee. Fiduciary funds are not used to account for resources that are owned by the governmental unit. Fiduciary funds include Pension trust funds, investment trust funds, private purpose trust funds, and agency funds.

Financing Agreement A lease-purchase agreement, an installment sale agreement, a loan agreement, or any other agreement to finance real or personal property which is or will be owned and operated by the State or any of its agencies, or to refinance previously executed financing agreements.

Fiscal Agent A bank or other corporate fiduciary that performs the function of paying, on behalf of the governmental unit or other debtor, interest or principal on debt when due.

Fiscal Office (Fiscal) The office in an agency responsible for paying invoices, recording transactions, and performing related fiscal functions.

Fiscal Period Any period at the end of which a government unit determines its financial position and the results of its operations. The fiscal year of the State shall commence on July 1 and end on June 30 of the following year.

Foreign Currency Risk The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Forms 1099 See "Information Returns."

Fund A 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, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Accounting An accounting system organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net assets, revenues and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon purposes for which they are to be spent and the means by which spending activities are controlled. Fund accounting is used by state and local governments and by not-for-profit organizations that need to account for resources, the use of which is restricted by donors or grantors.

Fund Balance The excess of the assets of a governmental fund over its liabilities.

Further the Business of the State A purchase will "further the business of the state" only when the purchase: (1) is authorized by statute and by Department of Administrative Services rule or policy or agency rule or procedure; (2) will promote or support the lawful operation of the state agency on whose behalf the purchase is made; and (3) may be paid by public funds that are currently available to the agency, by appropriation, expenditure limitation or other legislative authority (and where applicable, by Department of Administrative Services allotment) for the purpose of the purchase.

GAAP See "Generally Accepted Accounting Principles."

Garnishment Legal proceeding that authorizes a third party to directly attach the debtor's funds, such as wages or a bank deposit, to satisfy a creditor's claim.

General Fund A fund used to account for all transactions of a governmental unit that are not accounted for in another fund.

General Fund Revenue All payments of money to the State Treasury that are placed to the credit of the General Fund for general governmental purposes.

General Long-Term Debt Long-term debt legally payable from general revenues and backed by the full faith and credit of a governmental unit.

General Revenues Used in conjunction with the government-wide statement of activities, this term refers to revenues that are not program revenues. All taxes, even if levied for specific purposes, are general revenues. Other revenues that do not meet the criteria for reporting as program revenues are general revenues.

Generally Accepted Accounting Principles (GAAP) Those accounting principles sanctioned by recognized authoritative bodies such as the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The Department of Administrative Services interprets these principles for Oregon state government through its Oregon Accounting Manual (OAM).

Generally Accepted Auditing Standards (GAAS) The rules and procedures that govern the conduct of financial audits, established by the American Institute of Certified Public Accountants.

Generally Accepted Government Auditing Standards (GAGAS) Standards for the conduct and reporting of financial and performance audits in the public sector, established by the Government Accountability Office through its publication *Government Auditing Standards*, commonly known as the *Yellow Book*.

Governmental Accounting Standards Board (GASB) The independent board established under the Financial Accounting Foundation in 1984 as the official body designated to set accounting and financial reporting standards for state and local governments.

Governmental Activities Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are generally reported in governmental funds and internal service funds.

Governmental Funds A generic classification used to refer to all funds other than proprietary and fiduciary funds. The General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds are the types of funds referred to as "governmental funds."

Government-mandated Nonexchange Transactions Transactions that occur when a government at one level provides resources to a government at another level for a specific mandated program.

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. The two basic government-wide financial statements are the statement of net assets and the statement of activities. Both are presented using the economic resources measurement focus and the accrual basis of accounting.

Government-wide Reporting Fund The fund used to account for long-term assets, long-term liabilities, and accrual transactions for governmental funds, so that those transactions can be included in reporting for the government-wide financial statements. This fund is used to convert governmental fund activities from the current financial resources measurement focus and modified accrual basis of accounting to the economic resources measurement focus and full accrual basis of accounting.

Grant A contribution or gift of cash or other assets to be used for a specific purpose, activity or facility. Grants restricted by the grantor for the acquisition or construction of a capital facility are capital grants. All others are operating grants.

Historical Cost The amount paid, or liability incurred, by an accounting entity to acquire an asset and make it ready to render the services for which it was acquired.

Implicit Interest Rate The discounted interest rate that, when applied to the minimum lease payments less **executory costs** of the lease and the **unguaranteed residual value** of the asset, causes the aggregate present value of the leased property to be equal to the fair value of the property to the lessor.

Imposed Nonexchange Transactions Transactions where a government imposes an assessment on a nongovernmental entity based on something other than an exchange transaction, e.g. fines and penalties.

Incomplete Check An item which is non-negotiable due to mutilation or lack of signature. A check will also be considered incomplete when a check amount drawn on a foreign bank is smaller than the amount a domestic bank will accept for collection or the bank's collection fee is greater than the amount of the check.

Incremental Borrowing Rate The rate at the inception of a lease that the lessee would have incurred to borrow over a similar term the funds necessary to purchase the leased asset.

Indirect Cost A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to one service or product.

Information Returns Returns required by the Internal Revenue Service to provide information on various types of taxable income. They include Form 1098 for mortgage interest, form W2-G for gambling winnings, and several forms 1099.

Infrastructure Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, water and sewer systems, and lighting systems.

Intangible Assets An intangible asset is property used in agency operations, has an estimated useful life beyond a single reporting period, has an initial cost of more than \$5,000, lacks physical substance, and is nonfinancial in nature. Examples of intangible assets include easements, water rights, timber rights, mineral rights, patents, trademarks, and computer software.

Interest Rate Risk The risk that changes in interest rates will adversely affect the fair value of an investment.

Interfund Services Provided and Used Sales and purchases of goods and services between funds of the primary government for a price approximating their external exchange value.

Interim Financial Reports Interim financial reports are comprised principally of statements that reflect current financial position at the end of a month or quarter and compare actual financial results with budgetary estimates and limitations, for the month or quarter and/or for the year to date.

Internal Auditing Internal auditing is an independent appraisal activity established within an agency as a service to the agency. It is a control that functions by examining and evaluating the adequacy and effectiveness of other controls.

Internal Control A process designed to provide reasonable assurance that the objectives of reliable financial reporting, effective and efficient operations, and compliance with laws and regulations are achieved. Includes the control environment, the identification and analysis of risks, control activities, information and communication within and outside the organization, and monitoring of the process over time.

Internal Service Fund A fund established to finance and account for the services and commodities furnished by a designated department or agency to other departments and agencies within a single governmental unit.

Investment Trust Fund A fiduciary fund type used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government. The Local Government Investment Pool is reported as an investment trust fund.

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

Joint Payroll Account The account in the State Treasury established by statute for the purpose of funding payroll expenses of agencies whose payrolls are processed by OSPS. Agencies must reimburse this account for those expenses.

Judgment A court order ruling that the debtor is indebted to and must make payments to the creditor of a specific amount.

Lease A contract by which one party gives to another the use and possession of land, buildings, or personal property for a specified time and for fixed payments.

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

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

Lender Fees Payments from a borrower to a lender as compensation for the use of the underlying securities when the borrower provides cash or securities as collateral.

LFO The Legislative Fiscal Office of the Oregon State Legislature.

Liabilities Probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

Lien A claim (which can include a judgment) or charge upon real and/or personal property for the satisfaction of some debt.

Limitation The maximum amount an agency can expend during a biennium from non-General Fund moneys.

Liquidated Debt An amount owing to a state agency that meets all of the following criteria: 1) an agency has determined an exact past due amount owing; 2) an agency has made a reasonable attempt to notify the debtor in writing of the amount owing, the nature of the debt, and has requested payment; and 3) the debt meets one of the following conditions: (a) a judgment has been entered, (b) is a tax debt for which a distraint warrant has been issued or the prerequisites of issuance have been met, (c) liability for and the amount have been established through an administrative proceeding, (d) is for a non-complying employer's debt for claim and administrative costs eligible for referral under criteria identified by the Department of Justice, (e) arises from a promissory note, (f) is due to a pre-existing agreement and the debtor has not objected within a reasonable time, (g) has been unconditionally acknowledged by the debtor, both as to liability and amount, (h) derived by an arithmetical calculation of fees, collection costs, charges, penalties, or the like from a report or an application for a permit or license submitted by the debtor in accordance with regulations and has not been disputed as to liability and amount, (i) has been established by administrative or judicial proceeding as to liability, but not amount, the amount is based on an arithmetical calculation, has been delivered to the debtor and the debtor has not objected within a reasonable time. See OAM 35.30.10.PO paragraph .104 for further explanation.

Local Government A city, county, school district, fire district, or other local government that is receiving federal financial assistance from a contributing agency to carry out a program. Local government does not include an entity acting as a contractor or vendor of services to the State.

Local Government Investment Pool (LGIP) The portion of the Oregon Short-Term Fund consisting of assets belonging to local governments.

Management Accounting Information Financial, non-financial, and statistical information provided by accounting or other information systems to assist with managerial decisions and control.

Management Service Those employees not in unclassified or exempt service determined to be confidential or supervisory as defined in ORS 243.650(6) and (16).

Mass Transit Tax The employee-paid payroll tax assessed at a rate not to exceed six tenth's of one percent (.006) against gross salaries.

Modified Accrual Basis of Accounting The basis of accounting according to which revenues are recognized when they become available and measurable and expenditures are recognized when they are incurred.

Net Carrying Amount The amount due at maturity, adjusted for any unamortized premium, discount, and issuance costs related to the old debt in a debt refunding.

Nonbudgeted Expenditures Expenditures incurred by an agency, board, or commission that are not included in the budget document and are not subject to legislative authorization.

Non-capital Assets Tangible or intangible property used in agency operations having a useful life beyond a single year and an initial cost (inclusive of ancillary charges) of less than \$5,000.

Nonexchange Transactions Transactions in which one party gives value or benefit to another party without directly receiving equal value in exchange. The four classes of nonexchange transactions are (1) derived tax revenues, (2) imposed nonexchange transactions, (3) government-mandated nonexchange transactions, and (4) voluntary nonexchange transactions.

Nonlimited Expenditures Expenditures that are not subject to appropriation or limitation, including certain distributions, debt service, and special payments. Nonlimited expenditures are included in the budget document but are not subject to legislative authorization.

Nonoperating Revenues and Expenses A term used in connection with proprietary fund operating statements; it refers to revenues and expenses that do not qualify as operating items, such as investment income, investment expenses, and grants.

Non-profit Organizations Any corporation, trust, association, cooperative or other organization which (1) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest; (2) is not organized primarily for profit; and (3) uses its net proceeds to maintain, improve, and/or expand its operations.

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

OAM Oregon Accounting Manual.

Obligation An amount which a governmental unit may be legally required to meet out of its resources.

Officer Any individual designated by an agency head to authorize travel and approve travel expenses.

Official Station The building or location to which personnel are assigned, or the place to which personnel return upon completion of a field assignment, or the location the Department of Administrative Services may define in special situations.

OMB Circular A-21 Issued by the federal Office of Management and Budget titled "Cost Principles for Educational Institutions."

OMB Circular A-87 Issued by the federal Office of Management and Budget titled "Cost Principles for State and Local Governments."

OMB Circular A-133 Issued by the federal Office of Management and Budget titled "Audits of States, Local Governments, and Non-Profit Organizations."

OPE Other payroll expenses.

Operating Leases A lease of real or personal property not meeting any of the criteria for a capital lease. This type of lease is treated similarly to normal rental payments.

Operating Revenues and Expenses Term used in connection with the proprietary fund operating statement which refers to revenues and expenses that derive directly from operations to distinguish them from nonoperating revenues and expenses. For example, sales income is operating revenue, and salaries are operating expenses.

Oregon Blue Book A reference work compiled and published by the Secretary of State, which includes descriptions and contact information for state agencies.

Oregon Short-Term Fund (OSTF) An external cash and investment pool operated by the State Treasury, containing deposits for state agencies and the Local Government Investment Pool. The OSTF operates as a demand deposit account.

OSPA Oregon State Payroll Application, the State's central payroll system maintained by the State Controller's Division.

OSPS Oregon State Payroll Services within the State Controller's Division. Also used as an acronym for the Oregon State Payroll System.

Out of State Travel All travel from a point of origin in Oregon to a destination in another state, then returning to the point of origin, as defined in ORS 292.230.

Overhead 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 that do not become an integral part of the finished product or service such as rent, heat, light, supplies, management, and supervision.

Past Due Any debt that has not been paid by the close of business on the due date. When the payment on the account becomes past due and the account requires more than one payment, only the current payment that is past due should be reported as past due unless the terms of the agreement contain an acceleration clause.

Pay Day Pay day is normally the first day of the month, except for supplemental payrolls. When the first day of the month falls on a Saturday, Sunday or a holiday, payday is the prior workday.

Payables Liabilities incurred but not yet paid, for goods and services received by a governmental unit.

Payment Document The document which allows the payment of funds such as a voucher, warrant, check, or similar document.

Pension Trust Fund A fiduciary fund type used to report pension plans administered by the Public Employees Retirement System (PERS).

Per Diem Subsistence allowance (meals and lodging) for a 24-hour period, beginning with the time of departure.

Performance Measure Indicator of the work performed and the results achieved in an activity or group of activities. They can be financial or non-financial and indicate how well the activities meet the needs of internal and external customers.

Permanent Funds A governmental fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government and its citizens. The principal amount must be held in perpetuity (not spent).

Personal Expenses These are gratuities for anything other than meals (subject to the policy on gratuities), cost of laundry, hair care, alcoholic beverages, shoe shines, movies, other entertainment, and other personal expenses and shall not be authorized by the agency at any time excepting certain personal phone calls.

Personal Property Tangible goods other than real property.

Personal Purposes Non-employment related purposes that do not "further the business of the State" and/or that benefit an employee or another person individually rather than facilitate the discharge of the official functions or duties of the agency or the employee.

Petty Cash A sum of money set aside 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. Sometimes called a petty cash fund, with the term fund here being used in the commercial sense of earmarked liquid assets.

Physical Inventory Physical verification of all items listed on the inventory records. Periodically, agencies will conduct physical inventories on all capital assets.

Pollution The presence of a substance in the environment that because of its chemical composition or quantity prevents the functioning of natural processes and produces undesirable environmental and health effects. (U.S. Environmental Protection agency)

Pollution Remediation Obligation An obligation to address the current or potential detrimental effects of existing pollution by participating in remediation activities. Examples: obligations to clean up spills of hazardous wastes or hazardous substances; obligations to remove contamination such as asbestos.

Post-audit Review of a sample of claims already paid for compliance with policy and procedures.

Pre-audit Review of each claim before payment to assure its compliance with policy and procedures.

Private Purpose Trust Fund A fiduciary 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. Fiduciary funds are not used to account for resources that are owned by the governmental unit.

Process A series of activities that are linked to perform a specific objective.

Program Revenues Used in conjunction with the government-wide statement of activities, this term refers to revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizens. Program revenues reduce the net cost of the function to be financed from the government's general revenues.

Property Any tangible, physical item (including land) that a state agency has title to or that comes into its possession by virtue of a lease, loan, gift, or other means of acquisition.

Proprietary Funds Accounting funds used to account for a government's on-going organizations and activities which are similar to those found in the private sector. These activities consist principally of providing services for a fee or selling a supply, material, or product to the public or another government agency.

Public Contracts Usually construction contracts for public facilities such as buildings, roads, or large equipment installations.

Purchase Order A document including a purchase request which authorizes the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

Purchasing Section The purchasing section (State Procurement Office) in the State Services Division of the Department of Administrative Services.

R*STARS Relational Statewide Accounting and Reporting System. The State of Oregon's statewide accounting system. In combination with ADPICS, R*STARS is also known as SFMA, or the Statewide Financial Management Application.

RACFID The Resource Access Control Facility Identification number, a unique identification number assigned to individual employees by the State's personnel system and necessary for access to many of the State's computer systems.

Real Property Land, structures, and other appurtenances (additions or improvements).

Reacquisition Price The amount required to repay previously issued debt in a refunding transaction. In a current refunding, this includes principal of the old debt and any call premium. In an advance refunding, it is the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt and any call premium. Premium or discount and issuance costs pertaining to the new debt are not considered part of the reacquisition price, but instead are separate items related to and amortized over the life of the new debt.

Reasonable Accommodation Travel facilities and transportation readily accessible and usable by individuals with disabilities, determined by the agency to be appropriate on a case-by-case basis, which accommodations do not impose an undue hardship on the agency.

Reasonable Assurance The balancing of cost, benefit, and risk to detect errors, fraud, waste, abuse; to prevent problems; or to have legal compliance.

Receivables Amounts owing to the State including accounts receivable, loans, notes receivable, and interest. Receivables can be due from private persons, firms, corporations, other agencies, employees, and the federal government.

Receiving Agency The agency that acquires the services of another department's employee through a job rotation agreement.

Reciprocal Interfund Activity The internal counterpart to exchange and exchange-like transactions. This category includes both interfund loans and interfund services provided and used.

Recoveries on Accounts Written Off Amounts collected on debts after they have been written off the agency's accounting records.

Reduction of Expense Moneys received as a result of excess payments made on obligations. Receipts are posted as a credit to an expenditure object code rather than as a credit to a revenue object code.

Regular Work Shift A minimum of eight hours worked per day for a full-time employee.

Reimbursements Transactions which constitute payments to a fund for expenditures initially made from it which are properly applicable to another fund.

Residence The actual dwelling place of personnel determined without regard to any other legal or mailing address.

Restricted Assets Assets (cash or investments) are restricted when constraints placed on asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted Net Assets A component of net assets resulting from revenues that are restricted for a particular purpose. Restrictions are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Retainage An amount withheld from a contractor payment made by the agency on earned amounts. This is usually held until the completion and acceptance of a project as security to assure completion by the contractor.

Revenue For those revenues which are recorded on the accrual basis, this term designates additions to assets which: (a) do not increase any liability; (b) do not represent the cancellation of certain liabilities without a corresponding increase in other liabilities or assets. The same definition applies to those cases where revenues are recorded on the modified accrual or cash basis except that additions would be partially or entirely to cash.

Revolving Fund A fund established by law from which is paid the cost of goods or services furnished to or by a state agency, and which is replenished through charges made for such goods or services.

Risk The possibility that an error or fraud will occur, or that management or legal compliance will not be met.

Risk Assessment Reviewing vulnerability and weighing controls against cost, benefits, and efficiency.

SARS Statewide Accounting and Reporting Services within the State Controller's Division.

Schedule of Expenditures of Federal Awards (SEFA) A schedule of federally funded programs under which a government received federal aid, listed by CFDA number and amount expended, that is required by the Single Audit Act.

SCS Shared Client Services within the State Controller's Division.

Securities Lending Agent An entity that arranges the terms and conditions of loans, monitors the market values of the securities lent and the collateral received, and often directs the investment of cash collateral.

Securities Lending Transactions Transactions in which governmental entities transfer their securities to broker-dealers or other entities for collateral (which may be cash or securities) and simultaneously agree to return the collateral for the same securities in the future.

Self-Sustaining Accounts Self-sustaining cash accounts are self-supporting, which means that agencies must collect and deposit cash in these accounts so as to have sufficient cash balance to process an expenditure.

Sending Agency The agency that creates the opportunity for its employee to gain work experience with another department.

Separate Accounting Records Records which show the detail transactions related to the approved activity separately from other agency activities so they may be easily identified for review and audit purposes.

Separation of Duties Placing key duties with different people to detect errors and prevent wrongful acts; no single person should cross the three responsibilities of authorizing, recording, and maintaining custody.

Setoff Full or partial payment of a delinquent account by deducting the amount owed from an income tax refund or other sum due a debtor from the Department of Revenue or any other state agency.

SFMA Statewide Financial Management Application that consists of two parts: Relational Statewide Accounting and Reporting System (R*STARS) and Advanced Purchasing and Inventory Control System (ADPICS). ADPICS is used for purchase processing and interfaces with R*STARS.

SFMS Statewide Financial Management Services within the State Controller's Division.

Shared Revenues Revenues levied by one government but shared on a predetermined basis with another government or class of government.

Special Items Transactions or other financial events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Special Revenue Fund An accounting fund that is used to account for the proceeds of specific revenue sources or finance specified activities as required by law or administrative regulations. Special revenue funds are established to account for taxes, licenses, and other revenue allocated by law to specific purposes.

SPOTS Card This is a state-sponsored credit card that agencies may use to procure goods and services.

State Controller's Division (SCD) The State Controller's Division of the Department of Administrative Services.

State Funds Any funds held by the State Treasurer and disbursed to satisfy a claim which includes federal funds, general funds, lottery funds, and other funds. Also includes any funds held by an agency such as petty cash or change funds or on deposit with another financial institution when allowed by law.

State Official or State Employee Any state employee other than the Legislative Assembly, members of the judiciary, and any statewide elected official.

Statewide Central Service Cost Allocation Plan (SWCAP) The plan submitted to the federal Department of Health and Human Services, Division of Cost Allocation in accordance with OMB Circular A-87, A-21, and other applicable federal laws and regulations to obtain approval for rates and assessments to be charged to federal programs.

Statistical Tables Tables presented in the CAFR that usually cover more than two fiscal years and may present non-accounting data. Statistical tables reflect social and economic data or financial trends.

Subrecipient Any person, government, or organization that receives federal financial assistance to carry out a federal program from a state or local government (pass-through entity) and meets the general characteristics of a subrecipient under OMB Circular A-133. It does not include beneficiaries of such programs.

Surplus Property All personal and real property, vehicles, and titled equipment excess to the state agency's needs and available for sale.

Suspense Account An account at Treasury into which receipts are deposited temporarily pending the determination of the proper account or accounts where they should be posted. Most suspense deposits are ultimately transferred to fund accounts. Suspense accounts for other than deposits are in the nature of self-sustaining funds, such as dedicated funds, revolving funds, or trust funds.

The Act The Single Audit Act of 1984 and all subsequent revisions.

Transaction Code The three-digit code in R*STARS that determines what general ledger accounts, files and tables a transaction will post. Transaction codes are defined on the 28A and 28B screens in R*STARS.

Transfer Accounts Transfer accounts are used to record the transfer of resources from one fund or agency to another. All interfund transactions except loans or advances, interfund services provided and used, or reimbursements are transfers.

Unallowable Costs Costs that are not allowed to be charged to federal programs under OMB Circular A-87 or A-21. These include, but are not limited to, interest costs for non-building purposes, mass transit taxes, expensed capital purchases, future capital needs, contingency reserves, or any profit above operational expenses.

Unauthorized Use Purchases that do not further the business of the State, are for non-employment purposes, or are otherwise not allowed because of specific restriction or violation of other State purchasing requirements. Examples would include the use of a State credit card for personal purposes and includes obtaining cash for personal use from such a credit card account.

Uncollectible Claims Specific receivables that cannot be collected in whole or in part, either because the debtors cannot pay or because the creditor finds it impracticable to enforce payment.

Underlying Securities The securities lent by the lender to the borrower.

Undue Hardship An action requiring significant difficulty or expense. The following factors are to be included in determining whether an accommodation would impose an undue hardship: overall size of the agency with respect to number of employees, number and type of facilities and the size of the budget; type of operation, including the composition and structure of the work force; and the nature and cost of accommodation.

Unguaranteed Residual Value The estimated value of an asset at the end of a lease contract.

Unrepresented Those employees who are not currently in a bargaining unit but who would be represented if a bargaining unit were established.

Vendor Any person, government, department, agency, or organization which delivers services under the direction of the state government, nonprofit organization, or subrecipient.

Voluntary Nonexchange Transactions Transactions resulting from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties, where the provider frequently establishes purpose restrictions and eligibility requirements.

Voucher The document which, when properly filled out and signed, authorizes the Department of Administrative Services to order payment of a claim through issuance of a warrant.

Warrant A draft on the State Treasury, drawn by the Department of Administrative Services on behalf of a state agency, to pay a claim to a designated payee.

Working Capital The portion of net assets that represents the cash operating requirements of the internal service fund. For federal compliance purposes, the limit is 60 days of cash expenses, which excludes depreciation, amortization, or other non-cash allocations. Sixty days working capital is to be calculated as the average operating expenses of the last three years of operations multiplied by .1667.

Write-Offs Receivables that are determined to be uncollectible by management and have been removed from the agency's accounting records. Agencies must have approval from the Secretary of State to write-off accounts in excess of \$5,000.