

# Office of the Comptroller Directive 1-09

## Glossary

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The following glossary is a compilation of accounting terms taken from the CAPP Manual, the Commonwealth's CAFR, various sections of the Comptroller's Directives, the GAAFR, and various GASB and FASB statements.

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**Accounts payable** Accounts payable represent short-term liability accounts reflecting amounts owed to private persons or organizations for goods and services received by a government.

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**Accounts receivable** Amounts owed on open accounts from private individuals or organizations for goods and services furnished by a government (excluding amounts due from other funds or intergovernmental receivables).

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**Agency funds** These funds account for assets held by a government in a purely custodial capacity.

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**Amortize** To write off expenditures by prorating over a fixed period.

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**APA** Acronym for the Auditor of Public Accounts, the state agency responsible for providing oversight of the Commonwealth's financial management of public funds. The APA provides objective information and unbiased recommendations on financial management issues to the General Assembly and other decision makers based on the results of audits and analyses.

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**CAFR** Acronym for the Comprehensive Annual Financial Report, a financial report for a state or local government that contains, at a minimum, three sections: 1) introductory, 2) financial, and 3) statistical, and whose financial section provides information on each individual fund and component unit.

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## Glossary, Continued

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<b>Capital asset</b>	Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.
<b>Capital asset impairment</b>	Significant, unexpected decline in the service utility of a capital asset.
<b>Capital grants and contributions (program revenue)</b>	This represents revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for capital purposes.
<b>Capital lease</b>	<p>A lease obligation that has to be capitalized because it meets one or more the following criteria:</p> <ul style="list-style-type: none"><li>○ The lease transfers ownership of the property to the lessee by the end of the lease term</li><li>○ The lease contains a bargain purchase option</li><li>○ The lease term is equal to 75 percent or more of the remaining estimated economic life of the leased property, unless the beginning of the lease term falls within the last 25 percent of the total economic life of the leased property, and / or</li><li>○ The present value, at the beginning of the lease term, of the minimum lease payments (reduced for executory costs and profit thereon) equals or exceeds 90 percent of the fair value of the leased property to the lessor, at the inception of the lease, less any related investment tax credit retained by lessor and expected to be realized by him. This criterion does not apply if the beginning of the lease term falls within the last 25 percent of the total economic life of the leased property.</li></ul>
<b>Capital projects funds</b>	Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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## Glossary, Continued

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<b>Capitalize</b>	To record an asset (as opposed to expensing the item) and then depreciate or amortize as appropriate for items with useful lives longer than one year.
<b>Capitalized assets</b>	For CAFR financial reporting purposes, capitalized assets are equipment related to projects valued greater than or equal to \$50,000 and all other asset categories valued greater than or equal to \$100,000.
<b>CARS</b>	Acronym for the Commonwealth Accounting and Reporting System, the official automated accounting records of the Commonwealth which are centrally operated and maintained by the Department of Accounts.
<b>Cash</b>	The standard medium of exchange (paper currency) that must be readily available for the payment of current obligations, and it must be free from any contractual restriction that limits its use in satisfying debts.
<b>Cash basis</b>	Basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.
<b>Cash equivalents</b>	Instruments or investments of such high liquidity (original maturity of 90 days or less) and low risk that they are virtually as good as cash. Examples are a nonnegotiable certificate of deposit, money-market fund, Treasury bill, and monies in the State Non-Arbitrage Program (SNAP) pool. Whether an asset is a cash equivalent is determined only once based on the length of the original maturity when the asset is first acquired.
<b>Charges for services (program revenue)</b>	This represents exchange or exchange-like transactions. These revenues arise from charges to customers, applicants or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Charges for services are reported as program revenue of the function in which they are generated, even if used for some other purpose.

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## Glossary, Continued

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<b>CIP</b>	Acronym for construction in progress. CIP is a non-depreciable capital asset “accumulation” account used to accrue project expenditures during the construction / development phase of a capital project that will be ultimately be capitalized in the “building”, “infrastructure” or “equipment” asset categories when the project is completed. Typically the “land” asset category should not be included in CIP but recorded directly as “land”. Increases or decreases to CIP are recorded in FAACS using the Form 4 data entry. At the completion of the construction / development phase of the capital project, the accumulated CIP balance is reversed and the completed asset is recorded. See CAPP Topic 30310, <i>Asset Categorization</i> , for additional information.
<b>Classified format or presentation</b>	Separate reporting in the Statement of Net Assets of the current and noncurrent portions of assets and liabilities to permit the calculation of working capital. A classified format is required for the proprietary fund Statement of Net Assets.
<b>Component unit</b>	Component Units are legally separate public corporations and agencies for which the elected officials of the reporting government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the reporting government are such that exclusion would cause the reporting government’s financial statements to be misleading or incomplete.
<b>Compounded interest</b>	In some financing agreements, the outstanding principal balance of the loan increases because the scheduled monthly payments do not cover the full amount of interest owed. The unpaid (compounded) interest is added to the outstanding principal, to be repaid later.
<b>Consigned inventory</b>	Inventory in which ownership is retained, but the inventory has been placed with another entity for the purposes of selling.
<b>Controlled assets</b>	<b>For CAFR financial reporting purposes</b> , controlled assets are equipment valued at less than \$50,000 and all other capital asset categories valued at less than \$100,000.
<b>Credit risk</b>	Risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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## Glossary, Continued

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<b>Current leave liability</b>	The portion of accrued leave liability associated with employees who are terminated on or before June 24 and who will not be paid for compensated leave until after June 30.
<b>Current refunds</b>	Refund transaction in which the proceeds of the refunding debt are applied immediately to redeem the debt to be refunded. This situation differs from an advance refunding, where the proceeds of the refunding bonds are placed in escrow pending the call date or maturity of the debt to be refunded.
<b>Debt service fund</b>	The Debt Service Fund accounts for the accumulation of resources for, and the retirement of, general long-term debt principal and interest.
<b>Defeasance</b>	The netting of outstanding liabilities and related assets on the financial statements. Defeased debt is no longer reported as a liability on the face of the statements.
<b>Deferred revenue</b>	Deferred revenue represents revenues accrued but not available to finance expenditures of the current fiscal period.
<b>Derivative</b>	Financial instrument 1) whose value derives from the application of some variable (“underlying”) to a contractually determined amount (“notational amount”) or from the association of an underlying with a payment provision, 2) that involves little or no initial investment, and 3) that allows for net settlement.

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## Glossary, Continued

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**Donor  
restricted  
endowments**

Specific type of endowment that is subject to donor-imposed restrictions.

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**Energy  
performance  
contracts**

Agreements provided by an approved energy performance contractor which provide a guarantee to significantly reduce energy operating costs of an essential Commonwealth facility through one or more energy conservation or operational efficiency measures. As a reminder, the Treasury Board must approve all Energy Performance Contracts. See CAPP Manual Topic 30320, *Energy Performance Contracts*, for additional information.

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**Enterprise  
funds**

Enterprise funds account for activities for which a fee is charged to external users for goods or services.

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**Exchange  
transaction**

Transactions in which each party receives and gives up essentially equal values.

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**Expenditure-  
driven grant**

Grant for which a potential recipient must first incur qualifying expenditures to be eligible. Expenditure-driven grants are also referred to as *reimbursement grants*. This type of grant requires that State funds be spent before receiving grant funded reimbursements.

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**External party**

An entity other than the reporting government.

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**Extraordinary  
items**

Significant transactions or events that are both unusual in nature and infrequent in occurrence.

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**FAACS**

Acronym for the Fixed Asset Accounting and Control System.

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## Glossary, Continued

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<b>Fair value</b>	The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
<b>Fiduciary funds</b>	These funds account for assets held by the government as trustee or agent and that cannot be used to support the government's own programs. This includes Private Purpose Funds, Pension and Other Employee Benefit Trust Funds, Investment Trust Funds, and Agency Funds.
<b>FIFO / LIFO</b>	Methods used to apply the basis used to value inventories (first-in-first-out, last-in-first-out).
<b>Final budget</b>	Original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.
<b>Financial statement template</b>	Generally, Excel spreadsheets that agencies with financial activity not recorded on CARS complete and submit to the Department of Accounts to report off-CARS activity for CAFR preparation purposes. There are some funds that are on CARS that are required to complete a template due to the nature of the fund.
<b>Financial statements</b>	The minimum financial presentation required by GASBS 34 for governments is composed of three sections: 1) management's discussion and analysis (M D & A), which is required supplementary information, 2) the basic financial statements, and 3) required supplementary information other than M D & A. The basic financial statements have three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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## Glossary, Continued

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<b>Fluctuation analysis</b>	The identification and explanation of significant differences in financial data from the current period compared to data from a prior period.
<b>Formula grant</b>	Non-reimbursement (formula) grants are government-mandated or voluntary nonexchange transactions involving the provision of resources <b><u>based upon established criteria (for example, population) other than the incurrence of qualifying expenditures.</u></b> This type of grant allows an agency to receive grant funds without having to spend state funds, as opposed to an expenditure-driven grant.
<b>Full accrual</b>	Method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows.
<b>Function codes</b>	Functional codes are the first number in every service area. For example, service area code 1031000 “Community Services” would fall under the “Education” function. Each functional code and its corresponding description are below.  1 - Education 3 - Administration of Justice 4 - Individual and Family Services 5 - Resources and Economic Development 6 - Transportation 7 - General Government 8 - Enterprise 9 - Capital Outlay Projects
<b>Fund</b>	Fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.
<b>Fund balance</b>	Difference between assets and liabilities reported in a governmental fund.

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## Glossary, Continued

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<b>Fund financial statements</b>	Basic financial statements presented on the basis of funds, in contrast to <i>government-wide</i> financial statements.
<b>GAAFR</b>	Acronym for <i>Governmental Accounting, Auditing, and Financial Reporting</i> , a publication of the Government Finance Officers Association. Also known as the "Blue Book," various editions of this book have been published since the mid-1930s.
<b>GAAP</b>	Acronym for "Generally accepted accounting principles," promulgated by the Governmental Accounting Standards Board (GASB) and other standards-setting entities.
<b>GASB</b>	Acronym for the Governmental Accounting Standards Board, the ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. It was established in June 1984 to replace the National Committee on Governmental Accounting (NCGA).
<b><u>GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments</u></b>	Statement issued in June 1999 that established a "new reporting model" for governmental financial statements. This reporting model is currently being used to prepare the CAFR.
<b>General fund</b>	The General Fund accounts for all financial resources except those required to be accounted for in another fund.
<b>General revenues</b>	All revenues that are <i>not</i> required to be reported as program revenues in the government-wide Statement of Activities.

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## Glossary, Continued

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<b>GFOA</b>	Acronym for the Government Finance Officers Association.
<b>Government-wide financial statements</b>	Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of activities.
<b>Governmental activities (government-wide financial reporting)</b>	These activities account for balances related to governmental funds that are only reported in the government-wide statement of net assets.
<b>Governmental fund</b>	Governmental funds are used to account for most, if not all, of a government's tax-supported activities. The Commonwealth has five governmental funds: general, special revenue, debt service, capital projects, and permanent.
<b>Impairment</b>	Significant, unexpected decline in the service utility of a capital asset.
<b>Implementation guides</b>	Authoritative guidance published by the GASB for selected statements. These include questions and answers with scenarios to help apply the statements. In addition, an annual comprehensive guide is issued.
<b>Installment purchases</b>	Financing agreements to acquire assets for which title passes immediately to the agency. Financing arrangements covered by the Treasury Board Master Equipment Leasing Program are considered installment purchases.
<b>Internal service funds</b>	Internal Service Funds account for the financing of goods or services provided by one fund, department, or agency to other funds, departments, or agencies of the financial reporting entity, or to other governments, on a cost-reimbursement basis.

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## Glossary, Continued

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<b>Inventory</b>	Inventories consist of materials and supplies and are reported as expenditures when consumed. These assets are offset by a fund balance reserve that indicates they are not available for spending.
<b>Inventory accounting (consumption method)</b>	In the consumption method of inventory accounting, an expenditure is charged with the actual amount of materials and supplies consumed. Inventory may be kept on the consumption method using either a periodic or perpetual system.
<b>Invested in capital assets, net of related debt</b>	One of three components of net assets that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of capital assets of the government.
<b>Investment trust fund</b>	Investment Trust Funds account for the external portion of investment pools (including individual investment accounts) reported by the sponsoring government.
<b>Investments</b>	Securities and other assets acquired primarily for the purpose of obtaining income or profit with an original maturity greater than 90 days. This includes securities, which are transferable financial instruments that evidence ownership or creditorship.
<b>Lag pay</b>	A system of processing employee compensation payments in which paychecks are calculated and produced following the end of the pay period.

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## Glossary, Continued

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<b>LAS</b>	Acronym for the Lease Accounting System.
<b>Lease</b>	A financing agreement in which the title may pass by the end of the lease term (capital) or may not pass at all (operating).
<b>Long-term leave liability due in greater than one year</b>	The portion of long-term leave liability that is due greater one year after the fiscal year-end. For fiscal year 2009, it is the liability due after June 30, 2010.
<b>Long-term leave liability due within one year</b>	The portion of long-term leave liability that is due within one year after the fiscal year-end. For fiscal year 2009, it is the liability due by June 30, 2010.
<b>Long-term debt</b>	Obligations including bonds, notes payable, pensions, and other liabilities having a maturity of more than one year from the date it was issued.
<b>Long-term leave liability</b>	The liability for accrued annual, sick or disability credits, compensatory, overtime, on-call leave, recognition, and applicable sabbatical leave for all leave-eligible employees employed by the State on June 25.
<b>MD &amp; A</b>	Acronym for Management Discussion and Analysis, a component of required supplementary information used to introduce the basic financial statements and provide an analytical overview of the government's financial activities.
<b>Material weakness</b>	A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

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## Glossary, Continued

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### Modified accrual

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

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### Net assets

The difference between total assets and liabilities reported on the government-wide and proprietary fund statements.

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### Nonexchange transaction

Nonexchange transactions are those transactions where a government gives (or receives) value **without** directly receiving (or giving) equal value in return. The four types of nonexchange transactions are as follows:

**Derived Tax Revenues** – assessments imposed by governments on exchange transactions.

**Imposed Nonexchange Transactions** – assessments by governments on nongovernmental entities, including individuals, other than assessments on exchange transactions.

**Government-mandated Nonexchange Transactions** – a government at one level provides resources to a government at another level and requires that government to use the resources for a specific purpose or purposes established by the provider's enabling legislation.

**Voluntary Nonexchange Transactions** – result from legislative or contractual agreements, other than exchanges, entered into willingly by two parties.

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### Non-reimbursement grant

Non-reimbursement (formula) grants are government-mandated or voluntary nonexchange transactions involving the provision of resources **based upon established criteria (for example, population) other than the incurrence of qualifying expenditures.** This type of grant allows an agency to receive grant funds without having to spend state funds, as opposed to an expenditure-driven grant.

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## Glossary, Continued

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<b>Operating grants and contributions (program revenue)</b>	This represents revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for either operating or capital purposes.
<b>Operating lease</b>	The classification of a lease that does not meet any of the 4 (four) criteria for a capital lease (lessee) or that does not meet all of the criteria of a sales type, direct financing or leveraged lease (lessor).
<b>Original budget</b>	The budget as signed into law (unadjusted) or otherwise legally authorized.
<b>Other financing sources</b>	Increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends
<b>Other financing uses</b>	Decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends

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## Glossary, Continued

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### Other post-employment benefit (OPEB) plans

In addition to pensions, many state and local governmental employers provide *other postemployment benefits* (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB **includes** *postemployment healthcare*, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. **GASBS No. 45**, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expense / expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. A listing of state OPEBs follows:

- **Pre-Medicare Retiree Healthcare Program** – The Commonwealth provides a healthcare plan for retired state employees who are not yet eligible to participate in Medicare.
- **Retiree Health Insurance Credit Program** – The Commonwealth provides this benefit to retired state employees of a maximum of \$4/month per year of service credit towards their monthly health insurance premiums.
- **Line of Duty Death and Disability Program** – The Commonwealth provides death and health benefits to the beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty.
- **Group Life Insurance Benefits** – Eligible State employees who retire are entitled to post employment life insurance benefits.
- **Virginia Sickness and Disability Program** – The Commonwealth provides disability insurance benefits to eligible retired state employees.

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## Glossary, Continued

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<b>Pass-through grants</b>	Grants in which the recipient from the original source will pass the funding on to a sub-recipient to complete the stipulations of the grant.
<b>Pension (and other employee benefit) trust funds</b>	These funds account for assets of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans held by a government in a trustee capacity.
<b>Permanent funds</b>	Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (i.e., for the benefit of the government or its citizenry).
<b>Pledged inventory</b>	The specific inventory used to secure a loan or financing.
<b>Pledged receivables</b>	The specific receivables used to secure a loan or financing.
<b>Pledged revenue</b>	Specific type of revenue that is to be used for specific debt issues.
<b>Pollution remediation obligation</b>	<b><u>GASBS No. 49</u></b> , <i>Accounting and Financial Reporting for Pollution Remediation Obligations</i> , addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of <i>existing</i> pollution by participating in pollution remediation activities such as site assessments and cleanups.
<b>Prepaid items</b>	Prepaid assets for rent, insurance, and similar items are recognized when purchased and expensed when used.
<b>Private-purpose trust funds</b>	These funds account for trust arrangements, including those for escheat property, where principal and income benefit individuals, private organizations, or other governments.

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## Glossary, Continued

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<b>Program revenues</b>	In the context of the government-wide Statement of Activities, revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues. Program revenues are divided into three categories. They are Charges for Services, Operating Grants and Contribution, and Capital Grants and Contributions.
<b>Proprietary funds</b>	Proprietary Funds account for a government's business-type activities (enterprise and internal service activities supported at least in part by fees or charges).
<b>Reimbursement basis federal grant</b>	Reimbursement grants are government-mandated or voluntary nonexchange transactions in which <b><u>expenditure is the prime factor for determining eligibility</u></b> . If the grant agreement indicates that the resources belong to the provider until allowable costs are incurred, the grant is expenditure-driven. This type of grant requires that State funds be spent before receiving federal grant funded reimbursements.
<b>Reimbursement grant</b>	Grant for which a potential recipient must first incur qualifying expenditures to be eligible. Reimbursement grants are also referred to as <i>expenditure-driven grants</i> . This type of grant requires that State funds be spent before receiving grant funded reimbursements.
<b>Relative order of liquidity</b>	Assets are placed in order of their ease of converting to cash. Liabilities are placed in the order they are expected to be paid.
<b>Reserved fund balance</b>	Reserved fund balances indicate that portion of fund balance that is not available to fund operations or is legally segregated for specific future use.
<b>Restricted assets</b>	Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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## Glossary, Continued

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<b>Restricted cash and cash equivalents</b>	Cash and Cash equivalents (investments with an original maturity of 90 days or less) that have constraints on its use.
<b>Restricted net assets</b>	Component of net assets calculated by reducing the carrying value of restricted assets by amounts repayable from those assets, excluding capital-related debt.
<b>Retainage payable</b>	Amounts due on contracts which represent a percentage of the total contract price that is not paid pending final inspection, the lapse of a specified time, or both.
<b>RSI</b>	Acronym for Required Supplementary Information. The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at fiscal year-end. It also includes information concerning funding progress for pension and other post-employment benefits, as well as trends for Commonwealth-managed risk pools.
<b>Securities lending</b>	Transactions in which governmental entities transfer their securities to broker-dealers and other entities for collateral – which may be cash, securities, or letters of credit – and simultaneously agree to return the collateral for the same securities in the future.
<b>Security</b>	Generally, an instrument evidencing debt of or equity in a common enterprise in which a person invests on the expectation of financial gain. The term includes notes, stocks, bonds, debentures or other forms of negotiable and nonnegotiable evidences of indebtedness or ownership.
<b>Short-term debt</b>	Debt with a party <b>external</b> to the Commonwealth including anticipation notes, lines of credit, and similar loans usually with a maturity of one year or less.

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## Glossary, Continued

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<b>Significance / Materiality</b>	The notion that an omission or misstatement of accounting information is of such significance as to make it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.
<b>Soft costs</b>	These costs include freight and transportation charges, installation costs, site preparation expenditures, professional fees (including title costs and surveying fees <u>if</u> appropriate), legal costs directly attributable to asset acquisition, and cost of necessary easements and right-of-ways.
<b>Special item</b>	Significant transactions or other events that are either unusual in nature or infrequent in occurrence and within management's control.
<b>Special revenue fund</b>	Special Revenue Funds account for the proceeds of specific revenue sources (other than those for major capital projects) that are restricted legally to expenditure for specified purposes.
<b>Straight-line basis</b>	A methodology of depreciation in which the asset is depreciated uniformly over the life of the asset.
<b>Unearned revenue</b>	Unearned revenue represents monies received or revenues accrued but not earned as of year-end.
<b>Unreserved fund balance</b>	The amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved fund balance.

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## Glossary, Continued

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**Unrestricted  
net assets**

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

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**Virginia  
Sickness and  
Disability  
Program**

The Virginia Sickness and Disability Plan (VSDP) provides state employees with income security when they cannot work because of a partial or total disability. The program includes sick, family and personal leave; short-term disability benefits; long-term disability benefits and a long-term care program. VSDP benefits cover non-work-related and work-related conditions.

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