

# Office of the Comptroller Directive 1-15

## 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 standards.

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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). For financial reporting purposes (i.e., Quarterly Report or Comprehensive Annual Financial Report), a receivable should be reported when the underlying economic event occurs that results in amounts being owed to the Commonwealth.

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

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**American Recovery and Reinvestment Act (ARRA)** An act making supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and state and local fiscal stabilization.

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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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## Glossary, Continued

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**Assigned fund balance** As defined by **GASBS No. 54**, *Fund Balance Reporting and Governmental Fund Type Definitions*, these are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, except for certain stabilization arrangements.

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**Assignment** An assignment occurs when a swap agreement is amended to replace an original swap counterparty, or the swap counterparty's credit support provider, but all of the other terms of the swap agreement remain unchanged.

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**Build America Bonds (BAB)** Build America Bonds are taxable bonds for which the US Treasury Department pays a direct subsidy of the interest costs to the issuer.

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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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**Capital asset** Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, software, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

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**Capital asset impairment** Significant, unexpected decline in the service utility of a capital asset.

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**Capital grants and contributions (program revenue)** This represents revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for capital purposes.

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## Glossary, Continued

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**Capital lease** A lease obligation that has to be capitalized because it meets one or more of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term
- The lease contains a bargain purchase option
- 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
- 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 the 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.

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**Capital projects funds** Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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**Capitalize** 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.

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**Capitalized assets** **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.

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**Cardinal** A PeopleSoft 9.1 product that is being implemented in two waves throughout the Commonwealth to replace the current centralized general ledger, CARS (see definition). Cardinal is scheduled to be fully implemented in February 2016 and will become the Commonwealth's official automated system of record when CARS is decommissioned. This transition is currently scheduled to be effective July 1, 2016.

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## Glossary, Continued

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**CARS** 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.

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**Cash** The standard medium of exchange (paper currency) that must be readily available for the payment of current obligations. It must be free from any contractual restriction that limits its use in satisfying debts.

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

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**Cash equivalents** 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.

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**Charges for services (program revenue)** 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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**CIP** Acronym for construction-in-progress. CIP is a nondepreciable capital asset “accumulation” account used to accrue project expenditures during the construction/development phase of a capital project that will 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.” Internally generated intangible assets are reported as CIP until substantially complete and operational, at which time they are transferred to the appropriate category in FAACS. 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 No. 30310, *Asset Categorization*, for additional information.

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**CIPPS** Acronym for Commonwealth Integrated Payroll Personnel System, which is the Commonwealth’s centralized payroll system.

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**Classified format or presentation** Separate reporting in the Statement of Net Position 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 Position.

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**Committed fund balance** As defined by **GASBS No. 54**, *Fund Balance Reporting and Governmental Fund Type Definitions*, these amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

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**Component unit** 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.

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**Compounded interest** 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.

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## Glossary, Continued

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<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.
<b>Current debt refundings</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>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>Debt service fund</b>	The Debt Service Fund accounts for the accumulation of resources for, and the retirement of, governmental long-term debt principal and interest.
<b>Defeasance</b>	The borrower's debt and the offsetting cash or bonds are removed from the balance sheet because cash or bonds sufficient to service the borrower's debt are set aside. Defeased debt is no longer reported as a liability on the face of the statements.
<b>Deferred inflows of resources</b>	An acquisition of assets by the government that is applicable to a future reporting period.
<b>Deferred outflows of resources</b>	A consumption of assets by the government that is applicable to a future reporting period.

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## Glossary, Continued

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<b>Derivative</b>	In the context of <b>GASBS No. 53</b> , <i>Accounting and Financial Reporting for Derivative Instruments</i> , as amended by <b>GASBS No. 59</b> , <i>Financial Instruments Omnibus</i> , and <b>GASBS No. 64</b> , <i>Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53</i> , a derivative is an instrument 1) whose value derives from the application of some variable (“underlying”) to a contractually determined amount (“notional amount”) or from the association of an underlying variable with a payment provision, 2) that involves little or no initial investment, and 3) that allows for net settlement.
<b>Donated inventory</b>	Any inventory that was not purchased but was received during the fiscal year.
<b>Donor restricted endowments</b>	Specific type of endowment that is subject to donor-imposed restrictions.
<b>DRES</b>	Acronym for the Division of Real Estate Services at the Department of General Services. DRES was created to make state real estate management practices more consistent with those in the private sector.
<b>Energy performance contracts</b>	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 Topic No. 30320, <i>Energy Performance Contracts</i> , for additional information.
<b>Enterprise funds</b>	Enterprise funds account for activities for which a fee is charged to external users for goods or services.
<b>Exchange transaction</b>	Transactions in which each party receives and gives up essentially equal values.

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## Glossary, Continued

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<b>Executive leave</b>	Leave granted annually by the Governor to “at-will” employees (agency heads and others) in lieu of annual leave. It is not accrued or carried over from one year to the next.
<b>Expenditure-driven grant</b>	Grant for which a potential recipient must first incur qualifying expenditures to be eligible. Expenditure-driven grants are also referred to as <i>reimbursement grants</i> . This type of grant requires that State funds be spent before receiving grant funded reimbursements.
<b>External party</b>	An entity other than the reporting government. Refer to the <b><u>GASBS No. 48 Commonwealth of Virginia Intra-Entity Reporting List</u></b> on DOA’s website for additional information.
<b>Extraordinary items</b>	Significant transactions or events that are both unusual in nature and infrequent in occurrence.
<b>FAACS</b>	Acronym for the Fixed Asset Accounting and Control System.
<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 Trust 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.

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## Glossary, Continued

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### Financial statement template

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.

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### Financial statements

The minimum financial presentation required by **GASBS No. 34** for governments is composed of three sections: 1) management's discussion and analysis (MD&A), which is required supplementary information, 2) the basic financial statements, and 3) required supplementary information other than MD&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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### Fluctuation analysis

The identification and explanation of significant differences in financial data from the current period compared to data from a prior period.

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### Formula grant

Nonreimbursement (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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### Full accrual accounts payable

Method of accounting that recognizes the financial effect of amounts owed to private persons or organizations as of June 30, regardless of the timing of related payment disbursements.

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### Full accrual accounts receivable

Method of accounting that recognizes the financial effect of amounts owed from private individuals or organizations for goods and services as of June 30, regardless of the timing of related payment receipts.

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## Glossary, Continued

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**Function codes** 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
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**Fund** Fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with 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.

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**Fund balance** Difference between assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources reported in a governmental fund.

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**Fund balance reporting** Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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**Fund financial statements** Basic financial statements presented on the basis of funds, in contrast to *government-wide* financial statements.

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## Glossary, Continued

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**GAAFR** Acronym for *Governmental Accounting, Auditing, and Financial Reporting*, 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.

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**GAAP** Acronym for "Generally Accepted Accounting Principles," promulgated by the Governmental Accounting Standards Board (GASB) and other standard-setting entities.

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**GASB** 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).

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**GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments**

**GASBS No. 34, GASBS No. 37, GASBS No. 63, and GASB Interpretation No. 6** define the financial reporting model.

The following sections provide some of the **GASBS No. 34** requirements. This is **not a complete listing**.

The following is a listing of minimum requirements for the CAFR:

- Management Discussion and Analysis
  - Basic Financial Statements:
    - Government-wide financial statements
    - Fund financial statements
    - Reconciliation between government-wide and fund financial statements
    - Notes to the financial statements
  - Required Supplemental Information
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## Glossary, Continued

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**General fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund.

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**General revenues** All revenues that are *not* required to be reported as program revenues in the government-wide Statement of Activities.

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**GFOA** Acronym for the Government Finance Officers Association.

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**GNMA** Acronym for the Government National Mortgage Association.

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**Government-wide financial statements** Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities.

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**Governmental activities (government-wide financial reporting)** These activities account for balances related to governmental funds that are only reported in the government-wide Statement of Net Position and government-wide Statement of Activities.

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**Governmental fund** 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.

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## Glossary, Continued

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<b>Impairment</b>	Significant, unexpected decline in the service utility of a capital asset. Impairment can be either temporary or permanent.
<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>Incidental operations</b>	Revenue producing activities engaged in during the holding or development period to reduce the cost of developing the property for its intended use.
<b>Incremental costs of incidental operations</b>	Costs that would not be incurred except in relation to the conduct of incidental operations.
<b>Incremental direct costs</b>	Costs that originate a loan that (a) results directly from and are essential to the lending transaction and (b) would not have been incurred by the lender had that lending transaction not occurred.
<b>Incremental revenues from incidental operations</b>	Revenues that would not be produced except in relation to the conduct of incidental operations.
<b>Inflow of resources</b>	Acquisition of net assets by the government that is applicable to the reporting period.

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## Glossary, Continued

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<b>Installment purchases</b>	Financing agreements to acquire assets for which title passes immediately to the agency. Financing arrangements covered by the Treasury Board's Master Equipment Leasing Program (MELP) are considered installment purchases.
<b>In-substance assignment</b>	This is an assignment that occurs when certain criteria are met when a swap agreement is amended to replace an original swap counterparty.
<b>Intangible assets</b>	Something of value that cannot be physically touched, such as easements, water rights, timber rights, patents, trademarks, computer software, etc.
<b>Internal reserve method</b>	A method for making payments to investors for collections of principle and interest on mortgage loans by issuers of GNMA securities.
<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.
<b>Inventory</b>	Inventories consist of materials and supplies and are reported as expenditures when consumed. These assets are offset by a portion of fund balance that is not available for spending because it is legally or contractually required to be maintained intact.
<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.

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## Glossary, Continued

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<b>Inventory lien</b>	A secured loan that gives the lender a lien against all the borrower's inventories.
<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>Involuntary termination benefits</b>	Involuntary termination benefits include benefits provided as a direct result of an involuntary termination not related to job performance or misconduct. Examples include severance pay, continued access to health insurance through the employer's group insurance plan, career counseling, and outplacement services.
<b>Joint venture</b>	A legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.
<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.
<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).

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## Glossary, Continued

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<b>Localities</b>	Cities, towns, and counties (does not include regional authorities).
<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>Long-term leave liability due in greater than one year</b>	The portion of long-term leave liability that is due in greater than one year after the fiscal year-end. For fiscal year 2015, it is the liability due after June 30, 2016.
<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 2015, it is the liability due on or before June 30, 2016.
<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 of issuance.
<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 deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material restatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis.
<b>MELP</b>	Acronym for the Treasury Board's Master Equipment Leasing Program.

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## Glossary, Continued

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<b>Modified accrual</b>	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).
<b>Net investment in capital assets</b>	One of three components of net position that must be reported in both government-wide and proprietary fund financial statements. Capital related debt, for this purpose, considers 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>Net position</b>	The difference between total assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources reported on the government-wide and proprietary fund statements.
<b>Nonexchange financial guarantees</b>	A guarantee of an obligation of a legally separate entity or individual which requires the guarantor to indemnify a third-party obligation holder in which the guarantor receives little or no compensation for providing the guarantee.
<b>Nonexchange transaction</b>	<p>Nonexchange transactions are those transactions where a government gives (or receives) value <b>without</b> directly receiving (or giving) equal value in return. The four types of nonexchange transactions are as follows:</p> <ul style="list-style-type: none"><li>• <b>Derived Tax Revenues</b> – assessments imposed by governments on exchange transactions.</li><li>• <b>Imposed Nonexchange Transactions</b> – assessments by governments on nongovernmental entities, including individuals, other than assessments on exchange transactions.</li><li>• <b>Government-mandated Nonexchange Transactions</b> – 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.</li><li>• <b>Voluntary Nonexchange Transactions</b> – result from legislative or contractual agreements, other than exchanges, entered into willingly by two parties.</li></ul>

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## Glossary, Continued

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**Nonreimbursement grant** Nonreimbursement (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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**Nonspendable fund balance** As defined by **GASBS No. 54**, *Fund Balance Reporting and Governmental Fund Type Definitions*, this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, long-term amount of loans and notes receivable, as well as property acquired for resale. Examples of nonspendable fund balance are inventories, prepaid items, loans, and property acquired for resale.

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**Off-balance sheet obligations** These are financial obligations of the Commonwealth which are not disclosed on the financial statements.

§2.2-813.2 of the *Code of Virginia* requires the State Comptroller to disclose biannually all off-balance sheet financial obligations of the Commonwealth, itemized by agency, board, institution, or authority, and other obligations that are estimated to be incurred.

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**Operating grants and contributions (program revenue)** 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.

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**Operating lease** The classification of a lease that does not meet any of the 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).

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## Glossary, Continued

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**Original budget** The budget as signed into law (unadjusted) or otherwise legally authorized.

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**Other financing sources** Increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends.

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**Other financing uses** Decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends.

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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. **GASBS No. 57**, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, establishes standards related to the use and reporting of the alternative measurement method, and to the frequency and timing of measurements. A listing of state OPEBs follows:

- **Pre-Medicare Retiree Healthcare** – 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 postemployment life insurance benefits.
- **Disability Insurance Trust Fund** – The Commonwealth provides disability insurance benefits to eligible retired state employees.

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## Glossary, Continued

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<b>Outflow of resources</b>	Consumption of net assets by the government that is applicable to the reporting period.
<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>Plan of involuntary termination</b>	A plan that (a) identifies, at a minimum, the number of employees to be terminated, the job classification or functions that will be affected and their locations, and when the terminations are expected to occur, and (b) establishes the terms of the termination benefits in sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are involuntarily terminated.
<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.

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## Glossary, Continued

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### Pollution remediation obligation

**GASBS No. 49**, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups.

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### Prepaid items

Prepaid assets for rent, insurance, and similar items are recognized when purchased and expensed when used.

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### Private-purpose trust funds

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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### Program revenues

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: Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions.

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### Proprietary funds

Proprietary Funds account for a government's business-type activities (enterprise and internal service activities supported at least in part by fees or charges).

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### Reimbursement based federal grant

Reimbursement grants are government-mandated or voluntary nonexchange transactions in which **expenditure is the prime factor for determining eligibility**. 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.

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### Relative order of liquidity

Assets are placed in order of their ease of converting to cash. Liabilities are placed in the order they are expected to be paid.

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## Glossary, Continued

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<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>Restricted fund balance</b>	As defined by <b>GASBS No. 54</b> , <i>Fund Balance Reporting and Governmental Fund Type Definitions</i> , these are amounts that have constraints placed on the use of resources 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.
<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.
<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 their use.
<b>Restricted net position</b>	Component of net position calculated by reducing the carrying value of restricted assets by amounts repayable from those assets, excluding capital-related debt, less deferred inflows.
<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.

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## Glossary, Continued

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<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 postemployment 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>Service Concession Arrangement (SCA)</b>	As defined by <b>GASBS No. 60</b> , <i>Accounting and Financial Reporting for Service Concession Arrangements</i> , an SCA is generally an arrangement between a government (transferor) and a governmental or nongovernmental entity (operator) in which (a) the government conveys the right and related obligation to provide services through a public asset in exchange for significant consideration, and (b) the operator either collects or is compensated by third-party fees.
<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. Refer to the <b>GASBS No. 48 Commonwealth of Virginia Intra-Entity Reporting List</b> on DOA’s website for additional information.
<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.

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## Glossary, Continued

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**Soft costs** These costs include freight and transportation charges, installation costs, site preparation expenditures, professional fees (including title costs and surveying fees if appropriate), and legal costs directly attributable to asset acquisition.

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**Special item** Significant transactions or other events that are either unusual in nature or infrequent in occurrence and within management's control.

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**Special revenue fund** Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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**Straight-line basis** A methodology of depreciation in which the asset is depreciated uniformly over the life of the asset.

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**Supplementary information** Financial information presented in the CAFR that is not included within the audit of the basic financial statements.

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**TAL** Acronym for the Commonwealth's Time, Attendance, and Leave web-based system designed to streamline the Commonwealth's leave administration process for Executive Branch agencies.

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**Termination benefits** Benefits provided by employers to employees as an inducement to hasten the termination of services or as a result of a voluntary early termination or as a consequence of involuntary early termination of services. Examples include early-retirement incentives, severance benefits, and other termination-related benefits.

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**Unearned revenue** Unearned revenue represents monies received but not earned as of year-end.

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**Unrestricted net position** That portion of net position that is neither restricted nor invested in capital assets.

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## Glossary, Continued

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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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**Voluntary  
termination  
benefits**

Voluntary termination benefits include inducements to hasten separation from employment as a result of voluntary termination. Examples include cash payments (one-time or series), enhancements to defined benefit pension or other postemployment benefit (OPEB) formulas, and healthcare coverage when none otherwise would be provided.

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**VRS Hybrid  
Retirement  
Plan**

This plan combines features of a defined benefit plan and a defined contribution plan. Contributions to the defined contribution plan are made to the deferred compensation plan. The retirement benefit for Hybrid Retirement Plan members will be composed of two payments; one from the defined benefit plan and one from the defined contribution plan. The payout options currently provided for Plan 1 and Plan 2 also are available for the defined benefit component of the Hybrid Retirement Plan. The employee also must choose a payout option for the defined contribution portion of the Hybrid Retirement Plan; including a total or partial lump sum, annuity payments, periodic payments or a partial lump sum with remainder paid as a periodic payment or annuity.

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**Wave 1 agency**

An agency that transitioned to Cardinal (see definition) October 1, 2014.

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**Wave 2 agency**

An agency that will transition to Cardinal (see definition) February 1, 2016.

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