

Office of the Comptroller Directive 1-20

Glossary

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.

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.

Accounts receivable Amounts owed to an agency of the Commonwealth from private individuals or organizations. This includes, but is not limited to, amounts due for taxes, loans receivable, goods and services furnished by a government (excluding amounts due from other funds or intergovernmental receivables), fines, etc. For financial reporting purposes (i.e., Quarterly Report or Comprehensive Annual Financial Report), a receivable must be reported when the underlying economic event occurs that results in a claim for amounts being owed to the Commonwealth, excluding petty cash and advances.

Acquisition value The price that would be paid to acquire an asset with equivalent service potential or the amount for which a liability could be liquidated at the acquisition date.

Allowance for doubtful accounts Management's estimate of the amount of gross receivables that will be or will prove to be uncollectible.

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

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Glossary, Continued

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.

ARO Acronym for Asset Retirement Obligations

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.

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.

BRES Acronym for the Bureau of Real Estate Services (formerly the Division of Real Estate Services (DRES)) at the Department of General Services. BRES was created to make state real estate management practices more consistent with those in the private sector.

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.

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.

Callable debt Debt that the creditor can call due to a provision violation contained in the debt agreement or that can be called by the creditor if the violation is not corrected during a specified grace period.

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Glossary, Continued

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.
Capital asset impairment	Significant, unexpected decline in the service utility of a capital asset.
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.
Capital lease	<p>A lease obligation that has to be capitalized because it meets one or more of the following criteria:</p> <ul style="list-style-type: none">• 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. <p>Please note that Capital Leases are only applicable for FY 2020. <u>GASBS No. 87, Leases</u> (effective for FY 2021 and thereafter) significantly impacts lease reporting and introduces new lease classifications in addition to new accounting and reporting requirements.</p>
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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Glossary, Continued

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.
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.
Cardinal	A PeopleSoft 9.2 product, the official automated accounting records of the Commonwealth, which are centrally operated and maintained by the Department of Accounts. The system is comprised of Cardinal financials and Human Capital Management (HCM).
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.
Cash basis	Basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.
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 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.
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

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 30310, <i>Asset Categorization</i> , for additional information.
CIPPS	Acronym for Commonwealth Integrated Payroll Personnel System, which is the Commonwealth's centralized payroll system.
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.
Committed fund balance	As defined by GASBS No. 54 , <i>Fund Balance Reporting and Governmental Fund Type Definitions</i> , 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.
Commitment	Any amount for which the Commonwealth is committed to disburse funds or pledge revenues in future periods, where the underlying transaction has not occurred as of the balance sheet date. Items reported as commitments should not also be reported as liabilities on the balance sheet.
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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Glossary, Continued

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.
Concentration of credit risk	Risk of loss when a government's investment is concentrated in one issuer.
Consigned inventory	Inventory in which ownership is retained, but the inventory has been placed with another entity for the purposes of selling.
Controlled assets	For CAFR financial reporting purposes , controlled assets are equipment valued at less than \$50,000 and all other capital asset categories valued at less than \$100,000.
Coronavirus Aid, Relief, and Economic Security Act (CARES)	An act meant to address the economic fallout of the 2020 coronavirus pandemic (COVID-19) in the United States.
Credit risk	Risk that an issuer or other counterparty to an investment will not fulfill its obligations.
Current debt refunding	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.
Current leave liability	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.
Custodial funds	These fiduciary funds are not required to be reported as any other type of fiduciary fund and are not held in a trust or equivalent arrangement pursuant to GASBS No. 84 , <i>Fiduciary Funds</i> . Prior to fiscal year 2020, these funds were termed Agency Funds.

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Glossary, Continued

Debt service fund	The Debt Service Fund accounts for the accumulation of resources for, and the retirement of, governmental long-term debt principal and interest.
Defeasance	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.
Deferred inflows of resources	An acquisition of assets by the government that is applicable to a future reporting period.
Deferred outflows of resources	A consumption of assets by the government that is applicable to a future reporting period.
Demand debt	Debt that is issued with a “put” feature in the debt agreement that requires the issuer to redeem the debt if required by the debt holder with proper notice. Demand debt must be reported as a current liability on financial statements if all criteria in GASB Interpretation 1 paragraph 10 are not met.
Derivative Instrument	In the context of current GASB statements, 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.
Direct borrowing	Occurs when a government enters into a loan agreement directly with a lender. Direct borrowings have terms negotiated directly with the lender and are not offered for public sale.
Direct placement	Occurs when a government issues a debt security directly to an investor. Direct placements have terms negotiated directly with the investor and are not offered for public sale.

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Glossary, Continued

Donated inventory Any inventory that was not purchased but was received during the fiscal year.

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

Effective duration Effective duration is one of the **GASBS No. 40** interest rate risk disclosure methods that measures the expected change in value of a security or portfolio for a given change in interest rates. It is widely used for measuring interest rate risk of a security or portfolio with embedded options (e.g. call options or put options) because it takes into consideration the changes in cash flows and values arising from embedded options.

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 Topic 30320, *Energy Performance Contracts*, for additional information.

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

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

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Glossary, Continued

Executive leave	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.
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 <i>reimbursement grants</i> . This type of grant requires that State funds be spent before receiving grant funded reimbursements.
External party	An entity other than the reporting government. Refer to the <u>GASBS No. 48 Commonwealth of Virginia Intra-Entity Reporting List</u> on DOA’s website for additional information.
Extraordinary items	Significant transactions or events that are both unusual in nature and infrequent in occurrence.
FAACS	Acronym for the Fixed Asset Accounting and Control System.
Fair value	<u>GASBS No. 72</u> , <i>Fair Value Measurement and Application</i> , defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fiduciary funds	These funds account for fiduciary activities that meet criteria per <u>GASBS No. 84</u> , <i>Fiduciary Activities</i> . In general, assets associated with these funds must be as follows: 1) controlled by the government; 2) not derived from the following: government’s own-source revenues, government-mandated or voluntary nonexchange transactions; and 3) must benefit other governments, individuals or organizations. Refer to <u>GASBS No. 84</u> for specific guidance. Fiduciary fund types are as follows: Private-purpose Trust Funds, Pension and Other Employee Benefit Trust Funds, Investment Trust Funds, and Custodial Funds.
FIFO / LIFO	Methods used to apply the basis used to value inventories (first-in/first-out, last-in/first-out).

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Glossary, Continued

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

Financial statement template Generally, Excel spreadsheets that agencies with financial activity not recorded on Cardinal complete and submit to the Department of Accounts to report off-Cardinal activity for CAFR preparation purposes. There are some funds that are on Cardinal that are required to complete a template due to the nature of the fund.

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.

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

Foreign currency risk The chance that exchange rate changes will adversely affect the fair value of a government's investments and deposits.

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.

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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Glossary, Continued

**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.

Function codes

Function codes are the first number in every program. For example, program/service area 103010 “Community Services” would fall under the “Education” function. Each function 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.

Fund balance

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

**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.

**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

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.

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

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).

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 is a listing of minimum **GASBS No. 34** requirements for the CAFR. This is **not a complete listing**.

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

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Glossary, Continued

General revenues	All revenues that are <i>not</i> required to be reported as program revenues in the government-wide Statement of Activities.
GFOA	Acronym for the Government Finance Officers Association.
GNMA	Acronym for the Government National Mortgage Association.
Goods and services receipt date	The goods and services receipt date is the date goods were received from a vender or services were completed. For accrual reporting, this date should be June 30th or prior for all payments (including revenue refunds) paid in July, August, or September that relate to activity for the prior fiscal year.
Government-wide financial statements	Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities.
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.
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.
Highly sensitive investments	Investments that have fair values that are highly sensitive to changes in interest rates.

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Glossary, Continued

Impairment	Significant, unexpected decline in the service utility of a capital asset. Impairment can be either temporary or permanent.
Implementation guides	Authoritative guidance published by the GASB for selected statements. These include questions and answers with scenarios to help apply the statements. These guides are located on GASB's website at www.gasb.org .
Incidental operations	Revenue producing activities engaged in during the holding or development period to reduce the cost of developing the property for its intended use.
Incremental costs of incidental operations	Costs that would not be incurred except in relation to the conduct of incidental operations.
Incremental direct costs	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.
Incremental revenues from incidental operations	Revenues that would not be produced except in relation to the conduct of incidental operations.
Inflow of resources	Acquisition of net assets by the government that is applicable to the reporting period.
Installment purchases	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.
In-substance assignment	This is an assignment that occurs when certain criteria are met when a swap agreement is amended to replace an original swap counterparty.

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Glossary, Continued

Intangible assets	Something of value that cannot be physically touched, such as easements, water rights, timber rights, patents, trademarks, computer software, etc.
Internal reserve method	A method for making payments to investors for collections of principle and interest on mortgage loans by issuers of GNMA securities.
Interest rate risk	The possibility that interest rate changes will reduce the fair value of a government's investments.
Internal service funds	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.
Inventory	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.
Inventory accounting (consumption method)	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.
Inventory lien	A secured loan that gives the lender a lien against all the borrower's inventories.
Investment trust funds	These fiduciary funds account for the external portion of investment pools (including individual investment accounts) that are held in a trust that meets <u>GASBS No. 84</u> paragraph 11c(1) requirements. Assets must be as follows: 1) administered through a trust and the government is not the beneficiary; 2) dedicated to providing benefits to recipients in accordance with the benefit terms; and 3) legally protected from creditors. External portion of investment pools that do not meet the <u>GASBS No. 84</u> paragraph 11c(1) requirements would be reported as a Custodial Fund.

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Glossary, Continued

Investments	Securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) have a present service capacity based solely on their ability to generate cash or to be sold to generate cash.
Involuntary termination benefits	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.
Irrevocable Split-Interest Agreements	<u>GASBS No. 81</u> , <i>Irrevocable Split-Interest Agreements</i> , defines a split-interest agreement as an agreement in which the donor enters into a trust or other legally enforceable agreement (with characteristics that are equivalent to a split-interest agreement) under which the donor transfers resources to an intermediary to administer for the benefit of at least two beneficiaries, one of which could be a government. It also defines an irrevocable split-interest agreement as a split-interest agreement in which the donor has not reserved, or conferred to another person, the right to terminate the agreement at will and have the assets returned to the donor or a third party.
Issuer	An entity that has the authority to distribute a security or other investment.
Joint venture	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.
Lag pay	A system of processing employee compensation payments in which paychecks are calculated and produced following the end of the pay period.
LAS	Acronym for the Lease Accounting System.

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Glossary, Continued

Lease A financing agreement in which the title may pass by the end of the lease term (capital) or may not pass at all (operating). These terms are effective for FY 2020. **GASBS No. 87**, *Leases* (effective for FY 2021 and thereafter) significantly impacts lease reporting and introduces new lease classifications in addition to new accounting and reporting requirements.

Level 1 Inputs The highest level of valuation techniques used to measure the fair value per **GASBS No. 72**, *Fair Value Measurement and Application*. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 Inputs A secondary level of valuation techniques used to measure the fair value per **GASBS No. 72**, *Fair Value Measurement and Application*. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs The lowest level of valuation techniques used to measure the fair value per **GASBS No. 72**, *Fair Value Measurement and Application*. Level 3 inputs are unobservable inputs that require management to use the best information available while considering factors that would impact market participants. An example of such an input is management’s assumption of the default rate among underlying mortgages of a mortgage-backed security.

LGIP and LGIP EM The Virginia Department of Treasury administers the Local Government Investment Pool (LGIP) program for public entities of the Commonwealth. The LGIP program is comprised of the LGIP and LGIP Extended Maturity (LGIP EM) portfolios designed to provide investment alternatives to participating public entities.

Localities Cities, towns, and counties (does not include regional authorities).

Long-term leave liability The liability for accrued annual, traditional 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.

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Glossary, Continued

Long-term leave liability due in greater than one year	The portion of long-term leave liability that is due in greater than one year after the fiscal year-end. For fiscal year 2020, it is the liability due <u>after</u> June 30, 2021.
Long-term leave liability due within one year	The portion of long-term leave liability that is due within one year after the fiscal year-end. For fiscal year 2020, it is the liability due <u>on or before</u> June 30, 2021.
Long-term debt	Obligations including bonds, notes payable, pensions, and other liabilities having a maturity of more than one year from the date of issuance.
MD & A	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.
Majority equity interests	<u>GASBS No. 90</u> , <i>Majority Equity Interests</i> , provides guidance on the reporting of majority equity interest in a legally separate organization. <u>GASBS No. 90</u> defines equity interest as follows: financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or having an explicit, measurable right to the net resources of the organization usually based on an investment of financial or capital resources by a government. Refer to <u>GASBS No. 90</u> for specific guidance.
Material weakness	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.
MELP	Acronym for the Treasury Board's Master Equipment Leasing Program.
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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Glossary, Continued

Multi-year licensing agreement	An agreement where the agency is making licensing payments over more than one year (usually annually) for the right to use software or another intangible asset. These payments represent long-term liabilities. Maintenance contract payments are not considered multi-year licensing agreements.
Net asset value per share (NAV)	Represents value per share of the total amount of net assets; it is generally calculated by dividing the total amount of net assets by each share outstanding at the end of a reporting period.
Net investment in capital assets	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.
Net other post-employment benefit asset (Net OPEB asset)	A situation in which the OPEB plan's fiduciary net position exceeds the total OPEB liability.
Net other post-employment benefit liability (Net OPEB liability)	The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets criteria outlined in paragraph 4 of <i>GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.</i>
Net pension liability	<i>GASBS No. 68, Accounting and Financial Reporting for Pensions,</i> defines a net pension liability as a liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan.
Net position	The difference between total assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources reported on the government-wide, proprietary fund, and fiduciary fund statements.

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Glossary, Continued

Nonexchange financial guarantees

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.

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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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.

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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Glossary, Continued

Off-balance sheet obligations	<p>These are financial obligations of the Commonwealth, which are not disclosed on the financial statements.</p> <p>§2.2-813.2 of the <i>Code of Virginia</i> 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.</p>
Operating grants and contributions (program revenue)	<p>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.</p>
Operating lease	<p>The classification of a lease that does not meet any of the four criteria for a capital lease (lessee) (see definition for capital lease) or that does not meet all of the criteria of a sales type, direct financing or leveraged lease (lessor).</p>
Original budget	<p>The budget as signed into law (unadjusted) or otherwise legally authorized.</p>
Other financing sources	<p>Increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends.</p>
Other financing uses	<p>Decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends.</p>
Other identifying numbers	<p>A number assigned by the pass-through entity to identify a grant. This number would not be supplied by the Federal grantor or awarding agency, but provided specifically by the pass-through entity.</p>

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Glossary, Continued

Other post-employment benefit (OPEB) plans

GASBS No. 75 defines other postemployment benefits (OPEBs) as benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave. It also defines OPEB plans as arrangements through which OPEB is determined, assets dedicated for OPEB (if any) are accumulated and managed, and benefits are paid as they come due. A listing of state OPEBs follows:

OPEB Plans Administered by Virginia Retirement System (VRS):

- **Retiree Health Insurance Credit Program** – The Commonwealth provides this benefit to retired state employees based on a per year of service credit towards their monthly health insurance premiums.
- **Line of Duty Act 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. (**Note:** VRS manages the assets and DHRM administers the benefits and payment of claims.)
- **Group Life Insurance Benefits** – Eligible State employees who retire are entitled to postemployment life insurance benefits.
- **Virginia Sickness and Disability Program (also known as the Disability Insurance Trust Fund)** – The Commonwealth provides disability insurance benefits to eligible retired state employees.

OPEB Plan Administered by Virginia Department of Human Resource Management (DHRM):

Pre-Medicare Retiree Healthcare – The Commonwealth provides a healthcare plan for retired state employees who are not yet eligible to participate in Medicare.

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Glossary, Continued

Outflow of resources	Consumption of net assets by the government that is applicable to the reporting period.
Pass-through grants	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.
Pension (and other employee benefit) trust funds	These fiduciary funds account for pension and other postemployment benefit plans administered through trusts that meet paragraph 3 of <u>GASBS No. 67</u> and <u>GASBS No. 74</u> , respectively. It also includes other employee benefit plans for which resources are held in trust pursuant to <u>GASBS No. 84</u> paragraph 11c (1) requirements and the contributions and earnings are irrevocable.
Permanent funds	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).
Plan of involuntary termination	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.
Pledged inventory	The specific inventory used to secure a loan or financing.
Pledged receivables	The specific receivables used to secure a loan or financing.
Pledged revenue	Specific type of revenue that is to be used for specific debt issues.

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Glossary, Continued

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.

Prepaid items

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

Private-purpose trust funds

These fiduciary funds account for fiduciary activities not required to be reported as pension and other employee benefit trust funds or investment trust funds and assets are held in a trust pursuant to **GASBS No. 84** paragraph 11c(1) requirements.

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.

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).

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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Glossary, Continued

Reimbursement grant	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.
Related organizations	Organizations for which the primary government appoints a majority of the board, but is not financially accountable, are related organizations.
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.
Restricted assets	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.
Restricted cash and cash equivalents	Cash and cash equivalents (investments with an original maturity of 90 days or less) that have constraints on their use.
Restricted fund balance	As defined by GASBS No. 54 , <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.
Restricted net position	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.
Retainage payable	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

RSI	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.
Schedule of Expenditures of Federal Awards (SEFA)	A required schedule that is prepared, by state and local governments and not-for-profit entities that receive federal funding, each year for inclusion in the Statewide Single Audit Report. The Single Audit Report is required for compliance with the Single Audit Act Amendments of 1996 and OMB Federal Circular 2 CFR, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, located in Title 2 of the Code of Federal Regulations.
Securities lending	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.
Security	Generally, a security is a transferable financial instrument evidencing debt obligation of, or equity ownership in, a common enterprise. The term includes notes, stocks, bonds, debentures, or other forms of negotiable and non-negotiable instruments that evidence indebtedness or ownership.
Segmented time distribution	One of the GASBS No. 40 interest rate risk disclosure methods that groups investment cash flows into sequential time periods.

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Glossary, Continued

Service Concession Arrangement (SCA)

As defined by **GASBS No. 60**, *Accounting and Financial Reporting for Service Concession Arrangements*, 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. **GASBS No. 72**, *Fair Value Measurement and Application*, includes amendments to **GASBS No. 60** and requires SCA assets placed in service to be reported at acquisition value.

Service Concession Arrangement Upfront Payments

Payments made to the transferor from the operator for the right to build, operate, and collect user fees on infrastructure or other public assets. This revenue should be recognized in a systematic and rational manner over the term of the arrangement.

Short-term debt

Debt with a party **external** to the Commonwealth including anticipation notes, lines of credit, and similar loans usually with a maturity of one year or less. Refer to the **GASBS No. 48 Commonwealth of Virginia Intra-Entity Reporting List** on DOA's website for additional information.

Significance/materiality

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.

SNAP

The Virginia State Non-Arbitrage Program (SNAP) provides comprehensive investment management, accounting, and arbitrage rebate calculation services for the proceeds of tax-exempt borrowings and other financings of Virginia issuers. Virginia Department of Treasury (Treasury) administers SNAP by overseeing the private sector contractors hired as service providers.

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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Glossary, Continued

Special item	Significant transactions or other events that are either unusual in nature or infrequent in occurrence and within management's control.
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.
Straight-line basis	A methodology of depreciation in which the asset is depreciated uniformly over the life of the asset.
Supplementary information	Financial information presented in the CAFR that is not included within the audit of the basic financial statements.
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.
Tax Abatement Disclosures (TAD)	A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.
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.
Total other post-employment benefit liability (OPEB liability)	This is a liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

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Glossary, Continued

Unassigned fund balance	The amount of fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes. A negative amount indicates that restricted and committed amounts exceed the available modified accrual basis fund balance.
Unearned revenue	Unearned revenue represents monies received but not earned as of year-end.
Unrestricted net position	That portion of net position that is neither restricted nor invested in capital assets.
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.
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.
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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