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## Appendix E: Consolidated Glossary

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This glossary is a compilation of all terms presented in Statements of Federal Financial Accounting Standards. Some terms are designated as “Special Term from SFFAS #” and are terms defined specifically for the standard indicated. These terms are not intended for general application to other federal financial transactions.

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### Abandoned Property

Property of any type over which the rightful owner has relinquished possession and any claim of an ownership interest, without assertion of an adverse right to possession and control by the federal government. This would include property left at a government facility and unclaimed by the rightful owner following notice of intent to dispose. This property is a type of seized property.

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### Abatement

A reduction or cancellation of an assessed tax.

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### Accountability Reports

These reports are broader in scope than traditional general purpose financial reports. As explained by OMB: “Six pilot agencies volunteered to produce an ‘Accountability Report’ for FY 1995 to provide more useful information to decision makers by linking together information required by several management statutes. . . . Accountability Reports integrate the following information: the FMFIA report, the CFOs Act Annual Report (including audited financial statements); management’s Report on Final Action as required by the IG Act; Civil Monetary Penalty and Prompt Payment Act reports; and available information on agency performance compared with its stated goals and objectives, in preparation for implementation of GPRA.” *Federal Financial Management Status Report and Five Year Plan*, June 1996, pages 33-34. Twelve agencies produced accountability reports for FY 1997; eighteen plan to do so for FY 1998; the number will increase to 23 for FY 2000. (The requirement to include Civil Monetary Penalty and Prompt Payment Act reports has been deleted.)

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### Accrual Accounting

Records the effects on a reporting entity of transactions and other events and circumstances in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the entity. Accrual accounting is concerned with an entity’s acquiring of goods and services and using them to produce and distribute other goods

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and services. It recognizes that the buying, producing, selling, distributing, and other operations of an entity during a period, as well as other events that affect entity performance, often do not coincide with the cash receipts and payments of the period. Compare with cash accounting. [See Financial Accounting Standards Board Statement of Financial Accounting Concepts (SFAC) No. 4, Objectives of Financial Reporting by Nonbusiness Organizations, paragraph 50, SFAC No. 6, Elements of Financial Statements, pars. 139-141, 144-5; and Congressional Budget Office, Glossary of Budgetary and Economic Terms, "Accrual Accounting."] (SFFAS 24)

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## Activity

The actual work task or step performed in producing and delivering products and services. An aggregation of actions performed within an organization that is useful for purposes of activity-based costing.

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## Activity Analysis

The identification and description of activities in an organization. Activity analysis involves determining what activities are done within a department, how many people perform the activities, how much time they spend performing the activities, what resources are required to perform the activities, what operational data best reflect the performance of the activities, and what customer value the activity has for the organization. Activity analysis is accomplished with interviews, questionnaires, observation, and review of physical records of work. It is the foundation for agency process value analysis, which is key to overall review of program delivery.

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## Activity-based Costing

A cost accounting method that measures the cost and performance of process related activities and cost objects. It assigns cost to cost objects, such as products or customers, based on their use of activities. It recognizes the causal relationship of cost drivers to activities.

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## Actual Cost

An amount determined on the basis of cost incurred including standard cost properly adjusted for applicable variance.

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## Actual Custody

Physical possession and control of property by government personnel.

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## Actuarial Balance

The difference between the summarized cost rate and the summarized income rate over a given valuation period.

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## Actuarial Cost Methods

A recognized actuarial technique used for establishing the amount and the incidence of employer contributions or accounting charges for pension costs under a pension plan.

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## Actuarial Gains and Losses

A change in the value of an estimated liability (or the benefit plan's assets) resulting from experience different from that assumed or from a change in an actuarial assumption. Past experience is reflected in current costs through actuarial gains and losses.

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## Actuarial Liability

A liability based on statistical calculations and actuarial assumptions (actuarial assumptions are conditions used to resolve uncertainties in the absence of information concerning future events affecting insurance, pension expenses, etc.).

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## Actuarial Present Value

The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions. (Actuarial Standards of Practice No. 4)

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## Actuarial Status

The status of a program based on statistical calculations and actuarial assumptions about future economic, demographic, and other conditions and events.

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## Aggregate Entry Age Normal

A system of applying the entry age normal actuarial cost methodology using aggregate population models or groups instead of applying it individual by individual.

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## Allocations

As used in the context of the federal budget, the amount of obligational authority transferred from one agency, bureau, or account that is set aside in a transfer appropriation account to carry out the purpose of the parent appropriation or fund. (JFMIP, *Project on Standardization of Basic Financial Information Requirements of Central Agencies*, dated October 1991, hereafter cited as JFMIP Standardization Project)

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## Allotment

A distribution made within an entity of amounts available for obligation. [See OMB Bulletin A-34, *Instructions on Budget Execution*, Section 11, Terms and Concepts, "Allotment."]

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## Ammunition

A generic term that includes a great variety of devices designed and constructed to inflict damage upon enemy personnel or material by action of an explosive, pyrotechnic, or chemical agent.

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## Amortization

The gradual extinguishment of any amount over a period of time through a systematic allocation of the amount over a number of consecutive accounting periods such as the retirement of a debt by serial payments to a sinking fund.

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## Annual Cost Increment

The annual cost increment component of expense is the actuarial present value of the future cash outflows for which a reporting entity becomes obligated during the reporting period. See **Normal Cost** below for pensions, ORB, and OPEB.

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## Anticipated

The word “anticipated” is used in a broad, generic sense in this document. In this context the term may encompass both “probable” losses arising from events that have occurred, which should be recognized on the face of the basic or “principal” financial statements, as well as “reasonably possible” losses arising from events that have occurred, which should be disclosed in notes to those statements. “Anticipated” may include the effects of future events that are deemed probable, for which a financial forecast would be appropriate. The term may also encompass hypothetical future trends or events that are not necessarily deemed probable, for which financial projections may be appropriate. (See below for definitions of “*forecast*” and “*projection*.”)

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## Applied Research

Systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

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## Apportionment

A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, programs, activities, projects, objects, or combinations thereof. The apportioned amount limits the obligations that may be incurred. (OMB *Circular A-34*)

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## Appropriation

In most cases, appropriations are a form of budget authority provided by law that permits federal agencies to incur obligations and make payments out of the Treasury for specified purposes. An appropriation usually follows enactment of authorizing legislation. An appropriation act is the

most common means of providing budget authority, but in some cases the authorizing legislation itself provides the budget authority.

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## Assessments

Enforceable claims for nonexchange revenue for which specific amounts due have been determined and the person from whom the tax or duty is due has been identified. They include both self-assessments made by persons filing tax returns and assessments made by the collecting entities as a result of audits, investigations, and litigation. Although the term is normally used in connection with taxes, as used in this Statement (SFFAS 7) assessments also include determinations of amounts due for any other kind of nonexchange revenue. Specifically excluded from the definition of assessments, as used in this Statement, are compliance assessments. Compliance assessments, as defined by IRS and Customs, do not represent financial receivables.

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## Assets

Tangible or intangible items owned by the federal government which would have probable economic benefits that can be obtained or controlled by a federal government entity. (Adapted from Financial Accounting Standards Board, Statement of Concepts No. 6, *Elements of Financial Statements*)

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## Attribution

The process of assigning pension benefits or costs to periods of employee service. [Financial Accounting Standard Board, Statement of Financial Accounting Standard No. 87, *Employers' Accounting for Pensions* ]

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## Assumptions

Basic beliefs about the future operating and functional characteristics. Types of assumptions include:

**Actuarial:** Assumptions as to the occurrence of future events affecting projected costs, such as mortality, withdrawal, disability, and future interest rates.

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**Cash flow assumptions** - all known and/or forecasted information about the characteristics and performance of a cash flow, e.g., a loan or group of loans or loan guarantees. Examples of assumptions pertaining to loans and loan guarantees include estimates of maturity, borrower interest rate, default/delinquency rate, timing of defaults, overall impact of changes in economic factors, etc.

**Hospital assumptions:** Assumptions related to medical treatment including differentials between hospital labor and nonlabor indices compared to general economy labor and nonlabor indices; rates of hospital admission; the trend toward treating less complicated cases in outpatient settings; and continued improvement in the classification of patients according to type of treatment, age, diagnosis, etc.

**Key assumptions** - Assumptions that have been established, through sensitivity analysis or other means, to be the elements that have a large impact on estimates, and thus are the most important factors in determining the cost of a loan or group of loans or loan guarantees.

**Model assumptions** - determinations of how cash flow assumptions are applied through the life of the cohort. For example, determining whether the entire assumed amount of defaults should be applied in 1 year or whether a constant or variable proportion of the assumption value should be allocated to each year. The allocation of cash flows over time is the selected model form and is just as influential as the cash flow assumption.

**Social Security:** Values relating to future trends in certain key factors. Demographic assumptions include fertility, mortality, net immigration, marriage, divorce, retirement patterns, disability incidence and termination rates, and changes in the labor force. Economic assumptions include unemployment, average earnings, inflation, interest rates, and productivity. Projections are normally provided based on the following three sets of economic assumptions • the “low cost” set (Alternative I) that assumes relatively rapid economic growth, low inflation, and demographic conditions favorable to the plan;

- the “intermediate cost” set (Alternative II) that represents the trustees’ “best estimate” of future trends; and
- the “high cost” set (Alternative III) that assumes slow economic growth, more rapid inflation, and demographic conditions unfavorable to the plan.

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## Authority To Borrow

Authority to borrow is a subset of budget authority. (See *budget authority*.)

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## Avoidable Cost

A cost associated with an activity that would not be incurred if the activity were not performed.

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## Basic Financial Statements

As used in SFFAS 7, the basic financial statements are those on which an auditor would normally be engaged to express an opinion. The term “basic” does not necessarily mean that other financial information not covered by the auditor’s opinion is less important to users than that contained in the basic statements; it merely connotes the expected nature of the auditor’s review of, and association with, the information. The basic financial statements in financial reports prepared pursuant to the Chief Financial Officers Act, as amended, are called the “principal financial statements.” The Form and Content of these statements are determined by OMB. (see also Principal Financial Statements)

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## Basic Information

Information that is essential for financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).

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## Basic Research

Systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind.

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## Beneficiary

An individual or other entity legally entitled to enforce an obligation against the United States such as specified benefits from a fiduciary trust or agent.

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## Betterment

An expenditure having the effect of extending the useful life of an existing asset, increasing its normal rate of output, lowering its operating cost, increasing rather than merely maintaining its efficiency or otherwise adding to the worth of benefits it can yield. A betterment is distinguished

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from repair or maintenance in that the latter have the effect of merely keeping the asset in its customary state of operating efficiency without the expectation of added future benefits.

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## Black Lung Benefits Program

The Black Lung program consists of two parts: Part B and Part C. Recipients who filed claims from 1970 to mid-1973 are covered by Part B; all other recipients are covered by Part C.

- Part B is currently administered by the Social Security Administration (SSA). Former coal miners and their dependents are eligible for monthly cash benefits if the miner is totally disabled or died due to black lung disease. Benefits under Part B are reduced if the beneficiary receives state workers' compensation, unemployment compensation, or state disability compensation. Certain pension benefits are subject to an excess-earnings test. The program is wholly funded by annual appropriations from the general fund.
- Part C is administered by the U.S. Labor Department, although some services are provided by SSA on a reimbursable basis. The program serves a declining population. Increased mechanization of coal mining operations and the industry's improved health and safety regulations have resulted in very few new entrants into the program. Most current beneficiaries entered the program in the 1970s. Former coal miners who have black lung disease are eligible for Part C benefits if a responsible mine owner cannot be determined. Two-thirds of Part C benefits are funded by earmarked excise taxes on coal and one-third by general fund revenues. The latter takes the form of "repayable advances" rather than appropriations.

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## Book Value

The net amount at which an asset or liability is carried on the books of account (also referred to as carrying value or amount). It equals the gross or nominal amount of any asset or liability minus any allowance or valuation amount.

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## Budget

The Budget of the United States Government setting forth the President's comprehensive financial plan for allocating resources. The Government uses the budget system to allocate resources among its major functions and individual programs. The budget process has three main phases: formulation, congressional action on the budget, and execution. Some presentations in the budget distinguish between "on-budget" and "off-budget" totals. "On-budget" totals reflect the transactions of all Government entities except those excluded from the unified

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budget totals by law. Likewise, “off-budget” totals reflect the transactions of Government entities that are excluded from the unified budget totals by law. Currently excluded are the social security trust funds and the Postal Service Fund. The on- and off-budget totals are combined to derive unified or consolidated totals for Federal activity. The budget amounts and references in this exposure draft refer to the unified budget. [See FY 2003 *Budget of the United States Government: Analytical Perspectives*, “Budget System and Concepts and Glossary.”]

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## Budget Authority

The authority provided by Federal law to incur financial obligations that will result in immediate or future outlays. Specific forms of budget authority include:

- Appropriations -- which may be provided in appropriations acts or other laws and which permit obligations to be incurred and payments to be made;
- Borrowing authority -- which permits obligations to be incurred but requires funds to be borrowed to liquidate the obligation;
- Contract authority -- which permits obligations to be incurred but requires a subsequent appropriation or offsetting collections to liquidate the obligations; and
- Spending authority from offsetting collections -- which permits offsetting collections to be credited to an expenditure account and permits obligations and payments to be made using the offsetting collections (the offsetting collections credited to an account are deducted from gross budget authority of the account.)

Budget authority may be classified by period of availability (one year, multiple-year, or no year), by nature of the authority (current or permanent), by the manner of determining the amount available (definite or indefinite), or as gross (without reduction of offsetting collections) and net (with reductions of offsetting collections). (OMB *Circular A-11, Preparation and Submission of Budget Estimates*, Executive Office of the President, Office of Management and Budget, hereafter cited as OMB *Circular A-11*; OMB, *The Budget System and Concepts*; and GAO, *A Glossary of Terms Used in the Federal Budget Process*, Exposure Draft, January 1993; hereafter referred to as GAO *Budget Glossary*.)

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## Budget Obligation

See Obligation below.

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## Budget Outlay

See Outlay below.

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## Budget Receipt

See Receipt below.

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## Budget Surplus Or Deficit, Unified

The unified budget surplus is the excess of budget receipts over budget outlays during a fiscal year and a deficit is the excess of budget outlays over budget receipts during a fiscal year. [See *FY 2003 Budget of the United States Government: Analytical Perspectives*, "Budget System and Concepts and Glossary."] (SFFAS 24)

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## Budget, Unified

The budget presents combined on- and off-budget totals to derive totals for Federal activity, which is sometimes called the unified budget. The off-budget receipts and outlays of the Social Security trust funds and the Postal Service Fund are added to the on-budget receipts and outlays to calculate the unified budget totals.

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## Budgetary Accounting

Budgetary accounting is the system that measures and controls the use of resources according to the purposes for which budget authority was enacted; and that records receipts and other collections by source. It tracks the use of each appropriation for specified purposes in separate budget accounts through the various stages of budget execution from appropriation to apportionment and allotment to obligation and eventual outlay. This system is used by the Congress and the Executive Branch to set priorities, to allocate resources among alternative uses, to finance these resources, and to assess the economic implications of federal financial activity at an aggregate level. Budgetary accounting is used to comply with the Constitutional requirement that "No Money shall be drawn from the Treasury, but in Consequence of Appropriations Made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public money shall be published from time to time." (See Statement of Federal

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Financial Accounting Concepts No. 1, *Objectives of Federal Financial Reporting*, September 1993, Paragraphs 45-46, 112-114, and 186-191.)

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## Budgetary Resources

The forms of authority given to an agency allowing it to incur obligations. Budgetary resources include the following: new budget authority, unobligated balances, direct spending authority, and obligation limitations. (*GAO Budget Glossary*)

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## Business Type Activity

Significantly self-sustaining activity which finances its continuing cycle of operations through collection of exchange revenue.

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## Capital Leases

Leases that transfer substantially all the benefits and risks of ownership to the lessee.

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## Capitalize

To record and carry forward into one or more future periods any expenditure the benefits or process from which will then be realized.

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## Cash Accounting

A system of accounting in which revenues are recorded when received in cash and expenses or expenditures are recorded when cash is disbursed. [See Financial Accounting Standards Board Statement of Financial Accounting Concepts No. 4, *Objectives of Financial Reporting by Nonbusiness Organizations*, paragraph 50; and Congressional Budget Office, *Glossary of Budgetary and Economic Terms*, "Cash Accounting."] (SFFAS 24)

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## Cash Flow Stream

The agency's projection of the dollar amount for the scheduled cash flows and deviations from scheduled cash flow items for each year, e.g., over the life of a cohort of loans.

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## Cash Flows

Estimates or payments to or from the Government. For example, for direct loans, these may include: loan disbursements, repayments of principle, payments of interest, and any other payments such as defaults, prepayments, fees, penalties, and other recoveries. For loan guarantees, these may include: payments by the government to cover defaults and delinquencies, interest subsidies, payments to the government, such as origination and other fees, penalties and recoveries, and any other payments.

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## Category I nonfriable asbestos-containing material (ACM)

Refers to asbestos-containing packings, gaskets, resilient floor covering, and asphalt roofing products containing more than 1 percent asbestos as determined using the method specified in appendix E, subpart E, 40 CFR part 763, section 1, Polarized Light Microscopy. (40 CFR § 61.141)

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## Category II nonfriable ACM

Refers to any material, excluding Category I nonfriable ACM, containing more than 1 percent asbestos as determined using the methods specified in appendix E, subpart E, 40 CFR part 763, section 1, Polarized Light Microscopy that, when dry, cannot be crumbled, pulverized, or reduced to powder by hand pressure. (40 CFR § 61.141)

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## Central Fund

A federal entity established to finance the costs of seizure, management and disposition of property seized for forfeiture, and to receive any proceeds from the sale or other disposition of that property.

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## Changes In Accounting Principles

A change in accounting principle is a change from one generally accepted accounting principle to another one that can be justified as preferable. For the purposes of SFFAS 21, changes in accounting principles also include those occasioned by the adoption of new federal financial accounting standards. (SFFAS 21)

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## Cleanup Costs

The costs of removing, containing, and/or disposing of (1) hazardous waste from property, or (2) material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E.

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## Closed Group

See “*Closed group (to new entrants)*.”

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## Closed Group (To New Entrants)

Those persons who, as of a valuation date, are participants in a social insurance program as beneficiaries, covered workers, or payers of earmarked taxes or premiums.

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## Cohort

Those direct loans obligated or loan guarantees committed by a program in the same year even if disbursements occur in subsequent years. Post-1991 direct loans or loan guarantees will remain with their original cohort throughout the life of the loan, even if the loan is modified. Pre-1992 loans and loan guarantees that are modified shall each, respectively, constitute a single cohort. (OMB *Circular A-11*)

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## Collateral

Real or personal property pledged as part or full security on a debt.

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## Collections

Amounts received by the federal government during the fiscal year. Collections are classified as follows:-- Budget receipts or off-budget receipts are collections from the public based on the government's exercise of its sovereign powers, including collections from participants in compulsory social insurance programs. -- Offsetting collections are collections from government accounts (intragovernmental transactions) or from the public that are offset against budget authority and outlays rather than reflected as receipts in computing the budget and off-budget totals. They are classified as (a) offsetting receipts (i.e., amounts deposited to receipt accounts), and (b) collections credited to appropriation or fund accounts. The distinction between these two major categories is that collections credited to appropriation or fund accounts are offset within the account that contains the associated disbursements (outlays), whereas offsetting receipts are in accounts separate from the associated disbursements. Offsetting collections are deducted from gross disbursements in calculating net outlays. (Based on *A Glossary Of Terms Used in the Federal Budget Process; and Related Accounting, Economic, and Tax Terms*, Third Edition, General Accounting Office, March 1981.)

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## Common Cost

The cost of resources employed jointly in the production of two or more outputs and the cost cannot be directly traced to any one of those outputs.

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## Common Data Source

All of the financial and programmatic information available for the budgetary, cost, and financial accounting processes. It includes all financial and much non-financial data, such as environmental data, that are necessary for budgeting and financial reporting as well as evaluation and decision information developed as a result of prior reporting and feedback.

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## Component Entities

The term "component entity" is used to distinguish between the U.S. Federal Government and its components. The U.S. Federal Government as a whole is composed of organizations that manage resources and are responsible for operations, i.e., delivering services. These include major departments and independent agencies, which are generally divided into suborganizations, i.e., smaller organizational units with a wide variety of titles, including bureaus, administrations, agencies, and corporations. (SFFAC No. 2, *Entity and Display*, pars. 11-12). Use of "component entity" in this standard is only intended to distinguish between the U.S.

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Federal Government's consolidated financial statements and financial statements of its components.

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## Component Reporting Entity

"Component reporting entity" is used broadly to refer to a reporting entity within a larger reporting entity.<sup>1</sup> Examples of component reporting entities include organizations such as executive departments, independent agencies, government corporations, legislative agencies, and federal courts. Component reporting entities would also include sub-components (those components included in the GPFFR of a larger reporting entity) that may themselves prepare GPFFRs. One example is a bureau that is within a larger department that prepares its own standalone GPFFR.

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## Composite Depreciation Methodology

The composite methodology is a method of calculating depreciation that applies a single average rate to a number of heterogeneous assets that have dissimilar characteristics and service lives.

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## Condition

The physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset's condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction), and obsolescence.

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<sup>1</sup>The larger reporting entity could be the government-wide reporting entity or another component reporting entity.



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## Condition Assessment Surveys

Periodic inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies.

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## Conservatorship

A conservatorship is the legal process in which a person or entity is appointed to establish control and oversight of a company to put it in a sound and solvent condition. In a conservatorship, the powers of the company's directors, officers, and shareholders are transferred to the designated conservator.<sup>2</sup>

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## Constant Dollar

A dollar value adjusted for changes in the average price level. A constant dollar is derived by dividing a current dollar amount by a price index. The resulting constant dollar value is that which would exist if prices had remained at the same average level as in the base period. Any changes in such constant dollar values would therefore reflect only changes in the real volume of goods and services, not changes in the price level. Constant dollar figures are commonly used to compute the real value of the gross domestic product and its components and to estimate the real level of Federal receipts and outlays. (*GAO Budget Glossary*)

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## Constructive Custody

Legal possession of property by federal government personnel through a non-federal agent, such as a commercial contractor or state or local official, under a legal agreement or court order that the agent maintains physical possession and control of the property on behalf of, and subject to the orders of, the Federal government personnel.

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## Consumption Method

A method of accounting for goods, such as materials and supplies, where the goods are recognized as assets upon acquisition and are expensed as they are consumed.

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<sup>2</sup> Federal Housing Finance Agency Fact Sheet, Questions and Answers on Conservatorship

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## Contingency

An existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur.

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## Contra Account

One of two or more accounts which partially or wholly offset another or other accounts; on financial statements, they may be either merged or appear together.

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## Contract Authority

Contract authority is a subset of budget authority. (See *budget authority*.)

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## Contributions

Also referred to as “taxes,” “payroll taxes,” or “premiums,” these terms refer to amounts paid into social insurance programs. The payments can be paid by (1) employers and employees based on wages from employment covered under a program; (2) the self-employed based on net earnings from selfemployment; (3) governments based on wages of state and local government employees; and (4) policyholders based on coverage under certain programs.

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## Control with risk of loss or expectation of benefit

Control with risk of loss or expectation of benefit is the power to impose will on and/or govern the financial and/or operating policies of another organization with the potential to be obligated to provide financial support or assume financial obligations or obtain financial resources or non-financial benefits.<sup>3</sup>

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<sup>3</sup> For example, a non-financial benefit would be one where the federal government benefits from a service being provided to it or on its behalf.

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## Controllable Cost

A cost that can be influenced by the action of the responsible manager. The term always refers to a specified manager since all costs are controllable by someone.

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## Cost

Defined in SFFAC No. 1, *Objectives of Federal Financial Reporting* as the monetary value of resources used (para. 195). Defined more specifically in SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, as the monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service (page 105). Depending on the nature of the transaction, cost may be charged to operations immediately, i.e., recognized as an expense of the period, or to an asset account for recognition as an expense of subsequent periods. In most contexts within *Accounting for Revenue and Other Financing Sources*, “cost” is used synonymously with expense. See also “*Full Cost*.”

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## Cost Allocation

A method of assigning costs to activities, outputs, or other cost objects. The allocation base used to assign a cost to objects is not necessarily the cause of the cost. For example, assigning the cost of power to machine activities by machine hours is an allocation because machine hours are an indirect measure of power consumption.

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## Cost Assignment

A process that identifies costs with activities, outputs, or other cost objects. In a broad sense, costs can be assigned to processes, activities, organizational divisions, products, and services. There are three methods of cost assignment: (a) directly tracing costs wherever economically feasible, (b) cause-and-effect, and (c) allocating costs on a reasonable and consistent basis.

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## Cost-benefit Analysis

The weighing of benefits against costs usually expressed as a ratio of dollar benefits to dollar costs for each of a variety of alternatives to provide a comparable basis of choice among them.

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## Cost Driver

Any factor that causes a change in the cost of an activity or output. For example, the quality of parts received by an activity, or the degree of complexity of tax returns to be reviewed by the IRS.

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## Cost Finding

Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are appropriate for certain kinds of costs, such as indirect costs, items with costs below set thresholds within programs, or for some programs in their entirety. Cost finding techniques support the overall managerial cost accounting process and can represent non-recurring analysis of specific costs.

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## Cost Object (Also Referred To As Cost Objective)

An activity, output, or item whose cost is to be measured. In a broad sense, a cost object can be an organizational division, a function, task, product, service, or a customer.

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## Cost Rate

The ratio of expenditures for the program to the taxable payroll for the year.

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## Covered Employment

All employment and self-employment creditable for purposes of the social insurance program. For Social Security, almost every kind of employment and self-employment is covered. In a few employment situations, coverage must be elected by the employer. Covered employment for HI includes all federal employees, whereas covered employment for OASDI includes some, but not all, federal employees.

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## Covered Worker

A person having earnings creditable for a social insurance program. For Social Security, "creditable earnings" are based on earnings taxable under the program. The number of HI

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covered workers is slightly larger than the number of OASDI covered workers because of different coverage status for federal employment.

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## Credit Program

For the purpose of this Statement (SFFAS 19), a federal program that makes loans and/or loan guarantees to nonfederal borrowers.

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## Current Discount Rate

With respect to the modification of direct loans or loan guarantees, it is the discount rate used to measure the cost of a modification. It is the interest rate applicable at the time of modification on marketable Treasury securities with a similar maturity to the remaining maturity of the direct or guaranteed loans, under either pre-modification terms, or post-modification terms, whichever is appropriate. [*Special Term from SFFAS 2*]

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## Current Liabilities

Amounts owed by a federal entity for which the financial statements are prepared, and which need to be paid within the fiscal year following the reporting date.

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## Current Services Assessment

Projections of future receipts and outlays from future activities based on the programs established by current law. The CSA focuses on the totality of Government operations rather than on individual programs, and shows the short- and long-term direction of current programs.

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## Current Policy Without Change

In federal financial reporting, "current policy without change" refers to the continuation of policies in place as of the valuation date (in other words, no policy change).

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## Custodial Agency

The federal agency that has actual possession of seized or forfeited property, or constructive possession of property through a non-federal agent. The custodial agency would be responsible for reporting material quantities of non-valued items.

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## Debt-to-GDP Ratio

The debt-to-GDP ratio, for the purposes of federal financial reporting, is the amount of federal (Treasury) debt held by the public divided by gross domestic product. [An alternative ratio would be the amount of total public debt (federal, state, and local) divided by GDP.]

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## Dedicated Collections

Dedicated collections are specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues. The three required criteria for funds from dedicated collections are:

1. A statute committing the federal government to use specifically identified revenues and or other financing sources that are originally provided to the federal government by a non-federal source\* only for designated activities, benefits or purposes;
2. Explicit authority for the fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the fund from the government's general revenues.

\*In some cases, specifically identified revenues or other financing sources are collected from a non-federal source by one agency and transferred or appropriated to another. For example, Social Security taxes are collected from non-federal entities (employees and employers) by the Internal Revenue Service. Those amounts are subsequently appropriated and transferred to the Social Security Administration. This internal process does not change the nature of the revenue or other financing source (i.e., specifically identified revenues or other financing sources originally collected from a non-federal source).

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## Default

The failure to meet any obligation or term of a credit agreement, grant, or contract. Often used to refer to accounts more than 90 days delinquent. (*Treasury Financial Manual Supplement*)

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## Deemed Cost

Amount used as a surrogate for initial amounts that otherwise would be required to establish opening balances.

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## Deferred Maintenance and Repairs

Maintenance and repairs that were not performed when they should have been or were scheduled to be and which, therefore, are put off or delayed for a future period.

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## Demographic Assumptions

Demographic assumptions address projected population trends (for example, birth rates, mortality rates, and net immigration).

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## Deposit Fund

Treasury Financial Management Service establishes deposit fund accounts to record monies that do not belong to the Federal government. A description of deposit fund criteria may be found in the Treasury Financial Manual, Section 1535, "Deposit Fund Accounts."

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## Depreciation Accounting

The systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life.

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## Development

Systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

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## Differential Cost

The cost difference expected if one course of action is adopted instead of others.

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## Direct Cost

The cost of resources directly consumed by an activity. Direct costs are assigned to activities by direct tracing of units of resources consumed by individual activities. A cost that is specifically identified with a single cost object.

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## Direct Loan

A disbursement of funds by the government to a nonfederal borrower under a contract that requires the repayment of such funds within a certain time with or without interest. The term includes the purchase of, or participation in, a loan made by another lender. (Adapted from OMB *Circular A-11*)

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## Directed Flows Of Resources

Expenses to nonfederal entities imposed by federal laws or regulations without providing federal financing. In the case of state and local governments, directed flows are known as “unfunded mandates.” The costs and financing of federal regulations do not flow through the Government, but their effects are similar to direct federal expenditures and revenue.

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## Disclosure

Reporting information in notes or narrative regarded as an integral part of the basic financial statement.



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## Discount

The difference between the estimated worth of a future benefit and its present value; a compensation for waiting or an allowance for returns from using the present value of these returns in other ways.

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## Discount Rate

An interest rate that is used in present value calculations to equate amounts that will be received or paid in the future to their present value.

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## Discretionary Spending

In the federal budget process, "discretionary spending" refers to outlays from budget authority that is controlled by annual appropriation acts. Annual appropriation acts are required to fund the continuing operation of all federal programs that are not "mandatory." For additional information, see *A Glossary of Terms Used in the Federal Budget Process*, [GAO-05-734SP](#).

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## Dividend Fund Interest Rate

The interest rate determined at policy issuance used to determine the amount of the dividend fund. It is the rate used to credit interest to the dividend fund, and against which experience is measured to determine the amount of the interest portion of dividends paid to individual policyholders. (AICPA Statement of Position 95-1, Glossary, p. 33]

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## Donated Capital

The amount of nonreciprocal transfers of assets or services from State, local, and foreign governments; individuals; or others not considered parties related to the Government. (JFMIP Standardization Project)

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## Drawbacks

Refunds of all or part of duties on imported goods that are subsequently exported or destroyed. Typically these arise when imported materials are used to manufacture a product that is later

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exported. In such cases, most of the duties originally paid are refundable when the finished product is exported.

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## Earmarked Fund

This term was used in SFFAS 27 and rescinded by SFFAS 43; see “Dedicated Collections.”

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## Econometric Model

An equation or a set of related equations used to analyze economic data through mathematical and statistical techniques. Such models may be devised in order to depict the essential quantitative impact of alternative assumptions or government policies. (*Dictionary of Banking and Finance*, Jerry M. Rosenberg, Ph.D., Wiley & Sons, New York, 1982, hereafter cited as Rosenberg’s Dictionary.)

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## Economic Assumptions

Economic assumptions address the economic factors that are not under the direct legislative control of the federal government (for example, inflation and growth in GDP).

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## Economic Life

The period during which a fixed asset is capable of yielding services of value to its owner. (See “*useful life*”.)

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## End User

Any component of a reporting entity that obtains goods for direct use in its normal operations. The component may also be a contractor.

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## Entitlement Period

The period (such as, monthly) for which benefits become due.

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## Entitlement Program

A program in which the federal government becomes automatically obligated to provide benefits to members of a specific group who meet the requirements established by law.

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## Entity

A unit within the federal government, such as a department, agency, bureau, or program, for which a set of financial statements would be prepared. Entity also encompasses a group of related or unrelated commercial functions, revolving funds, trust funds, and/or other accounts for which financial statements will be prepared in accordance with OMB annual guidance on Form and Content of Financial Statements.

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## Entry Age Normal Actuarial Method

A method under which the actuarial present value of projected benefits of each employee is allocated on a level basis over the earnings or the service of the employee between entry age and assumed exit age. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this present value not provided for at a valuation date by the present value of future normal cost is called the actuarial accrued liability. The assumption is made under this method that every employee entered the plan (entry age) at the time of initial employment or at the earliest eligibility date, if the plan had been in existence, and that contributions have been made from the entry age to the date of the actuarial valuation. The term "aggregate entry age normal" refers to an approach whereby costs are determined for the group as a whole rather than for each individual participant separately.

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## Errors

Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. (SFFAS 21)

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## Estimated Cost

The process of projecting a future result in terms of cost, based on information available at the time. Estimated costs, rather than actual costs, are sometimes the basis for credits to work-in-process accounts and debits to finished goods inventory.

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## Event

A happening of consequence to an entity. It may be an internal event that occurs within an entity, such as the transforming of raw materials into a product. Or it may be an external event that involves interaction between an entity and its environment, such as a transaction with another entity, an act of nature, theft, vandalism, a tort caused by negligence, or an accident. (Adapted from Financial Accounting Standards Board, Statement of Financial Accounting Concepts No. 6, *Elements of Financial Statements*)

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## Exchange Revenue

Inflows of resources to a governmental entity that the entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return.

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## Exchange Transaction

A transaction that arises when each party to the transaction sacrifices value and receives value in return.

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## Executory Contract

A contract which has not been performed by all parties to it. (Trascona, Joseph L., *Business Law*, William C. Brown C. Publishers, 1981)

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## Executory Cost

Those costs such as insurance, maintenance, and taxes incurred for leased property, whether paid by the lessor or lessee. (Financial Accounting Standards Board, Statement of Financial Accounting Standards No. 13, *Accounting for Leases*)

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## Expected Value

A statistical measurement attribute that is the sum of the products of each potential outcome multiplied by the probability of that potential outcome.

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## Expended Appropriations

The dollar amount of appropriations used to fund goods and services received or benefits or grants provided.

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## Expenditure

With respect to provisions of the Antideficiency Act (31 U.S.C. 1513-1514) and the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 622(i)), a term that has the same definition as outlay. (*GAO Budget Glossary*)

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## Expense

Outflows or other using up of assets or incurrences of liabilities (or a combination of both) during a period from providing goods, rendering services, or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period.

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## Expired Appropriations (Accounts)

Appropriation accounts in which the balances are no longer available for incurring new obligations because the time available for incurring such obligations has expired. (JFMIP Standardization Project)

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## Fair Value

Fair value is the amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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## Federally Funded Research and Development Center

Federally Funded Research and Development Center (FFRDC) is a government-funded entity that has a long-term contractual relationship with one or more federal agencies.<sup>4</sup> FFRDCs can be privately owned or government-owned, and they serve to meet the long-term research and development needs of federal agencies that could not otherwise be met as effectively in-house or through existing contractors. 49 Fed. Reg. at 14,464; 48 C.F.R. § 35.017(a). FFRDCs are established either specifically in statute or under the statutory authority of agencies to enter into contracts, which can be inherent or specific authority, and are used to perform research and development and related tasks.

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## Fiduciary

(noun) A Federal entity that holds assets in trust for non-Federal parties in which the non-Federal parties have an ownership interest that the Federal Government must uphold.

(adjective) Relating to the process of the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.

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## Fiduciary Activity

An activity that relates to the collection or receipt, management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.

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<sup>4</sup> The Office of Federal Procurement Policy (OFPP) and Federal Acquisition Regulation (FAR) policies for FFRDCs apply to executive agencies, which includes “an executive department, a military department, or any independent establishment within the meaning of 5 U.S.C. 101, 102, and 104(1), respectively, and any wholly owned Government corporation within the meaning of 31 U.S.C. § 9101.” 48 C.F.R. § 2.101; see also 5 U.S.C. § 403.

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## Fiduciary Asset

Fiduciary assets are assets in which non-Federal parties have an ownership interest and are held by a Federal entity under provision of law, regulation or other fiduciary arrangement.

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## Fiduciary Collections

Fiduciary collections are an inflow to a Federal entity of cash or other assets in which non-Federal parties have an ownership interest that the Federal Government must uphold.

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## Fiduciary Fund Balance with Treasury

Cash that is held in the U.S. Treasury and administered by a Federal entity on behalf of fiduciary beneficiaries.

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## Fiduciary Relationship

A fiduciary relationship exists when an authorized agent or entity of the Government accepts, recognizes, agrees to or consents to undertake fiduciary activity.

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## Financing Account

A non-budget account associated with each credit program account. The financing account holds fund balances, receives the subsidy cost payment from the credit program account, and includes all other cash flows to and from the government resulting from post-1991 direct loans or loan guarantees. (OMB *Circular A-11*, and OMB *Circular A-34*, Instructions on *Budget Execution*, Credit Apportionment and Budget Execution, hereafter cited as OMB *Circular A-34*.)

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## First-in, First-out (FIFO)

A cost flow assumption; the first goods purchased or produced are assumed to be the first goods sold.

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## Fiscal Gap

The fiscal gap is the change in non-interest spending and/or receipts that would be necessary to maintain public debt at or below a target percentage of GDP. The fiscal gap is the net present value of projected non-interest spending<sup>5</sup> minus projected receipts, adjusted by the decrease (or increase) in public debt required to maintain public debt at the target level for the stated projection period. The fiscal gap may be expressed as:

- (a) a summary amount in present value dollars,
- (b) a share of the present value of the GDP<sup>6</sup> for the projection period, and/or
- (c) a share of the present value of projected receipts or projected non-interest spending.

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## Fiscal Sustainability Reporting

In federal financial reporting, "Fiscal Sustainability Reporting" is the short term for the basic financial statement, disclosures and Required Supplementary Information required in the Financial Report of the U.S. Government.

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## Fixed Cost

A cost that does not vary in the short term with the volume of activity. Fixed cost information is useful for cost savings by adjusting existing capacity, or by eliminating idle facilities. Also called Non-Variable Cost or Constant Cost.

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## Fixed Value Securities

Securities that have a known maturity or redemption value at the time of issue.

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<sup>5</sup>Since interest is factored into the present value calculation, the fiscal gap as a share of spending is expressed as a share of spending excluding interest.

<sup>6</sup>GDP is the total market value of goods and services produced domestically during a given period. The components of GDP are consumption (both household and government), gross investment (both private and government), and net exports.



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## Forecast

The term “forecast” in this document refers to prospective financial information, including but not limited to prospective financial statements, based on management’s assumptions about future conditions and actions that are deemed probable during the period covered. Forecasts are distinguished from “projections,” which provide prospective financial information based on one or more hypothetical assumptions or sets of assumptions. The hypothetical assumptions used in projections relate to future conditions and actions that may occur, but which are not necessarily deemed probable to occur. Both forecasts and projections may contain a range.

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## Foreclosure

A method of enforcing payment of a debt secured by a mortgage by seizing the mortgaged property. Foreclosure terminates all rights that the mortgagor has in the mortgaged property upon completion of due process through the courts. (*Treasury Financial Manual Supplement*)

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## Forfeited Property

Forfeited property is property for which title has passed to the Government. Forfeited property includes (1) monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the government to satisfy a tax liability; and (3) unclaimed and abandoned merchandise.

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## Friable ACM

Refers to material containing more than 1 percent asbestos as determined using the method specified in appendix E, subpart E, 40 CFR part 763, section 1, Polarized Light Microscopy, that, when dry, can be crumbled, pulverized, or reduced to powder by hand pressure. If the asbestos content is less than 10 percent as determined by a method other than point counting by polarized light microscopy (PLM), the asbestos content is verified by point counting using PLM. (40 CFR § 61.141)

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## Full-absorption Costing

A method of costing that assigns (absorbs) all labor, material, and service/manufacturing facilities and support costs to products or other cost objects. The costs assigned include those that do and do not vary with the level of activity performed.

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## Full Cost

The total amount of resources used to produce the output. More specifically, the full cost of an output produced by a responsibility segment is the sum of (1) the costs of resources consumed by the responsibility segment that directly or indirectly contribute to the output, and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity and by other reporting entities. (SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, para. 89) All direct and indirect costs to any part of the Federal Government of providing goods, resources, or services. (OMB *Circular A-25*).

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## Fulfillment Cost

Fulfillment cost includes all costs that an entity will incur in fulfilling the promises that constitute a liability.

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## Fund

Fund has more than one meaning. Depending on the context it may mean merely a resource as in funds available to pay an obligation. Or, for budgetary accounting, it may mean Federal funds or "trust funds," the two major groups of funds in the budget.<sup>7</sup> The Federal funds include all transactions not classified by law as being in trust funds. The main financing component of the Federal funds group is referred to as the General Fund, which is used to carry out the general purposes of Government rather than being restricted by law to a specific program and consists of all collections not earmarked by law to finance other funds.

A fund can also mean a fiscal and accounting entity with a self-balancing set of accounts recording cash and other assets, together with all related liabilities and residual equities or

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<sup>7</sup> An explanation of the two major categories of Federal Funds and Trust Funds may be found in Chapter 22, "Trust Funds and Federal Funds," of *Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2006*.

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

The term "fund" is used in multiple contexts in this standard. For example, the introductory and background material discusses funds in the context of budget accounting. On the other hand, when the standard refers to a fiduciary fund in the illustrations that follow this Glossary, it is in the context a self-balancing set of accounts.

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## Fully Insured

"Fully insured" status means that a social insurance participant is eligible for benefits. Social insurance benefits include pensions and health care for retirees and the disabled. For example, Social Security and Medicare participants become permanently fully insured when they attain at least 40 quarters of work in covered employment (QC). Social Security and Medicare participants may be fully insured without being permanently fully insured. This is important with respect to disability benefits, which include subsistence payments and medical care. Disability benefits may be needed well before the participants attained retirement age. A participant who receives disability benefits for 24 consecutive months is eligible for Medicare and, if he or she continues receiving disability benefits until attaining retirement age, he or she is converted to Social Security retirement benefits. To be fully insured, participants generally need a minimum of 6 QC. Once a worker has accumulated 40 QCs, he or she remains permanently fully insured, that is, no further QCs are required.

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## Fund Balance with Treasury

A Federal entity's fund balance with the Treasury is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. Fund balance with Treasury is an intra-governmental item. From the component entity's perspective, a fund balance with Treasury is an asset because it represents the entity's claim to the Federal Government's resources. However, from the perspective of the Federal Government as a whole, it is not an asset; and while it represents a commitment to make resources available to Federal departments, agencies, programs and other entities, it is not a liability. An entity's fund balance with Treasury is increased by, among other things, amounts collected and credited to a fund that the entity is authorized to spend or use to offset its expenditures. Disbursements made to pay liabilities or to purchase assets, goods, and services, investments in Treasury or other securities, transfers and reimbursements to other entities or to the Treasury, and similar transactions reduce an entity's fund balance with Treasury.

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## Garnishments

Garnishments are a method of debt collection in which a portion of a person's salary or tax refund is paid to a third party in compliance with a statute or court order.

Non-Federal Parties - See "Non-Federal Individuals and Entities."

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## General Fund

Accounts for receipts not earmarked by law for a specific purposes, the proceeds of general borrowing, and the expenditure of these moneys. (OMB, *The Budget System and Concepts*)

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## General PP&E Land

Land and land rights owned by the Federal Government that are acquired for or in connection with items of general PP&E.

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## General Purpose Federal Financial Reports

General purpose federal financial reports (GPFGRs) is a generic term to refer to the report that contains the reporting entity's financial statements that are prepared pursuant to generally accepted accounting principles. In the federal government, the report for the U.S. government-wide reporting entity is known as the consolidated financial report of the U.S. Government (CFR) and for component reporting entities it is usually included in the performance and accountability report, the agency financial report, or the annual management report.

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## General Purpose Financial Reports

Reports intended to meet the common needs of diverse users who typically do not have the ability to specify the basis, form, and content of the reports they receive.

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## Good

A tangible product produced to provide to a customer.

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## Government-acknowledged Events

Events that are not a liability in themselves, but are those events that are “of financial consequence” to the federal government because it chooses to respond to the event.

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## Governmental Receipts

Collections from the public that result primarily from the exercise of the Government's sovereign or governmental powers. Governmental receipts consist mostly of individual and corporation income taxes and social insurance taxes but also include excise taxes, compulsory user charges, customs duties, court fines, certain license fees, gifts and donations, and deposits of earnings by the Federal Reserve System. They are compared to outlays in calculating a surplus or deficit. (OMB, *The Budget System and Concepts*)

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## Government-related Events

Nontransaction-based events that involve interaction between federal entities and their environment.

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## Government Sponsored Enterprise

Government Sponsored Enterprise (GSE) is created by Congress with its particular attributes defined in its enabling legislation and charter. Despite this diversity, there are at least four readily observable characteristics of GSEs: (1) private sector ownership, (2) limited competition, (3) activities limited by congressional charter, and (4) chartered privileges that create an inferred federal guarantee of obligations.<sup>8</sup>

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## Grants

31 USC Sec. 6304 defines grants as follows: An executive agency shall use a grant agreement as the legal instrument reflecting a relationship between the United States Government and a State, a local government, or other recipient when (1) the principal purpose of the relationship is

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<sup>8</sup> Congressional Research Service Report for Congress *Government-Sponsored Enterprises (GSEs): An Institutional Overview*

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to transfer a thing of value to the State or local government or other recipient to carry out a public purpose of support or stimulation authorized by a law of the United States instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government; and (2) substantial involvement is not expected between the executive agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement.

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## Gross Domestic Product

A nation's gross domestic product is one of the ways for measuring the size of its economy. The GDP of a nation is defined as the total market value of all final goods and services produced domestically during a given period of time. The components of GDP are:

GDP = private sector consumption and investment + government consumption and investment + net exports (exports - imports).

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## Group Depreciation Methodology

The group methodology is a method of calculating depreciation that applies a single, average rate to a number of homogeneous assets having similar characteristics and service lives.

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## Hazardous Waste

A solid, liquid, or gaseous waste, or combination of these wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics may cause or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness or pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed.

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## Held for Remanufacture

Items in the process of (or awaiting) inspection, disassembly, evaluation, cleaning, rebuilding, refurbishing and/or restoration to serviceable or technologically updated/upgraded condition. Items held for remanufacture may consist of direct materials, (including repairable parts and subassemblies, also referred to as "carcasses" at the Department of Defense) and work-in-process (including labor costs).

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## Heritage Assets

Property, plant, and equipment that are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic (e.g., aesthetic) importance; or, significant architectural characteristics.

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## Historical Cost

Initially, the amount of cash (or its equivalent) paid to acquire an asset; subsequent to acquisition, the historical amount may be adjusted for amortization.

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## Human Capital

Expenses incurred for education and training programs financed by the Federal Government for the benefit of the public and designed to increase or maintain national economic productive capacity.

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## Impacts

In the context of discussing performance measurement, SFFAC 1 defines “impacts” as the difference between what actually occurred and what would have occurred in the absence of a Government program. SFFAC 1, paragraph 206 notes that, to the extent feasible and practical, effectiveness evaluation should focus on program results or effects in the sense of “impacts.” Assessing impacts of Governmental action in this sense typically requires program evaluations or other techniques that transcend annual performance reporting, though these techniques often will avail of information in the annual performance reports. These evaluations often require several years of data, are expensive to conduct, and typically are not performed on an annual basis for a given program.

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## Impairments

A significant<sup>9</sup> and permanent decline in the service utility of G-PP&E or expected service utility for construction work in progress.

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## Imputed Financing

Financing provided to the reporting entity by another Government entity covering certain costs incurred by the former. For example, part of Federal employee retirement benefits have been paid by the Government's central personnel office. A reporting entity would recognize the full accruing cost of the benefits as well as the imputed financing so provided. [See SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, paragraph 73.]

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## Imputed Inter-departmental Costs

The unreimbursed (i.e. non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the entity from a providing entity that is not part of the same department or larger reporting entity other than the U.S. government as a whole. (Interpretation 6)

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## Imputed Intra-departmental Costs

The unreimbursed portion of the full costs of goods and services received by the entity from a providing entity that is part of the same department or larger reporting entity (i.e. other bureaus, components or responsibility segments within the department or larger reporting entity). (Interpretation 6)

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## Income Rate

The ratio of contributions and tax income to taxable payroll for the year.

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<sup>9</sup> The determination of whether or not an item is significant is a matter of professional judgment. Determining if a decline in service utility is significant is separate and distinct from materiality considerations that include considering the likely influence that such disclosure could have on judgments or decisions of financial statement users.



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## Incremental Cost

The increase or decrease in total costs that would result from a decision to increase or decrease output level, to add a service or task, or to change any portion of operations. This information helps in making decisions such as to contract work out, undertake a project, or increase, decrease, modify, or eliminate an activity or product.

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## Indirect Cost

A cost that cannot be identified specifically with or traced to a given cost object in an economically feasible way.

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## Internal Controls Insurance And Guarantee Programs

Federal government programs that provide protection to individuals or entities against specified risks. Because the federal government frequently commingles aspects of insurance and guarantees within the same program, this Statement (SFFAS 5) treats the terms as a single type of activity. (Also see *separate definition of social insurance*).

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## Inter-entity

A term meaning between or among different federal reporting entities. It commonly refers to activities or costs between two or more agencies, departments, or bureaus.

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## Interest

The service charge for the use of money or capital, paid at agreed intervals by the user, commonly expressed as an annual percentage of outstanding principal.

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## Interest Method

(1) Under the interest method of amortization, an amount of interest equal to the carrying amount of the investment times the effective interest rate is calculated for each accounting period. This calculated interest is the effective interest of the investment (referred to as “effective yield” in some literature). The effective interest is compared with the stated interest of the investment.

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(The stated interest is the interest that is payable to the investor according to the stated interest rate.) The difference between the effective interest and the stated interest is the amount by which the discount or the premium should be amortized (i.e., reduced) for the accounting period. (2) A method used to amortize the premium or discount of an investment in bonds, or, as used in SFFAS 2, to amortize the subsidy cost allowance of direct loans. Under this method, the amortization amount of the subsidy cost allowance equals the effective interest minus the nominal interest of the direct loans times the effective interest rate (the discount rate). The nominal interest equals the nominal amount (face amount) of the direct loans times the stated interest rate (the rate stated in the loan agreements). [Special Term from SFFAS 2]

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## Interest Rate

The price charged per unit of money borrowed per year, or other unit of time, usually expressed as a percentage.

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## Intergenerational Equity

Intergenerational equity refers to the extent that different age groups are required to assume the financial burdens for services provided to other age groups.

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## Internal Control

“Internal control” is a process, effected by an agency’s management and other personnel, designed to provide reasonable assurance that the objectives of the agency are being achieved in the following categories:

- Effectiveness and efficiency of operations including the use of the entity’s resources.
- Reliability of financial reporting, including reports on budget execution, financial statements, and other reports for internal and external use.
- Compliance with applicable laws and regulations. Internal controls consist of the control environment, risk assessment, control activities, information and communication, and monitoring. A necessary implication or subset of these objectives is the safeguarding of agency assets against unauthorized acquisition, use, or disposition.

Consequently, the definition of internal control, as it relates to safeguarding assets can be extended to include processes, effected by an agency’s management and other personnel, designed to provide reasonable assurance regarding prevention of or prompt detection of

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unauthorized acquisition, use, or disposition of the agency's assets." (From *Standards for Internal Control in the Federal Government*, Exposure Draft, U.S. GAO, December 1997.)

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## Intragovernmental Fund

Revolving funds that conduct business-type operations primarily within and between Government agencies.

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## Inventory

Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee.

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## Job Order Costing

A method of cost accounting that accumulates costs for individual jobs or lots. A job may be a service or manufactured item, such as the repair of equipment or the treatment of a patient in a hospital.

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## Land

Land is the solid part of the surface of the earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as mineral deposits and petroleum; renewable resources such as timber, and the outer-continental shelf resources) related to land.

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## Last-in, First-out (LIFO)

A cost flow assumption; the last goods purchased are assumed to be the first goods sold.

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### Latest Acquisition Cost (LAC) Method

A method that provides that all like units that are held be valued at the invoice price of the most recent like item purchased, less any discounts, plus any additional costs incurred to bring the item to a form and location suitable for its intended use.

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### Latest Acquisition Cost

Includes all amounts, except interest, paid to a vendor to acquire an item.

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### Legacy Entity

An entity from which a smaller entity or specific function is being transferred. (Technical Bulletin 2003-1)

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### Level of Utilization

The portion of the usable capacity currently being used.

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### Liability

For Federal accounting purposes, a probable future outflow or other sacrifice of resources as a result of past transactions or events.

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### Life-cycle Costing

An acquisition or procurement technique which considers operating, maintenance, and other costs in addition to the acquisition cost of assets.

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### Liquidating Account

The budget account that includes all cash flows to and from the government resulting from pre-1992 direct loans or loan guarantees (those originally obligated or committed before Oct. 1,

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1991), except those pre-1992 direct loans and loan guarantees that have been directly modified and transferred to a financing account. (See OMB *Circular A-11*)

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## Loan Guarantee

Any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a nonfederal borrower to a nonfederal lender but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (OMB *Circular A-11*)

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## Loan Guarantee Commitment

A binding agreement by a federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement. (OMB *Circular A-11*)

## Loss

Any expense or irrecoverable cost, often referred to as a form of nonrecurring charge, an expenditure from which no present or future benefit may be expected.

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## Long-term Assumptions

Assumptions are considered long-term if the underlying event about which the assumption is made will not occur for five years or more. If the event is one of a series of events the entire series should be considered the event and, thus, the payment may commence within one year but would be required to extend at least five years. Otherwise, the asset or liability would be classified as short-term.

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## Lower Of Cost Or Market

A valuation rule that recognizes impairment of asset values but avoids anticipated gains. The rule is typically applied to individual items or groups of like items, such as inventory or marketable securities. In this rule, “cost” refers to historical cost and “market” refers to the current replacement cost by purchase or production.

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## Maintenance

The act of keeping fixed assets in usable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended.

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## Managerial Cost Accounting System

The organization and procedures, whether automated or not, and whether part of the general ledger or stand-alone, that accumulates and reports consistent and reliable cost information and performance data from various agency feeder systems. The accumulated and reported data enable management and other interested parties to measure and make decisions about the agency's/segment's ability to improve operations, safeguard assets, control its resources, and determine if mission objectives are being met.

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## Mandatory Spending

"Mandatory spending" includes entitlement authority (for example, Social Security and Medicare and payment of interest on the national debt). Congress controls mandatory spending by controlling eligibility and setting benefit and payment rules, rather than by annual appropriation acts. For additional information, see *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP.

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## Marketable Treasury Securities

Debt securities, including Treasury bills, notes, and bonds, that the U.S. Treasury offers to the public and are traded in the marketplace. Their bid and ask prices are quoted on securities exchange markets.

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## Market-based Treasury Securities

Treasury securities issued to governmental accounts that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. (See *Treasury Financial Manual* 2-4100, Federal Agencies' Financial Reports, Exhibit No. 3.)

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## Market Value

(1) The estimated amount that can be realized by disposing of an item through arm's length transactions in the marketplace; the price (usually representative) at which bona fide sales have been consummated for products of like kind, quality, and quantity in a particular market at any moment of time. (2) For investments in marketable securities, the term refers to the value of such securities determined by prices quoted on securities exchange markets multiplied by the number of bonds or shares held in an investment portfolio.

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## Measurable

Can be determined with reasonable certainty or is reasonably estimable.

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## Measurement Approach

The measurement approach is how an asset or liability is measured in periods after initial recording-i.e., at the historical cost or initial transaction amount (with subsequent adjustments for amortization, depreciation, or depletion, if applicable) or at an amount, such as fair value, measured at each financial statement date.

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## Measurement Attribute

The measurement attribute (or measurement basis) is a measurable characteristic of an asset or liability, such as its fair value or settlement amount.

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## Medicare

A national, federally administered health insurance program authorized in 1965 to cover the cost of hospitalization, medical care, and some related services for most people over age 65, people receiving Social Security Disability Insurance payments for two years, and people with End-Stage Renal Disease. Medicare consists of two separate but coordinated programs: Part A, Hospital Insurance (HI) and Part B, Supplementary Medical Insurance (SMI). All persons entitled to HI are eligible to enroll in the SMI program on a voluntary basis by paying a monthly premium. Health insurance protection is available to Medicare beneficiaries without regard to income.

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## Military Missions

Functions performed by the Department of Defense or its component entities to prepare for the effective pursuit of war and military operations short of war; to conduct combat, peacekeeping, and humanitarian military operations; and to support civilian authorities during civil emergencies.

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## Model

A representation in mathematical symbols (or at least graphically) that depicts a formulated theory about the relationship among measurements of some phenomenon that varies. A model includes both cash flow assumptions and model assumptions.

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## Modeling

The process of developing and selecting an appropriate set of cash flows and model which generally have two aspects: (1) a choice of a general mathematical function (equation) describing a basic shape or process and (2) a choice of the model parameters that distinguish one specific shape from the general class of functional forms. The mathematical functions may take many forms. Commonly known examples of models are simple regression ( $y=ax+b$ ), multiple regression ( $y=ax+by+z$ ), and time series. Many other simple or more complex model forms related to cash flow modeling reform are possible.

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## Model Parameters

The values that identify a unique model from the general form. For example,  $y=2x+3$  has parameters  $a=2$  and  $b=3$  for the simple regression model class. Note that “model parameter” is sometimes used in credit reform documents in lieu of the more appropriate term “input variable in the spreadsheet.”

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## Modification

A federal government action, including new legislation or administrative action, that directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans (or direct loan obligations), or the liability of loan guarantees (or loan guarantee commitments). Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Indirect modifications are actions that change the subsidy



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cost by legislation that alters the way in which an outstanding portfolio of direct loans or loan guarantees is administered. The term modification does not include subsidy cost reestimates, the routine administrative workouts of troubled loans, and actions that are permitted within the existing contract terms.

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### Modification Adjustment Transfer

A non-expenditure transfer from a financing account to the Treasury, or vice versa, to offset the difference between the cost of modification of direct loans (or loan guarantees) and the change in the book value of direct loans (or loan guarantee liabilities). (See also OMB *Circular A-11*)

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### Moving Average

An inventory costing method used in conjunction with a perpetual inventory system. A weighted average cost per unit is recomputed after every purchase. Goods sold are costed at the most recent moving average cost.

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### Multi-use Heritage Assets

Heritage assets whose predominant use is general government operations.

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### Negative Subsidy Account

the budget account for the receipt and/or expenditure of amounts paid from the financing account when there is a negative subsidy for the original estimate or a downward reestimate (not necessarily used for mandatory programs).

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### Net Cost Of Operations

Total costs incurred by the reporting entity less exchange revenue earned during the period. This is the “bottom line” of the statement of net costs. [See SFFAC 2, Entity and Display, pars. 86-99 and Appendix 1-B; and OMB Bulletin 01-09, Form and Content, Section 4.8, “Net Cost of Operations.”]

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## Net Level Premium Reserve

The excess, if any, of the present value of future guaranteed death endowment benefits over the present value of future net premiums. The net level premium reserve should be calculated based on the dividend fund interest rate, if determinable, and mortality rates guaranteed in calculating the cash surrender values described in the contracts. (AICPA Statement of Position 95-1)

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## Net Operating Revenue (Or Cost)

At the CFR level, the difference between the net cost of operations and, essentially, all non-exchange revenue. (SFFAS 24)

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## Net Realizable Value

The estimated amount that can be recovered from selling, or any other method of disposing of an item less estimated costs of completion, holding and disposal.

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## Nominal Dollar

The dollar value assigned to a good or service in terms of prices current at the time of the good or service is required. This contrasts with the value assigned to a good or service measured in constant dollars.

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## Nominal (Or Face Or Par) Value Or Amount

The amount of a bond, note, mortgage, or other security as stated in the instrument itself, exclusive of interest or dividend accumulations. The nominal amount may or may not coincide with the price at which the instrument was first sold, its present market value, or its redemption price. Often referred to as the stated value.

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## Nonexchange Revenue

Inflows of resources to the Government that the Government demands or that it receives by donations. The inflows that it demands include taxes, duties, fines, and penalties.

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## Nonexchange Transaction

A transaction that arises when one party to a transaction receives value without giving or promising value in return or one party to a transaction gives or promises value without receiving value in return.

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## Non-Federal Individuals or Entities

Individuals and entities acting in their private capacities outside of the authority and control of the Federal Government. Federal employees are "non-Federal individuals" when acting in their private capacities, e.g., with respect to their private retirement assets managed by a Federal plan.

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## Nonfederal Physical Property

Physical properties financed by grants from the Federal Government, but owned by state and local governments.

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## Nonfriable ACM

refers to any material containing more than 1 percent asbestos as determined using the method specified in appendix E, subpart E, 40 CFR part 763, section 1, Polarized Light Microscopy, that, when dry, cannot be crumbled, pulverized, or reduced to powder by hand pressure. (40 CFR § 61.141)

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## Nonrecognized events

Subsequent events that provide evidence with respect to conditions that did not exist at the end of the reporting period but arose subsequent to that date.

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## Non-Valued Fiduciary Assets

Fiduciary assets for which required disclosure does not include dollar values. Non-valued fiduciary assets may include land held in trust. Fiduciary non-valued assets should be disclosed in accordance with generally accepted accounting principles.<sup>10</sup>

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## Normal (or Service) Cost

The normal cost component of expense is the actuarial present value of the future cash outflows for which a reporting entity becomes obligated during the reporting period. For pensions, ORB, and OPEB, it represents that portion of the actuarial present value of benefits and expenses attributed to the valuation year by the benefit plan formula to work in covered employment or other service rendered by the participant in the period. The normal cost is a component of the annual expense and liability of the program and is not affected by the funded status of the plan.

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## Obligated Balances

The net amount of obligations in a given account for which payment has not yet been made. (JFMIP Standardization Project)

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## Obligation

Following the enactment of budget authority and the completion of required apportionment action, Government agencies incur obligations to make payments. Obligations are binding agreements that will result in outlays immediately or in the future. Obligations include, for example: current liabilities for salaries, wages, and interest; contracts for the purchase of supplies and equipment, construction, and the acquisition of office space, buildings, and land; and other arrangements requiring the payment of money. [See *FY 2003 Budget of the United States Government: Analytical Perspectives*, “Budget System and Concepts and Glossary” (Obligations Incurred).]

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## Obligations

Amounts of orders placed, contracts awarded, services received, and other transactions occurring during a given period that would require payments during the same or a future period. (JFMIP Standardization Project)

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<sup>10</sup> In the future, the Board may require dollar values for certain categories. In the event of such a change in accounting principles, the affected categories would no longer be included in non-valued fiduciary assets.

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## Offsetting Collections

Collections from the public that result from business-type or market oriented activities and collections from other Government accounts. These collections are deducted from gross disbursements in calculating outlays, rather than counted in governmental receipts. Some offsetting collections are credited directly to appropriation or fund accounts; others, called offsetting receipts, are credited to receipt accounts. The authority to spend offsetting collections is a form of budget authority. (OMB, *The Budget System and Concepts*)

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## Offsetting Receipts

Offsetting receipts are a subset of offsetting collections. (See *collections*.)

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## OMB Credit Subsidy Model

Computer software developed by OMB for discounting cash flows in estimating credit subsidies. It uses agency cash flow inputs to compute the net present value at the point of disbursement and the subsidy rate associated with those cash flows.

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## Open Group Population

Those persons who are participating or who eventually will participate, during a specified period, in a social insurance program as contributors or beneficiaries. They include, for example, current workers, retirees, survivors, disabled persons, and new participants entering the workforce or becoming beneficiaries, including those who will be born or immigrate to the United States in the future.

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## Opening Balances

Account balances that exist at the beginning of the reporting period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.<sup>11</sup>

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## Operating Lease

An agreement conveying the right to use property for a limited time in exchange for periodic rental payments.

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## Operating Materials and Supplies

Operating Materials and Supplies consist of tangible personal property to be consumed in normal operations. Excluded are: (1) goods that have been acquired for use in constructing real property or in assembling equipment to be used by the entity, (2) stockpile materials, (3) goods held under price stabilization programs, (4) foreclosed property, (5) seized and forfeited property, and (6) inventory.

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## Opportunity Cost

The value of the alternatives foregone by adopting a particular strategy or employing resources in a specific manner. Also called Alternative Cost or Economic Cost.

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## Original Discount Rate

The discount rate originally used to calculate the present value of direct loans or loan guarantee liabilities, when the direct or guaranteed loans were disbursed. [*Special Term from SFFAS 2*]

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<sup>11</sup> Adopted from AU-C 510, *Opening Balances - Initial Audit Engagements, Including Reaudit Engagements* (AICPA Professional Standards).

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## Other Accompanying Information

Information that accompanies basic information and required supplementary information, but is not required by a body that establishes GAAP.

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## Other Financing Sources

Inflows of resources that increase net position of a reporting entity during the reporting period but that are not revenues or gains. They include appropriations used, transfers of assets from other Government entities, and financing imputed with respect to any cost subsidies. Financing outflows may result from transfers of the reporting entity's assets to other Government entities or from exchange revenues earned by the entity but required to be transferred to the General Fund or another Government entity. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used.

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## Other Postemployment Benefits (OPEB)

Forms of benefits provided to former or inactive employees, their beneficiaries, and covered dependents outside pension or ORB plans.

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## Other Retirement Benefits (ORB)

Forms of benefits, other than retirement income, provided by an employer to retirees. Those benefits may be defined in terms of specified benefits, such as health care, tuition assistance, or legal services, which are provided to retirees as the need for those benefits arises, such as certain health care benefits. Or they may be defined in terms of monetary amounts that become payable on the occurrence of a specified event, such as life insurance benefits. (Financial Accounting Standards Board, Statement of Financial Accounting Standard No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions*)

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## Outcome

(1) Defined in broad terms in SFFAC No. 1 (para. 204-208) as accomplishments or results that occur (at least partially) because of the service efforts of Government entities. Some authorities use terms like "impact," "effect," or "results" to distinguish the change in outcomes specifically caused by the Government activity from the total change in conditions that can be caused by

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many factors. (2) Defined in SFFAS No. 8 as an assessment of the results of a program compared to its intended purpose. They shall: 1) be capable of being described in financial, economic, or quantitative terms; and 2) provide a plausible basis for concluding that the program has had or will have this intended effect. For measuring outcomes for research and development programs, results may be reported by a narrative discussion of the major results achieved by the program during the year. (See SFFAS No. 8, *Supplementary Stewardship Reporting*, para. 93 & 99, and SFFAC No. 1, *Objectives of Federal Financial Reporting*, paras. 204-208, for further discussion of outcome.)

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## Outlay

The issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a Federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the Government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. Also, under credit reform, the credit subsidy cost is recorded as an outlay when a direct or guaranteed loan is disbursed. (GAO *Budget Glossary*)

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## Output

A tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner. They shall have two key characteristics: 1) they shall be systematically or periodically captured through an accounting or management information system, and 2) there shall be a logical connection between the reported measures and the program's purpose.

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## Output Measure

A tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner. It shall have two key characteristics: 1) it shall be systematically or periodically captured through accounting or management information system, and 2) there shall be a logical connection between the reported measures and the program's purpose.

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## Ownership Interest

The possession of substantially all of the benefits and risks incident to ownership.



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## Partial impairment

less than full or total impairment.

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## Payroll withholdings

Amounts that are withheld from payment of wages to an employee and subsequently remitted to other payees, such as Federal, State or local governments; or health or life insurance providers, on behalf of the employee.

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## Performance Measurement

A means of evaluating efficiency, effectiveness, and results. A balanced performance measurement scorecard includes financial and nonfinancial measures focusing on quality, cycle time, and cost. Performance measurement should include program accomplishments in terms of outputs (quantity of products or services provided, e.g., how many items efficiently produced?) and outcomes (results of providing outputs, e.g., are outputs effectively meeting intended agency mission objectives?). See Statement of Federal Financial Accounting Concepts No. 1, *Objectives of Federal Financial Reporting*, para. 192.

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## Policy Assumptions

Policy assumptions address the factors under the direct control of the federal government concerning the taxes and other receipts to be received by the federal government and the public services to be provided by the federal government. Policy assumptions address projected spending rules for both mandatory and discretionary spending as well as the framework for assessing taxes and fees.

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## Post-1991 Direct Loans

Direct loans obligated after September 30, 1991. [*Special Term from SFFAS 2*]

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## Post-1991 Loan Guarantees

Loan guarantees committed after September 30, 1991. [*Special Term from SFFAS 2*]

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## Post-modification Liability

The present value of the net cash outflows of the loan guarantees estimated at the time of modification under the post-modification terms, and discounted at the interest rate applicable to the time when the modification occurs on marketable Treasury securities that have a comparable maturity to the remaining maturity of the guaranteed loans under post-modification terms (simply stated, the post-modification terms at the current rate). (*Special Term from SFFAS 19*)

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## Post-modification Value

The present value of the net cash inflows of direct loans estimated at the time of modification under post-modification terms and discounted at the interest rate applicable to the time when the modification occurs on marketable Treasury securities that have a comparable maturity to the remaining maturity of the direct loans under post-modification terms (simply stated, the post-modification terms at the current rate). (*Special Term from SFFAS 19*)

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## Pre-modification Value

The present value of the net cash inflows of direct loans estimated at the time of modification under pre-modification terms and discounted at the interest rate applicable to the time when the modification occurs on marketable Treasury securities that have a comparable maturity to the remaining maturity of the direct loans under pre-modification terms (simply stated, the pre-modification terms at the current rate). (*Special Term from SFFAS 19*)

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## Pre-modification Liability

The present value of the net cash outflows of loan guarantees estimated at the time of modification under the pre-modification terms and discounted at the interest rate applicable to the time when the modification occurs on marketable Treasury securities that have a comparable maturity to the remaining maturity of the guaranteed loans under pre-modification terms (simply stated, the pre-modification terms at the current rate). (*Special Term from SFFAS 19*)

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## Pre-1992 Loan Guarantees

Loan guarantees committed before October 1, 1991. [*Special Term from SFFAS 2*]

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## Pre-1992 Direct Loans

Direct loans obligated before October 1, 1991. [*Special Term from SFFAS 2*]

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## Premium Deficiency

A condition under which a liability for future policy benefits using current conditions exceeds the liability for future policy benefits using contract conditions. In such cases, the difference should be recognized as a charge to operations in the current period.

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## Present Value (PV)

The value of future cash flows discounted to the present at a certain interest rate (such as the reporting entity's cost of capital), assuming compound interest. (Adapted from Kieso and Weygandt, *Intermediate Accounting*, 7th ed., page 264.)

Present value represents the amount of money that if invested today would grow to a specified amount in the future. Present value is an adjusted amount that takes the "time value of money" into consideration. The "time value of money" is illustrated by a question such as: "At ten percent interest (compounded annually), how much do I need to put into the bank today in order to have \$110 one year from today?" The amount you would need today would be \$100. Therefore, the present value of \$110 in this example would be \$100.

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## Principal Financial Statements

See SFFAC 2, paragraph 74, for a listing of the financial statements and other information that a financial report should include. The FASAB considers principal financial statements an essential part of a reporting entity's financial reporting, and therefore recommends authoritative guidelines for the measurement and presentation of the information. [SFFAC 2, *Entity and Display*, paragraph 71, footnote 12.] (See also Basic Financial Statements)

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## Prior Service Costs

The cost of retroactive benefits granted in a plan amendment or accomplished through administrative change, legislation, or other means. In some cases there will not be a formal

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"plan" per se to amend, for example, certain postemployment benefits, and a program is amended through other means than a formal "amendment."

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## Probable

That which can reasonably be expected or believed to be more likely than not on the basis of available evidence or logic but which is neither certain nor proven.

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## Process

The organized method of converting inputs (people, equipment, methods, materials, and environment), to outputs (products or services). The natural aggregation of work activities and tasks performed for program delivery.

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## Process Costing

A method of cost accounting that first collects costs by processes and then allocates the total costs of each process equally to each unit of output flowing through it during an accounting period.

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## Process Value Analysis

Tools and techniques for studying processes through customer value analysis. Its objective is to identify opportunities for lasting improvement in the performance of an organization. It provides an in-depth review of work activities and tasks, through activity analysis, which aggregate to form processes for agency program delivery. In addition to activity-based costing, quality and cycle time factors are studied for a complete analysis of performance measurement. Each activity within the process is analyzed, including whether or not the activity adds value for the customer.

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## Product

Any discrete, traceable, or measurable good or service provided to a customer. Often goods are referred to as tangible products, and services are referred to as intangible products. A good or service is the product of a process resulting from the consumption of resources.

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## Program Account

The budget account into which an appropriation to cover the subsidy cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account. Usually, a separate amount for administrative expenses is also appropriated to the program account. (OMB *Circular A-11*)

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## Projected Unit Credit Actuarial Method

A method under which the projected benefits of each individual included in an actuarial present valuation are allocated by a consistent formula to valuation years. The actuarial present value of benefits allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to all periods before a valuation year is called actuarial liability. (Actuarial Standard of Practice)

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## Projection

The term "projection" refers to prospective financial information, including but not limited to prospective financial statements, based on one or more hypothetical assumptions of sets of assumptions. The hypothetical assumptions relate to future conditions and actions that may occur, but which are not necessarily deemed probable (unlike the case with forecasts). Both forecasts and projections may contain a range.

As used in Statement of Federal Financial Accounting Standards 36, Long-Term Projections for the U.S. Government, a projection is the calculation of future data based upon the application of trends to present data. Projections of deficits, or surpluses, and debt are a central feature of Fiscal Sustainability Reporting. Projections are not forecasts or predictions; they are designed to depict results that may occur under various conditions—for example, what if current policy without change regarding federal government public services and taxation are continued in the future? Projections are useful in order to display alternative future scenarios, but it is important to clearly explain the nature of the information being presented.

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## Property, Detained

Property taken into custody temporarily for purposes of preserving the status quo (items in or around a crime scene) or to protect the government from liability for loss (luggage of an arrested traveler, vehicle of an arrested drunk driver), or determining Customs admissibility, with the intent to release the property as soon as it is no longer necessary to preserve the status quo or the

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owner can assume responsible custody. This action is not a seizure under the law and thus detained property is not considered seized property.

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### Property, Embargoed

Property that may be legal to possess or own in the U.S., but whose import/export is prohibited (e.g., Iranian carpets, Cuban cigars).

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### Property, Forfeited

Property of any type (currency, monetary interests, realty, intangible property, and tangible personal property) for which title has vested in the Federal government, over any other asserted legal interest in the property, by exercise of a legal forfeiture process.

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### Property, Plant, And Equipment, General

PP&E used to provide government services or goods. The cost of general PP&E is capitalized, i. e. recorded as assets on the balance sheet. For detailed characteristics of and accounting for general PP&E, see paragraphs 23 through 34, SFFAS No. 6.

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### Property, Prohibited

Property for which no private right of ownership is recognized under U.S. law, or of which mere private possession is prohibited under U.S. law. Examples include certain controlled substances, counterfeit currency, counterfeit monetary and financial instruments, and certain firearms. This property is a type of seized property.

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### Property, Seized

Property of any type (currency, monetary interests, realty, intangible property, and tangible personal property) over which the federal government has exercised its power under law to assert possession and control in opposition to any other party asserting a legal interest in the property.

**Seized for evidence** - Property the federal government has seized for the sole purpose of preserving and protecting the property for possible use in civil or criminal judicial proceeding. The

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expectation is that the property will be returned to its rightful owners upon conclusion of the judicial proceedings. However, circumstances can allow the status of property seized for evidence to change to property seized for forfeiture.

**Seized for forfeiture** - Property the federal government has seized for the purpose of transferring title to the federal government through exercise of a legal forfeiture process. This includes property seized for forfeiture that also may be used in an evidentiary proceeding.

**Seized for tax purposes** - Property the federal government has seized for the purpose of satisfying a tax liability to the federal government through exercise of a legal tax enforcement process. This includes property seized for tax purposes that also may be used in an evidentiary proceeding.

**Seized for other purposes** - Property the federal government has seized for purposes other than for evidence, for forfeiture, or for tax purposes. Examples of property in this category include seizures for satisfaction of debts owed the government, for protection of public safety or navigation (adrift vessel), and for preservation of environmental conditions (sinking vessel). This includes property seized for these other governmental purposes that also may be used in an evidentiary proceeding.

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## Proprietary Accounting

Also known as financial accounting, a process that supports accrual accounting and financial reporting that attempts to show actual financial position and results of operations by accounting for assets, liabilities, net position, revenues, and expenses. (See Tierney, Cornelius E., *Handbook of Federal Accounting Practices*, Reading Massachusetts: Addison-Wesley, 1982:122).

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## Public-Private Partnerships

Federal public-private partnerships (P3s) are risk-sharing arrangements or transactions with expected lives greater than five years between public and private sector entities. Such arrangements or transactions provide a service or an asset for government and/or general public use where in addition to the sharing of resources, each party shares in the risks and rewards of said arrangements or transactions.

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### P3 Structural Arrangement

P3s that are external to the government sponsor's or entity's operations and often involve the creation of an SPV, Trust, or Limited Partnership (LP), and other such arrangements. For example, military base housing.

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### P3 Transactional Arrangement

P3s that are internal to the government sponsor's or entity's operations. For example, work-share programs not involving the creation of a SPV, Trust, or LP, etc.

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### Public Services

In federal financial reporting, "public services" refers to all goods, benefits and services provided by the government. Federal public services include but are not limited to the provision of goods, cash (such as Social Security benefits) or other financial benefits (such as loan guarantees), as well as national defense, national security, transportation safety and the operation of national parks.

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### Purchases Method

A method of accounting for goods, such as materials and supplies, in which the acquisition cost is recognized as an expense upon purchase of the goods rather than upon their use.

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### Railroad Retirement Program

A federal program somewhat similar to Social Security, designed for workers in the railroad industry. The provisions of the Railroad Retirement Act provide for a system of coordination and financial interchange between the Railroad Retirement program and the Social Security program.

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### Reappropriation

Enacted legislation that continues the availability of unexpended funds that expired or would otherwise expire. (JFMIP Standardization Project)



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## Reasonably Estimable

The ability to reliably quantify in monetary terms the outflow of resources that will be required. (TR 2)

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## Receipts

Collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment, and gifts of money to the Government.

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## Receivership

Receivership is the legal procedure for winding down the affairs of an insolvent institution.<sup>12</sup>

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## Receiving Entity

An entity to which functions are transferred. (Technical Bulletin 2003-1)

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## Recognition (Or Recognize)

The term recognition bears the same meaning as used by the Financial Accounting Standards Board in its conceptual statements. Recognition is the process of formally recording or incorporating an item into the financial statements of an entity as an asset, liability, revenue, expense, or the like. A recognized item is depicted in both words and numbers, with the amount included in the statement totals. Recognition comprehends both initial recognition of an item and recognition of subsequent changes in or removal of a previously recognized item. (Financial Accounting Standards Board, Statement of Financial Accounting Concepts No. 5, *A Replacement of FASB Concepts Statement No. 3*, para. 6.)

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<sup>12</sup> *Managing the Crisis: The FDIC and RTC Experience*, Appendix B - List of Abbreviations and Glossary of Terms; available online at <http://www.fdic.gov/bank/historical/managing/>; last accessed October 11, 2012.

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## Recognize

To determine the amount, timing, classification, and other conditions precedent to the acceptance and entry of a transaction. Hence, to give expression on the books of account; said of transactions.

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## Recognized events

Subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period and affect the estimates inherent in the process of preparing basic information and RSI.

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## Record

To give expression to a transaction on (or in) the books of account; to enter.

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## Recourse

The rights of a holder in due course of a financial instrument (such as a loan) to force the endorser on the instrument to meet his or her legal obligations for making good the payment of the instrument if dishonored by the maker or acceptor. The holder in due course must have met the legal requirements of presentation and delivery of the instrument to the maker of a note or acceptor of a draft and must have found that this legal entity has refused to pay for or defaulted in payment of the instrument.

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## Reestimate

Refers to estimates of the subsidy costs performed subsequent to their initial estimates made at the time of a loan's disbursement.

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## Regulated ACM

Refers to (a) Friable ACM, (b) Category I nonfriable ACM that has become friable, (c) Category I nonfriable ACM that will be or has been subjected to sanding, grinding, cutting, or abrading, or (d) Category II nonfriable ACM that has a high probability of becoming or has become crumbled,

pulverized, or reduced to powder by the forces expected to act on the material in the course of demolition or renovation operations regulated by this subpart. (40 CFR § 61.141)

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## Reimbursements

Sums received as payment or advance payment for goods or services furnished either to the public or to another federal government account. If authorized by law, these sums are credited directly to specific appropriation and fund accounts. These amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts. (Budget Glossary) Reimbursements are offsetting collections. (See *offsetting collections*.)

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## Related Parties

Organizations are considered to be related parties in the GPFRR if the existing relationship or one party to the existing relationship has the ability to exercise significant influence over the other party's policy decisions. Relationship, as used in this context, refers to material transactions or events involving both parties.

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## Repairable

An inventory item that is expected to be repaired when broken or worn out.

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## Replacement Cost

The cost to reproduce an inventory item by purchase or manufacture. In lower of cost or market computations, the term "market" means replacement cost, subject to ceiling and floor limitations.

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## Replacement Cost (SFFAC 7)

Replacement cost is the amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date, including the amount that the entity would receive from disposing of the asset at the end of its useful life.

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## Reporting Entity

Reporting entities are organizations that issue a GPFFR because either there is a statutory or administrative requirement to prepare a GPFFR or they choose to prepare one. The term "reporting entity" may refer to either the government-wide reporting entity or a component reporting entity.

Statement of Federal Financial Accounting Concepts (SFFAC) 2 provides criteria for an entity to be a reporting entity. The criteria focus on whether:

- a. An entity's management is responsible for controlling and deploying resources, producing outputs and outcomes, and executing the budget or a portion thereof (assuming that the entity is included in the budget), and is held accountable for the entity's performance.
- b. An entity's financial statements would provide a meaningful representation of operations and financial condition.
- c. An entity's financial information could be used by interested parties to help them make resource allocation and other decisions and hold the entity accountable.

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## Required Information

Information that consists of basic and required supplementary information.

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## Required Supplementary Information

Information that a body that establishes GAAP requires to accompany basic information. When an auditor is engaged to audit an entity's financial statements, basic information is subject to testing for fair presentation in conformity with GAAP. However, RSI for federal entities is unaudited but subject to certain procedures specified by Generally Accepted Government Auditing Standards for RSI.

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## Required Supplementary Stewardship Information (RSSI)

(1) Information reported outside the principal financial statements that is an essential part of an entity's financial reporting; therefore the statement contains recommendations for its measurement and presentation. (2) The category defined by the Board for reporting information required by the stewardship standards. Stewardship information may be presented as RSSI, in

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the financial statements, or in the notes to them. Stewardship information will be necessary for a fair presentation of financial position and results of operations.

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## Research And Development

Federal investment in research and development refers to those expenses incurred in support of the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Research and development is composed of basic research, applied research, and development.

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## Responsibility Segment

A significant organizational, operational, functional, or process component which has the following characteristics: (a) its manager reports to the entity's top management; (b) it is responsible for carrying out a mission, performing a line of activities or services, or producing one or a group of products; and (c) for financial reporting and cost management purposes, its resources and results of operations can be clearly distinguished, physically and operationally, from those of other segments of the entity.

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## Responsibility Center

An organizational unit headed by a manager or a group of managers who are responsible for its activities. Responsibility centers can be measured as revenue centers (accountable for revenue/sales only), cost centers (accountable for costs/expenses only), profit centers (accountable for revenues and costs), or investment centers (accountable for investments, revenues, and costs).

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## Restatement (Of Direct Loans Or Loan Guarantees)

Refers to establishing a new book value of a direct loan or the liability of a loan guarantee.

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## Revenue

See "Exchange Revenue" and "Nonexchange Revenue."

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## Revenue Adjustment

A contra revenue account that is used to report reduction in revenue when realization is not probable (less likely than not). It includes, returns, allowances, and price redeterminations but not credit losses (due to the inability of the debtor to pay the established or negotiated price).

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## Revolving Fund

A fund consisting of permanent appropriation and expenditures of collections, from both the public and other Governmental agencies and accounts, that are earmarked to finance a continuing cycle of business-type operations. (OMB *Circular A-34*)

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## Risk Category

Subdivisions of a cohort of direct loans or loan guarantees into groups of loans that are relatively homogeneous in cost, given the facts known at the time of obligation or commitment. Risk categories will group all loans obligated or committed for a program during the fiscal year that share characteristics predictive of defaults and other costs. (OMB *Circular A-11*)

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## Risk-free Interest Rate

The rate on risk-free monetary assets that have maturity dates or durations that coincide with the period covered by the cash flows. See Time Value of Money below.

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## Seized Property

Seized property includes monetary instruments, real property and tangible personal property of others in the actual or constructive possession of the custodial agency.

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## Seizing Agency

The agency that seizes property as a part of its law enforcement activities.

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### Selling Expense (Cost)

Expenses incurred in selling or marketing, e.g., salaries, commissions, and promotion expenses.

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### Sensitive Items

Items that could be a hazard or threat to public safety or the economy in Federal custody that would cause discredit or embarrassment to the Federal government if it lost accountability over those items.

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### Service

An intangible product or task rendered directly to a customer.

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### Service Utility

The usable capacity that at acquisition was expected to be used to provide service.

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### Settlement Amount

Settlement amount is the amount at which an asset can be realized or a liability can be liquidated.

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### Social Security Act

The Social Security Act governs most operations of the Social Security program. The original Social Security Act is Public Law 74-271, enacted August 14, 1935. With subsequent amendments, the Social Security Act consists of 20 titles, of which four have been repealed. The OASDI program is authorized by Title II of the Social Security Act.

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## Social Insurance Programs

Income transfer programs financed by compulsory earmarked taxes and also, in certain cases, general revenues of the federal government. (Also see *separate definition of insurance and guarantees*).

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## Special Fund

Federal fund accounts for receipts earmarked for specific purposes and the associated expenditure of those receipts. (OMB, *The Budget System and Concepts*)

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## Special Purpose Vehicles (SPVs)

also commonly called Special Purpose Entities (SPEs), are entities created for a specific, limited and normally temporary purpose. An SPV can be a corporation, trust, partnership, limited-liability company or some type of Variable Interest Entity (VIE). They are often an integral part of public private partnerships because of their risk-containment nature of isolating participating entities from financial risk.

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## Specific Identification

An inventory system in which the seller identifies which specific items are sold and which remain in ending inventory.

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## Spreadsheets

Computer code, often a collection of programs, used to make calculations (e.g., cash flow estimates) according to the proposed models and assumptions. Spreadsheets are not models although the term “spreadsheet model” is sometimes used.

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## Standard Costing

A costing method that attaches costs to cost objects based on reasonable estimates or cost studies and by means of budgeted rates rather than according to actual costs incurred. The anticipated cost of producing a unit of output. A predetermined cost to be assigned to products



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produced. Standard cost implies a norm, or what costs should be. Standard costing may be based on either absorption or direct costing principles, and may apply either to all or some cost elements.

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## Standard Costs

Predetermined expected unit costs, which are acceptable for financial reporting purposes if adjusted periodically to reflect actual results.

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## State And Local Governments

State and local governments generally include: the 50 States and the District of Columbia; cities, counties, townships, school districts, special districts, public authorities, and other local governmental units as defined by the Bureau of the Census; and Puerto Rico, the Virgin Islands, and other US territories.

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## Stewardship

The Federal Government's responsibility for the general welfare of the nation in perpetuity.

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## Stewardship Investments

Items recognized as expense in calculating net cost, but meriting special treatment to highlight the substantial investment and long-term benefit of the expenses. This would include nonfederal physical property, human capital, and research and development.

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## Stewardship Land

Land and land rights owned by the Federal Government that are not acquired for or in connection with items of general PP&E.

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## Stewardship Responsibilities

The projected financial impact on the Government of sustaining the current services that it provides pursuant to laws already enacted. The commitments and constraints reflected in “current services” are inherent in the tax and spending policies contained in current law.

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## Subsequent events

Events or transactions that affect the basic information or RSI that occur subsequent to the end of the reporting period but before the financial report is issued.

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## Subsidy Cost

The cost of a grant of financial aid, usually by a governmental body, to some person or institution for particular purposes. Credit subsidy cost is the estimated long-term cost to the government of direct loans or loan guarantees calculated on a net present value basis, excluding administrative costs. (Adapted from OMB *Circular A-11*) Direct loan subsidy cost is the estimated long-term cost to the government of direct loans calculated on a present value basis, excluding administrative costs. The cost is the present value of estimated net cash outflows at the time the direct loans are disbursed. The discount rate used for the calculation is the average interest rate (yield) on marketable Treasury securities of similar maturity to the loan, applicable to the time when the loans are disbursed. (Adapted from OMB *Circular A-11*) Loan guarantee subsidy cost is the estimated long-term cost to the government of loan guarantees calculated on a present value basis, excluding administrative costs. The cost is the present value of estimated net cash outflows at the time the guaranteed loans are disbursed by the lender. The discount rate used for the calculation is the average interest rate (yield) on marketable Treasury securities of similar maturity to the loan guarantees, applicable to the time when the guaranteed loans are disbursed. (Adapted from OMB *Circular A-11*)

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## Support Costs

Costs of activities not directly associated with production. Typical examples are the costs of automation support, communications, postage, process engineering, and purchasing.

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## Tax Expenditure

A revenue foregone attributable to a provision of the federal tax laws that allows a special exclusion, exemption, or deduction from gross income or provides a special credit, preferential tax rate, or deferral of tax liability. (*GAO Budget Glossary*)

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## Tax Gap

An estimate of taxes (including duties) that are unpaid because of noncompliance with existing laws and regulations.

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## Taxable Payroll

Taxable wages and taxable self-employment income. When multiplied by the combined employee-employer tax rate, it yields the total amount of taxes incurred by employees, employers, and the self-employed for work during the period.

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## Terminal Dividends

Dividends to policyholders calculated and paid upon termination of a contract, such as on death, surrender, or maturity. If the payment of terminal dividends is probable and the amount can be reasonably estimated, the liability should be recognized. AICPA Statement of Position 95-1.

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## Time Value of Money

The time value of money is represented by the rate on risk-free monetary assets that have maturity dates or durations that coincide with the period covered by the cash flows (risk-free interest rate). For present value computations denominated in nominal U.S. dollars, the yield curve for U.S. Treasury securities determines the appropriate risk-free interest rate. U.S. Treasury securities are deemed (default) risk free because they pose neither uncertainty in timing nor risk of default to the holder.

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## Title

The right to property; the means by which such right is established.

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## Total Cost Method

An accounting method that includes the actual acquisition cost of each item held plus the costs of any additions, improvements, alterations, rehabilitations, or replacements that extend the useful life of an asset.

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## Total (full) impairment

G-PP&E is no longer capable of providing service in the operations of the entity prior to the end of its estimated useful life.

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## Traceability

The ability to assign a cost directly to a specific activity or cost object by identifying or observing specific resources consumed by the activity or cost object.

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## Transaction

A particular kind of external event involving the transfer of something of value concerning two or more entities. The transfer may be a two way or one way flow of resources or of promises to provide resources. (Adapted from Financial Accounting Standards Board, *Statement of Financial Accounting Concepts No. 6*, Elements of Financial Statements)

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## Transferred Entity

An entity preparing stand-alone financial statements consolidated with a legacy entity's financial statements prior to transfer and with a receiving entity's financial statements after transfer. (Technical Bulletin 2003-1)

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## Transfers Between Appropriation/Fund Accounts

Occur when all or part of the budget authority in one account is transferred to another account when such transfers are specifically authorized by law. The nature of the transfer determines whether the transaction is treated as an expenditure transfer or a non-expenditure transfer. (JFMIP Standardization Project)

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## Treasury Warrant

An official document that the Secretary of the Treasury issues pursuant to law and that establishes the amount of monies authorized to be withdrawn from the central accounts that Treasury maintains. Warrants for currently unavailable special and trust fund receipts are issued when requirements for their availability have been met. (GAO *Budget Glossary*)

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## Trust Funds

The term "trust funds" is often colloquially used to refer to Trust Fund Accounts (see definition below). Although earmarked monies are predominantly in funds that are designated by law as trust funds, the meaning of the term "trust" in the Federal Government differs significantly from its meaning in the private sector. Whereas earmarked funds in the Federal Government are distinct from fiduciary activities, a trust in the private sector necessarily involves a fiduciary relationship. An earmarked fund should not be characterized as a "trust" in general purpose external financial reports of Federal entities. (The use of the term "trust fund" is acceptable only in the fund's official title.)

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## Trust Fund Accounts

Accounts that are designated by law as trust funds, for receipts earmarked for specific purposes and the associated expenditure of those receipts. Collections may come from the public (e.g., earmarked taxes or user charges) or from intra-budgetary transfers. More than 150 Federal Government trust funds exist, of which the largest and best known finance several major benefit programs (including Social Security and Medicare) and certain infrastructure spending (the Highway and the Airport and Airway trust funds).

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## Trust Revolving Funds

Accounts that record permanent appropriation and expenditure of collections used to carry out a cycle of business type operations in accordance with a statute that designates the fund as a trust fund. (OMB *Circular A-34*)

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## Trustees, Boards Of, OASDI And Medicare

Boards established by the Social Security Act to oversee the financial operations of the Old-Age, Survivors, and Disability Insurance ("Social Security" or OASDI), the Hospital Insurance (HI), and the Supplementary Medical Insurance (SMI) trust funds. The Boards are composed of six members, four of whom serve

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automatically by virtue of their positions in the Federal Government: the Secretaries of Treasury (the managing trustee), Labor, and Health and Human Services and the Commissioner of Social Security (since March 1995). The other two members are appointed by the President and confirmed by the Senate to serve as public representatives to serve 4 year terms.

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## Uncontrollable Cost

The cost over which a responsible manager has no influence.

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## Unemployment Insurance (UI)

The UI program was created in 1935 to provide income assistance to unemployed workers who have lost their jobs through no fault of their own. The UI program is administered through a unique system of federal-state partnerships, established in federal law but executed by state officials through conforming state laws. The Federal Government provides broad policy guidance and program direction through the oversight of the U.S. Department of Labor. The UI program is financed by federal and state unemployment taxes. Federal unemployment taxes are used to pay for the UI administrative costs, to pay the federal share of extended UI benefits, and to maintain a loan account from which states may borrow to pay UI benefits. State UI taxes are used exclusively for the payment of regular UI benefits and the state's share of extended benefits. In addition to the federal tax, individual states finance their UI programs through state tax contributions from subject employers on the wages of covered employees. (Three states also collect contributions from employees.) Within federal guidelines, state tax rates are assigned in accordance with an employer's experience with unemployment. Actual tax rates vary greatly among the states.

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## Unit Cost

The cost of a selected unit of a good or service. Examples include dollar cost per ton, machine hour, labor hour, or department hour.

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## Unobligated Balances

Balances of budgetary resources that have not yet been obligated. (JFMIP Standardization Project) Unobligated balances expire (cease to be available for obligation) for:—1-year accounts at the end of the fiscal year;—multiple-year accounts at the end of the period specified;—no-year accounts only when they are 1) rescinded by law, 2) purpose is accomplished, or 3) when

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disbursements against the appropriation have not been made for 2 full consecutive years. (GAO *Budget Glossary*).

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## Unreserved Assertion

An unconditional statement.

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## Useful Life

The normal operating life in terms of utility to the owner.

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## Valuation Account (Allowance Or Reserve)

An account that partly or wholly offsets one or more other accounts; for example, accumulated depreciation is a valuation account related to specific depreciable assets and allowance for bad debts is a valuation account related to accounts receivable. If a valuation account is deducted from the related asset or liability it is sometimes referred to as a contra-asset or contra-liability account.

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## Valuation (Or Accounting Valuation)

Valuation methods and bases are numerous and varied; and may be expressed quantitatively and in monetary terms. Application may be made to a single asset, a group of assets, or an entire enterprise, as determined by various bases and methods.

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## Valuation date

A date as close to the end of the fiscal year being reported upon as possible and no more than one year prior to the end of the reporting year.

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## Value-added Activity

An activity that is judged to contribute to customer value or satisfy an organizational need. The attribute "value-added" reflects a belief that the activity cannot be eliminated without reducing the quantity,

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responsiveness, or quality of output required by a customer or organization. Value-added activities should physically change the product or service in a manner that meets customer expectations.

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### Value for Money (VfM)

VfM is defined as the optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good or service to meet the user's requirement. VfM is not the choice of goods and services based on the lowest cost bid. To undertake a well-managed procurement, it is necessary to consider upfront, and at the earliest stage of procurement, what the key drivers of VfM in the procurement process will be. In other words, VfM is a much broader concept than typical cost-benefit analysis because it emphasizes "value" in more of a qualitative than quantitative manner. Quantitatively, some VfM models use a project's Internal Rate of Return (IRR) to help determine project acceptability.

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### Value in Use

Value in use is the benefit to be obtained by an entity from the continuing use of an asset and from its disposal at the end of its useful life.

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### Variable Cost

A cost that varies with changes in the level of an activity, when other factors are held constant. The cost of material handling to an activity, for example, varies according to the number of material deliveries and pickups to and from that activity.

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### Variable Value Securities

Securities that have unknown redemption or maturity values at the time of issue. Values of these securities can vary on the basis of regulation or specific language in the offering.

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### Variance

(1) The amount, rate, extent, or degree of change, or the divergence from a desired characteristic or state. (2) The difference for a year or less between the elements (direct material,



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direct labor, factory overhead) of standard cost and actual cost. The term applies to (a) a money difference or (b) changes in the character or purpose of amounts expended.

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### Weighted-average

A periodic inventory costing method where ending inventory and cost of goods sold are priced at the weighted-average cost of all items available for sale.

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### Whole Life Policies

Policies that provide insurance over the insured's entire life and the proceeds (face amount) are paid only upon death of the insured.

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### Write-off

An action to remove an amount from an entity's assets. A write-off of a loan occurs when an agency official determines, after all appropriate collection tools have been used, that a debt is uncollectible. Active collection on an account ceases, and the account is removed from an entity's receivables. (*Treasury Financial Manual Supplement*)