

Comptroller's Directive No. 1-24
Attachment 4
2023 Off-Balance Sheet Financial Obligations Update

Purpose

During the 2007 General Assembly Session, legislation was passed (*Code of Virginia*, §2.2-813.2) requiring the State Comptroller to report off-balance sheet financial obligations of the Commonwealth. As can be seen in the text, the term off-balance sheet financial obligation is utilized. Given the general nature of this terminology, a broad examination of the Commonwealth's financial commitments is appropriate.

This is similar to prior year's Attachment 4.

This attachment is to confirm whether or not there have been any changes to the amounts submitted in January 2024 for FY 2023.

Applicable agencies

Agencies with changes to prior year **Attachment 34** **must** complete this attachment.

Questions

For questions or to request detailed training from an analyst, please contact: AttachmentAnalyst@doa.virginia.gov

Please reference the attachment number in the subject line of the e-mail.

Due date

July 18, 2024

Data entry

Only cells highlighted in yellow allow for data entry. Error messages in cells are intended to alert preparers that established parameters are not being followed. **Failure to correct Errors or provide answers to all required questions prior to submission will prohibit acceptance of the attachment. Selected cells requiring a response will be populated with an "Answer Required" message until a response is entered.**

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Certification

The **Certification** tab requires all preparers and reviewers to type their name on this form. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any tab. **By typing a name, the preparer is certifying that all of the questions have been completed and are accurate; the reviewer is certifying that the attachment has been reviewed and is complete and accurate; the preparer and reviewer were not the same individual for any tab; and the preparer and reviewer have read and understood the instructions for the attachment. If agency staffing does not allow for a different preparer and reviewer, please contact DOA.**

Submission requirements

Contact DOA if the agency has any problems with the spreadsheets.

After downloading the files, rename the spreadsheet file using the agency number followed by Att4. For example, agency 151 should rename its Att4.xlsx file as 151Att4.xlsx.

Submit the Excel spreadsheet electronically to finrept-agvatt@doa.virginia.gov.

Please include **Agency Number** and **Attachment Number** in the **subject line** of the submission e-mail.

Copy APA via e-mail to APAFinRept@apa.virginia.gov.

Do not submit paper copies of these Excel spreadsheets.

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Definitions

Balance Sheet – For purposes of this attachment, balance sheet is referring to the amounts that were reported in the Annual Comprehensive Financial Report as of June 30, 2023. This information was obtained from Cardinal reports and directive submissions (attachments and supplemental information), and does not need to be resubmitted.

Off-Balance Sheet Financial Obligations – For purposes of this attachment, any amount for which the Commonwealth is committed to disburse funds or pledge revenues in future periods as of June 30, 2023. While these amounts do not meet the accounting definition of a liability and are excluded from the balance sheet, they do represent financial obligations of the Commonwealth for future periods. The obligations reported should not represent the normal, ongoing future costs of performing the agency's functions.

Deferred Maintenance – For purposes of this attachment, the amount of maintenance on agency owned assets that an agency has elected to postpone due to cost cutting or budgetary reasons. This excludes amounts for DGS owned assets.

Approach

DOA has identified different categories of off-balance sheet financial obligations that require consideration for inclusion in the report. Certain categories are evidenced by a signed agreement for which the Commonwealth has agreed to pay for goods or services to be provided in the future and are disclosed in the financial statement notes. These amounts are generally obtained through statewide financial systems or supplemental directive reporting requirements from selected agencies. These amounts should only be included in this attachment if they are not otherwise reported in the directive or LAS Plus.

In other instances, the Commonwealth is committed to pay for future outflows, but these amounts have not been reported in the financial statement notes because they have not met the accounting definition for financial statement disclosure (i.e., federal match requirements). These amounts should be included on this attachment.

Other obligations fall into the ongoing operations category. Public education, Medicaid, TANF, prisoner incarceration, and many other programs throughout the state budget represent ongoing obligations of state government. This includes six-year budget plans submitted to DPB. DOA will attempt to meet the reporting requirements for these “obligations” through use of information obtained from central agencies like DPB and DGS.

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Additional considerations

As mentioned previously, DOA will use information available centrally to identify as many off-balance sheet financial obligations as possible. DOA has identified certain off-balance sheet financial obligations for which agency input is required. A listing of the types of obligations DOA has identified follows. Please be aware that this list may not be all-inclusive, and agencies should include any additional items deemed necessary based on the **Definitions** and **Approach** described previously.

- For purposes of this attachment, short-term leases are leases that have a calculated asset value of less than \$50,000 or a lease period of 12 months or less, including all renewal options regardless of the likelihood of the options being exercised. (only include amounts **not** reported in LAS Plus or via directive submissions as of June 30, 2023)
- For purposes of this attachment, short-term Subscription-Based Information Technology Arrangements (SBITAs) are SBITAs that have a calculated asset value of less than \$5,000 or a subscription period of 12 months or less, including all renewal options regardless of the likelihood of the options being exercised (only include amounts **not** reported in LAS Plus or via directive submissions as of June 30, 2023)
- Construction or other commitment contracts – a legal or other formal arrangement exists (only include amounts not reported via directive submissions as of June 30, 2023)
- Other project commitments – agency is committed to a project, but no formal agreement exists (only include amounts not reported via directive submissions as of June 30, 2023)
- Federal match requirements
- Questioned Federal Costs (amounts charged to federal programs that have been determined unallowable)
- Potential legal case settlements – if likely that the Commonwealth will have to pay out funds once the case is settled
- Court-ordered requirements – court orders that require the Commonwealth to take action that would likely have monetary implications
- Agency-based Deferred Maintenance

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**Completing
the
attachment**

Cells that require input are shaded in light yellow.

Step	Action
1	Enter the control agency number and the agency name will appear. In addition, other agencies that the agency is responsible for will populate.
2	Item numbers are provided as a control number for each entry made by the agency. If additional lines and item numbers are needed, contact DOA.
3 & 4	Type in or use the drop-down list to choose an agency number, the name will appear after choosing an agency number.
5	Provide the type of off-balance sheet financial obligation. Refer to the Additional Considerations section of these instructions.
6	Provide a description for the off-balance sheet financial obligation.
7	Provide the source for the amounts provided.
8A	Enter the originally submitted amount of the off-balance sheet financial obligation.
8B	Enter the revised amount of the off-balance sheet financial obligation.
8C	Provide an explanation for the revision.
9	Since this survey is to obtain off-balance sheet financial obligations, this question is to ensure that total obligations reported in step 8 do represent off-balance sheet amounts. The anticipated answer to this question is “no” because the step 8 amounts should represent amounts that are not required by GAAP to be reported as a liability as of June 30, 2023.
10	In the event that an obligation is identified that was recorded as a GAAP liability, the obligation amount needs to be identified to prevent duplication of information in the Annual Comprehensive Financial Report and the off-balance sheet obligation report.
11	If a liability is identified, this information will assist DOA in the compilation process.
12	If an off-balance sheet obligation exists, but the amount cannot be readily determined, please provide a brief explanation for why the amount cannot be quantified.

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