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**Reporting Requirements for  
Annual Financial Reports  
of State Agencies  
and Universities**

**July 2007**

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Texas Comptroller of Public Accounts



# Reporting Requirements for Annual Financial Reports of State Agencies and Universities

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This manual contains fifteen chapters and six appendices named as follows:

- Chapter 1 – Introduction and Highlights
- Chapter 2 – Accounting Overview and Fund Structure
- Chapter 3 – Requirements for Financial Statement Accounts
- Chapter 4 – General Revenue Requirements for Annual Financial Reports
- Chapter 5 – Interfund Requirements for Annual Financial Reports
- Chapter 6 – Capital Assets
- Chapter 7 – Requirements for Notes to the Financial Statements
- Chapter 8 – Requirements for Schedules to the Financial Statements
- Chapter 9 – Sample Agency Financial Report
- Chapter 10 – University Financial Statement Requirements and Sample
- Chapter 11 – USAS Reconciliation
- Chapter 12 – Annual Financial Report Checklist and Review
- Chapter 13 – List of Beginning Balances
- Chapter 14 – Agency Assignments (to be issued at a later date)
- Chapter 15 – Glossary (to be issued at a later date)
- Appendices A through F (to be issued at a later date)

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Suzy Whittenton

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Director of Fiscal Management





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## **Chapter 15 – Glossary** (to be issued at a later date)

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## Introduction

The Comptroller's office is responsible for providing instructions to state agencies and institutions of higher education, for completing the *Annual Financial Report* required by TEX. GOV'T CODE ANN. § 2101.011.

TEX. GOV'T CODE ANN. § 2101.012 directs the Comptroller's office to provide these instructions. This statute puts Texas on a financial reporting course that will better assist creditors, investors, and the public in general in assessing the financial condition of our state. The statute designates the Comptroller of Public Accounts as the official to prescribe uniform accounting and reporting procedures for each state agency, including colleges and universities, to use in preparing the information requested under Section 2101.011, Government Code.

The Comptroller's office designated the Financial Reporting section of the Fiscal Management Division to prescribe the form and content of the agencies' financial reports.

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**Note:** If your agency uses outside professional assistance in report preparation, you must require the outside assistant to follow the Comptroller's reporting requirements. Provide a copy of the Comptroller's *Reporting Requirements for Annual Financial Reports of State Agencies and Universities* to the outside parties responsible for the preparation of the audited financial reports to ensure agency compliance.

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In addition, H.B. 1, 80th Leg. Regular Session, 2007, Art IX, Sec. 7.02(a) states that “*None of the moneys appropriated by this Act may be expended after November 20th following the close of the fiscal year, unless an annual report has been filed by the executive head of each department or agency specified in this Act in accordance with Section 2101.011, Government Code.*”

As required by TEX. GOV'T CODE ANN. § 403.013, the Comptroller must issue to the Governor, on the last day of February of each year, a statewide financial report prepared in accordance with generally accepted accounting principles.

This reporting requirements manual has been issued to facilitate this statewide reporting and to assist agencies in posting year-end adjusting entries for reconciling USAS to their *Annual Financial Report* (AFR) information.

## Deadlines

Please be aware of the following deadlines.

**Note:** Simplified reporting agencies who do not submit early must follow the **full reporting deadlines** and **submission requirements**.

	Simplified Reporting Agencies	Full Reporting Agencies
GASB #14 Questionnaire (only for new agency, new potential component unit, or changes)	08/15/2007	08/15/2007
GASB #39 Questionnaire (complete if the potential component unit does not meet the criteria in GASB 14 to be a component unit)	08/15/2007	08/15/2007
GASB #31 Fair Value of Investments	09/14/2007	09/14/2007
Interfund Activities Entered in USAS	09/20/2007	09/20/2007
General Revenue Certification Via Internet	09/28/2007	11/01/2007
Federal Schedule Entry and Certification Via Internet	09/28/2007	11/01/2007
State Property Accounting System/ <i>Annual Financial Report</i> Reconciliation	09/28/2007	11/01/2007
Simplified Reporting Agencies Package, including USAS and Interagency Activity Certification (state agencies and universities), Notes and Schedules	10/03/2007 9:00 a.m.	N/A
<i>Annual Financial Report</i>	N/A	11/20/2007
USAS and Interagency Transaction Certification (state agencies and universities)	N/A	11/20/2007
Independent Auditor's <i>Annual Financial Report</i>	12/20/2007	12/20/2007

TEX. GOV'T CODE ANN. § 2101.011 requires all agencies file ALL annual financial reports no later than November 20 of each year. If your agency submits any revisions after this deadline, due to an independent audit or otherwise, the revision may or may not be reflected in the state's *State of Texas Comprehensive Annual Financial Report* (CAFR). If an independent auditors' report is required by statute, it is due within thirty (30) days following the *Annual Financial Report* deadline. See the list on the following page for agencies that are required to obtain Independent Audited *Annual Financial Reports*.

The Comptroller is authorized, through TEX. GOV'T CODE ANN. § 2101.0376, to impose an administrative penalty for agencies not meeting the above deadlines if the Comptroller publishes a late or incomplete CAFR as a result of the late AFR. In addition, any agency that fails to comply with the requirements in this document may be included in the *State Auditor's Statewide Management Letter*.

## List of Agencies With Independent Audits Required By Statute

The following lists agencies that are required by statute to obtain independent audits:

Agy No.	Agency	FY End	Mailing Address
010	Texas Guaranteed Student Loan Corporation	30-Sep	P.O. Box 83100 Round Rock, Texas 78683
012	Texas State Affordable Housing Corporation	31-Aug	P.O. Box 50264 Austin, Texas 78763
315	Texas Tomorrow Fund	31-Aug	P.O. Box 13528 Austin, Texas 78711
323	Teacher Retirement System	31-Aug	1000 Red River Austin, Texas 78701
325	Fire Fighter's Pension Commission	31-Aug	P.O. Box 12577 Austin, Texas 78711
327	Employees Retirement System	31-Aug	P.O. Box 13207 Austin, Texas 78711
332	Dept of Housing & Community Affairs	31-Aug	P.O. Box 50264 Austin, Texas 78763
362	Lottery Commission	31-Aug	P.O. Box 16630 Austin, Texas 78761
454	Surplus Line Stamping Office of Texas	31-Dec	P.O. Box 9906 Austin, Texas 78766
799	UTIMCO	31-Aug	201 West Seventh Street Austin, Texas 78701
798-014	Texas A&M Research Foundation	31-Aug	P.O. Box 3578 College Station, Texas 77843
930	Texas Local Government Investment Pool	31-Aug	208 East 10th St. Austin, Texas 78701
930	Texas Treasury Safekeeping Trust Company	31-Aug	208 East 10th St. Austin, Texas 78701

## Financial Reporting Analysts

The accounting staff in the Financial Reporting section of the Fund Accounting Division is ready to assist you in implementing any requirements in this manual. Please call (512) 463-4992, or call the analyst assigned to you.

Tom Meredith, Supervisor 463-2897			
Precilla Hauer.....	305-8641	Wiley Thedford.....	463-1983
Amanda Landry .....	936-8139	Roberto Vasquez.....	936-2025
Irene Lee .....	936-6138	Tom Zapata.....	463-6704
Aurora Ramirez .....	463-7677	Ann Zigmond .....	463-1801

## Overview of the Reporting Objectives of USAS

The following information provides an overview of the reporting purposes of USAS, and the specific sections below should assist you in reviewing your USAS data in order to make corrections to object codes, appropriation numbers, and other data elements as necessary. Consider the different uses of the financial data when making adjustments. If you have any questions regarding consistency between the uses of the financial data, contact your appropriation control officer or your financial reporting analyst.

## Financial Reporting for the State of Texas and Individual Agencies and Universities

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USAS is the accounting system of record for the State of Texas and is the basis of the information for producing the *Comprehensive Annual Financial Report* (CAFR). Financial statements from USAS are driven by several data elements and profiles, some of which are the general ledger account (D31), the comptroller object code (D10) and the agency fund (D23).

This manual tells you how to adjust USAS for financial reporting in consideration of other reporting objectives. The information in this manual does not replace the instructional manuals available with regard to the other reporting objectives of USAS. The instructional manuals and Fiscal Policies and Procedures provide detailed instructions on appropriation, ABEST, and cash reporting. The tips on the other uses of USAS information are provided to assist you in adjusting your financial data in a manner that is acceptable for those structures.

### Appropriation Information

Appropriation information is primarily gathered by appropriation number, balance type, and appropriation year. Appropriation cash revenues, cash expenditures, and accrued expenditures are the primary focus of the Comptroller's Appropriation Control section and the other oversight agencies. Currently, this appropriation information is closely monitored for accuracy by appropriation number and comptroller object code.

Accrued expenditure and encumbrance information is reported in USAS by appropriation number, program code, and balance type. Therefore, your agency must enter the Binding Encumbrance and Payables Report amounts with the correct fund, strategy, and object code, using non-generic T-Codes that post to balance types. Perform any adjustments with these same T-Codes.

Due to the fact that appropriation information depends on balance types associated with general ledger accounts, you can correct GAAP-based financial information with generic T-Codes while appropriation information remains in error. This is because generic T-Code entries adjust general ledger accounts, but they do not post balance types. **Be cautious when using generic T-Codes for adjustments because the entry will not correct any errors that may exist in appropriation information.**

While appropriation numbers and program codes or strategies are related, there is not always a one-to-one relationship. Multiple appropriation numbers can have one program code, or multiple program codes can have one appropriation number. Appropriation number and program code are also accounted for in two separate structures; therefore, appropriation information could be correct while program code/strategy information is incorrect, or vice versa.

### ABEST Information

The Legislative Budget Board (LBB) uses the Automated Budget Evaluation System for Texas (ABEST) to support the appropriation process and to track performance measures established by the agency and the LBB. The ABEST/USAS reconciliation process is designed to load ABEST with actual USAS strategy expenditures by LBB object of expense and by appropriated fund. Strategy accounting activity is recorded in USAS at the third level of the program code structure, as established on the Program Code Profile (D04).

USAS information transferred to the ABEST system consists of general ledger expenditures and encumbrances accumulated by strategy and LBB object code. The strategy is the third level of the Program Code Profile (D04). The balance of the following general ledger accounts are transferred to ABEST:

**Expenditures GL:**

5500 – Expenditure Control – Cash  
 5501 – Expenditure Control – Accrued  
 5505 – Payroll Accrued Expenses  
 5600 – GAAP Expenditure Offset (can be mapped in ABEST for locally funded appropriations)

**Memo expenditure/encumbrance GL:**

5700 – Cost Allocation Memo Expend Control  
 5701 – Cost Allocation Accr Expend Control  
 5702 – Cost Allocation Encumbrance Reporting

**Encumbrances GL:**

9001 – Encumbrances  
 9003 – Encumbrances (Reporting Agencies)

The ABEST/USAS reconciliation process includes all treasury appropriated funds and local fund expenditures and encumbrances by strategy. The LBB object codes classify expenditures into 18 LBB expenditure categories.

**Cash Report**

The Cash Report presents a cash basis report for the State of Texas as required by statute. It is based on the activity of the cash (general ledger account 0045) in the State Treasury. Therefore, corrections for Cash Report purposes must be made with T-codes that either post to cash or generate a transaction that posts to cash. Data for the Cash Report is accumulated by comptroller object code and is summarized by the indicators reflected on the Comptroller Object Profile (D10). The Cash Report is prepared on a fiscal year basis with a hard cash close on August 31 of each year.

**Highlight Boxes****USAS Tip**

Throughout this manual, you will find USAS Tip boxes that are designed to alert you to additional requirements or give helpful information regarding USAS. There may also be a description of new ACRs listed in these boxes.

**Transaction Effective Dates**

The effective date on a transaction is the initial date the transaction could be accessed for processing in USAS. The transaction effective date can be the effective date defaulted from the batch header, or a different effective date may be entered on each transaction within a batch to override the batch header effective date for that transaction. The effective date determines the month and fiscal year to which the transaction will post. If a month or year is closed or future or prior month/year postings are not allowed, the system edits against the effective date to determine if the transaction can be posted.

**Note:** USAS does not allow cash transactions to be postdated. If a cash transaction is entered with an effective date not equal to the current date, USAS automatically updates the effective date to the current system management date.

**Legend for Fiscal Year Dates**

The following legend is provided to identify the fiscal years referred to in the text and examples included in this manual.

- “20PY” or “PY” = 2006 (where PY = prior year)
- “20CY” or “CY” = 2007 (where CY = current year of the AFR)
- “20FY” or “FY” = 2008 (where FY = future year)

# Highlights and Changes to Requirements – Fiscal 2007

## Highlights

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This section provides a summary of highlights for this year's requirements. The detailed information may be found in the related sections for each topic. The following are highlights only:

- 1** Any agency not in compliance with the requirements in this document may receive a comment letter addressed to their Executive Management and may be referred to the State Auditor's Office for audit consideration as authorized under Section 2101.0377, Government Code.
- 2** Full reporting agencies and state colleges and universities are required to post and reconcile annual financial report information to USAS on a GAAP basis by November 20. The reconciliation is to be at the general ledger account level and/or GAAP source/object level within the USAS Agency (D23) Fund. Make adjustments for any reconciling items in USAS so that the USAS Balance Sheet/statement of Net Assets or USAS Operating Statement/Statement of Changes in Fiduciary Net Assets and Interfund/Interagency Activity Report accurately reflect the AFR information.
- 3** You must submit your annual financial reports on or before November 20, 2007. All submissions must include a *USAS and Interagency Activity Certification Form* with original signature.
- 4** Audited annual financial reports must be submitted on or before December 20, 2007.
- 5** Details of submission requirements for agencies identified as "simplified reporting agencies" or "full reporting agencies" are provided in the sections titled **Simplified Reporting Agencies Package Submission Requirements** and **Full Reporting Agencies Submission Requirements** later in this chapter. A list of agencies appears in this chapter in the section titled **Office of the Comptroller Submission Requirements**.  
All agencies are required to submit a hard copy of the exhibits or the DAFRs (**excluding** the DAFR8910) plus notes and schedules to the other addresses listed.
- 6** Full reporting agencies and simplified reporting agencies opting not to submit their AFR early must complete the General Revenue Certification and submit the Reconciliation of Legislative Appropriation worksheet via the Internet on or before November 1, 2007. Simplified reporting agencies that submit their AFR early must submit on or before September 28, 2007. Instructions for completing the *General Revenue Certification and Reconciliation of Legislative Appropriation* worksheet are in **Chapter 4 – General Revenue Requirements for Annual Financial Reports**.
- 7** Your agency must submit the Schedule of Expenditures of Federal Awards via the Internet. Entry and certification are due by November 1, 2007. Simplified reporting agencies must submit on or before September 28, 2007. Instructions for submitting the schedule via the Internet are in **Chapter 8 – Schedules to the Financial Statements**.
- 8** USAS will close period 12 of 20CY as of COB on September 30, 2007. All fiscal year USAS entries made after September 30, 2007 must use an effective date of 08/32/07. New profiles, especially RTI profiles, needed for entering 20CY data should be established prior to the close of period 12 as of COB on September 30, 2007.
- 9** H.B. 2425, 78th Leg. Regular Session, 2003, Section 54 removes the Comptroller's office as an agency to receive an Annual Report of Non-financial Data.
- 10** You can find guidance on classification of fund balance in **Chapter 3 – Financial Statement Accounts** in the section titled **Fund Balance Classification**.
- 11** Agencies should not round any of the numbers presented in their AFR. This includes numbers in notes as well as exhibits. The only exceptions are agency 010 – Guaranteed Student Loans, agency 012 – Texas Affordable Housing Corporation, and agency 202 – State Bar of Texas.

- 12 All numbers on Note 2—Capital Assets must be entered in dollars and cents.  
**Do Not Round.**
- 13 Your agency must disclose the accounting policy on cash equivalents in Note 1 – Summary of Significant Accounting Policies. See **Chapter 2 – Accounting Overview and Fund Structure.** in the section on **Statement of Cash Flows.**
- 14 For D23 funds in fund type 09 (GAAP agency funds), your agency must ensure that revenues and expenditures equal zero at the GAAP source/object level. Your agency must also ensure that cash balances in agency funds used as a clearing account are cleared out at year-end. You can find guidance in reporting agency funds in the **Agency Funds** section of **Chapter 3 – Requirements for Financial Statement Accounts.**
- 15 Your agency must use the beginning Fund Balance, beginning Capital Asset Balances, beginning Long-Term Liability Balances, and beginning Cash and Cash Equivalents Balances found in **Chapter 13 – List of Beginning Balances of the Annual Financial Report.**
- 16 Present the USAS General Ledger account 0067, Securities Lending Collateral, in the Financial Statements as a separate line in the assets of the agency. Disclose uninvested and invested Securities Lending Cash Collateral amounts in Note 3 – Deposits, Investments, and Repurchase Agreements.
- 17 See *Fiscal Policies and Procedures (FPP C.004): Disclosure Requirements for Derivatives Not Presented at Fair Value on the Statement of Net Assets (FM03-68)* to determine requirements for derivatives.
- 18 For the Supplementary Bond Information Schedules, separate the General Obligation and Revenue bonds by Governmental Activities, Business-Type Activities, or Component Units.
- 19 Debt Service payments must show principal and interest separately.
- 20 **Note 2: Capital Assets, Note 5: Summary of Long Term Liabilities, Note 6: Capital Leases** and **Note 7: Operating Lease Obligations** are presented in separate tables by Governmental Activities and Business-Type Activities and Component Units.
- 21 **Note 22: Management Discussion and Analysis** must include a description of Special and Extraordinary items, if any exist.
- 22 Report inventories and prepaid items in governmental funds using the consumption method i.e., report inventories and prepaid items as assets and defer the recognition of expenditure until the period in which inventories and prepaid items are used or consumed.
- 23 Research and Development (R&D) is a cluster on the Federal Schedule. Unlike other clusters, the R&D cluster is not defined by a list of CFDA numbers. Agencies must manually select the R&D tag when entering records to the federal schedule Web application. Contact the financial reporting section for any questions related to the R&D cluster. See **Chapter 8 – Schedules to the Financial Statements.**
- 24 Agencies **are required** to reconcile their USAS Cash in State Treasury to their internal accounting system monthly. The DAFR 8660 – Fund Cash History by Agency Including Shared Funds reports USAS cash transactions to agencies that control the appropriated fund. The reconciliation starts with the DAFR 8660 ending balance, adds deposits in transit, subtract vouchers in transit to reconcile to the internal system balance.
- 25 You must enter *T* in the **PDT** field when T-Code 225 is used to enter a RTI transaction on the 55 recurring Transaction Profile screen.
- 26 Prior to year-end, agencies that had bonds payable in 20PY will receive an e-mail reminder to update security information in USAS to allow access to the web-based Bond Reporting System (BRS). If your agency did not report bond schedules in 20PY, but has bond issues in 20CY, please contact your financial reporting analyst to expedite your access to BRS. Instructions for using BRS are included in chapter 8 following the Schedule 2 instructions.
- 27 Templates for the pension schedules have been added to the FMX Web site. The link is referenced in chapter 7 under **Note 19: Employees Retirement Plans** and in chapter 8 under **Schedule 5: Pension Plan Schedules.**
- 28 Chapter 7 **Note 26: Termination Benefits** has been expanded to identify specific information that is needed for agencies offering COBRA termination benefits.

## Changes

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In response to agency requests, identification of problems and new issues raised, the Comptroller's office made changes to the *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. The following list indicates the Sections or Exhibits that were changed:

1. GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to be implemented for the fiscal 2007 AFR. This statement pertains to agencies administering post employment benefit plans (i.e., Teacher Retirement System and Employees Retirement System). It establishes uniform standards for other post employment benefits (OPEB). OPEB includes post employment healthcare and other benefits (i.e., life insurance) when provided separately from a pension plan. Actuarial data is required to correctly report OPEB. This is related to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which pertains to the employer (i.e., the state).
2. GASB Technical Bulletin 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*, was implemented in two parts. The portion implemented in fiscal 2006 required Medicare Part D reimbursements received from the federal government in relation to prescription drug benefits to be shown as federal revenue. These recoveries are not netted against expenditures. The portion to be implemented in fiscal 2007, simultaneously with GASB 43, pertains to Medicare Part D measurement, recognition, and the required supplementary requirements specifically as they pertain to OPEB.
3. A new investment type titled "Alternative Investments" has been added to Note 3, Deposits, Investments, and Repurchase Agreements disclosures.
4. For governmental funds, bond issuance discount/premium and bond issuance costs should **not** be netted against the other financing source reported to record the debt issuance. Instead discounts resulting from a disparity in interest rates should be treated as an **other financing use**. Discounts resulting from the withholding of underwriter's fees and/or other bond issuance costs should be reported as **expenditures**. See **Chapter 3 – Reporting of Issuance of Long-Term Debt – Governmental Funds**.
5. A new Internet AFR Note 3 – Deposit and Investment Submission System has been added to the Annual Financial Report Preparation Resources page on the Financial Reporting Web site. See chapter 7, Note 3 for a description and instructions of this new submission system.
6. Commercial Paper that has been issued is normally reported as short-term debt. Under certain circumstances, the debt may be classified as a long-term liability. If so, the amounts should be reported as part of Notes and Loans Payable, not Bonds Payable.
7. Disclosure of the source(s) of funds that will be used to liquidate non-debt liabilities is now required. See chapter 7, **Note 5: Summary of Long-Term Liabilities**.
8. The following changes have been made to Schedule 2, Bond Schedules and Bond Disclosures. See chapter 8, Schedule 2.
  - a. The capitalization threshold of bond issue premiums, discounts, issuance costs, and gain/loss on refunding (on refunding bonds only) has been changed from 10 percent to 5 percent of the par value of the individual bond issue. Individual agencies have the option of either capitalizing and amortizing or expensing the amount less than 5 percent. See chapter 8, Schedule 2B.
  - b. Amount Due In One Year includes the amortization of premiums, discounts, and for refunding bonds, the amortization of gain/loss on refunding. This item is reported in chapter 8, **Schedule 2B – Changes in Bonded Indebtedness** and in chapter 7, **Note 5 – Summary of Long-Term Liabilities**. The Bond Reporting System will be modified to capture the information for each bond.
  - c. Issuance costs (underwriter's discount, bond insurance, financial advisor/legal fees and



- other similar charges) are not a reduction of the face or maturity amount of the related bond payable. Issuance costs are Deferred Charges (an asset), which must be amortized over the life of the bond, if considered material. The current year amortization is reported as a component of bond interest expense. See chapter 8, Schedule 2B.
- d. Tuition Revenue Bonds are no longer a separate category in the Bond Reporting System. All bonds issued previously denoted as Tuition Revenue Bonds have been reclassified to Revenue Bonds. See chapter 8.
- e. The Internet Bond Reporting System instructions have been added to the Reporting Requirements. The instructions are in chapter 8 after the instructions for the various bond schedules (Schedule 2A through Schedule 2F).
9. Comptroller object codes 7285 (Computer Services – Statewide Technology Center) and 7292 (DIR Payments to Statewide Technology Center) have been created for agencies and institutions of higher education participating in the consolidated data center program. Use an **Interagency Transaction Voucher** to make payments to DIR for these services.
10. Accounts payable line items (general ledger account numbers 1009, 1010 and 1015) must be accurate in USAS for all university components for fund 0001 and fund 5040. These general ledger accounts are being used as a calculation for the transfer to the Rainy Day Fund. Therefore, component universities are advised to verify the validity of these amounts in USAS.
11. The following clarifications have been made to the Schedule 1A Schedule of Expenditures of Federal Awards:
- Reports generated out of the Schedule of Expenditures of Federal Awards Web application will be used to reconcile variances in federal pass-through transactions. For additional details, see the **Federal and State Grant Pass-Through** section of **Chapter 5 – Interfund Requirements for Annual Financial Reports**.
  - The reporting of pass-throughs related to the Texas A&M Research Foundation (Agency 014) has been clarified. Note 2 of the Schedule of Expenditures of Federal Awards (SEFA) Web application has changed. The deduction reconciling item for pass-throughs from the Texas A&M Research Foundation was changed to include both pass-throughs sent **To** or received **From** the Texas A&M Research Foundation. These funds **should not be** reported on your agency's federal schedule because the Texas A&M Research Foundation is **not** included in the consolidated statewide SEFA. See **Chapter 8 – Schedules to the Financial Statements**.
12. Simplified reporting agencies that submit their AFR information early are required to submit all notes and schedules as an attachment to an e-mail sent to their financial reporting analyst on or before October 3, 2007.

## Upcoming GASB Statements, Technical Bulletins, Exposure Drafts, Preliminary Views and Invitations to Comment

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### Upcoming GASB Statements:

- 1** GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is effective for fiscal periods beginning after December 15, 2006 (fiscal 2008). This statement establishes standards for items reported in the financial reports of state and local governmental employers that provide other postemployment benefits (OPEB) to retirees (UT Systems, A&M Systems, TRS, and ERS). Postemployment benefits include health, dental, vision, prescription, and other healthcare benefits provided to eligible retirees. It may also include some types of life insurance, legal services, and other benefits. Government employers are required to report information regarding the nature and size of the long-term financial obligations related to OPEB. GASB 45 pertains to the employer (i.e., the state) and is related to GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 43 pertains to OPEB plans and is restricted to ERS and TRS only. GASB 43 it to be implemented by ERS and TRS for the fiscal 2007 AFR.
- 2** GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, is effective for periods beginning after December 15, 2006 (fiscal 2008). Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payment. This statement establishes criteria that governments use to determine whether proceeds received should be reported as revenue or as a liability. The requirements to defer revenues, expenses, and expenditures related to sales of future revenues differ from guidance provided by GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*. Governments may apply the provisions of GASB 48 prospectively and do not have to restate the previous years' financial statements or adjust the accounting for sales of future revenues completed prior to the implementation date.
- 3** GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, is effective for periods beginning after December 15, 2007 (fiscal 2009). This statement establishes standards for accounting and financial reporting for pollution remediation obligations. Items covered in the statement include obligations to clean up spills of hazardous wastes or hazardous substances and obligations to remove contamination such as asbestos. Pollution remediation obligations do not include pollution prevention or control obligations with respect to current operations.
- 4** GASB Statement No. 50, *Pension Disclosures* (an amendment of GASB 25 and 27), has been issued and is effective for periods beginning after June 15, 2007 (fiscal 2008). This statement pertains to pension plans administered by the state under the Teacher Retirement System, Employees Retirement System and the Fire Fighters' Pension Commission. The statement more closely aligns the financial reporting requirements for pensions with those for OPEB. The statement amends applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 27, *Accounting for Pensions by State and Local Reporting Governmental Employers*.

### GASB Technical Bulletins:

- 1** GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*, contains recognition requirements by cost-sharing employers related to pension plans and OPEB. The document provides clarification for the requirements of GASB 27 and 45. The portion relating to pension plans was effective in fiscal 2005. The portion relating to OPEB should be applied simultaneously with the requirements of GASB 45 (fiscal 2008).

**GASB Exposure Drafts:**

- 1 GASB has released an Exposure Draft for a proposed statement on *Land and Other Real Estate Held as Investments by Endowments*. The purpose of the proposed statement is to establish consistent standards for reporting land and other real estate held as investments. Endowments would report land and other real estate investments at fair value. Governments would also be required to report the changes in fair value as investment income and also disclose methods and assumptions used to determine the fair value. The proposed effective date for the statement is for periods beginning after June 15, 2008 (fiscal 2009).
- 2 An Exposure Draft has been issued for a proposed statement on *Accounting and Financial Reporting for Intangible Assets*. The proposed statement would require certain intangible assets to be classified as capital assets and reported under the existing guidance related to accounting and financial reporting for capital assets. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. The proposed effective date for the statement is for periods beginning after June 15, 2009 (fiscal 2010).
- 3 An Exposure Draft on concepts related to *Elements of Financial Statements*, has been issued by GASB. The proposed Concept Statement would provide conceptual guidance regarding the definitions and characteristics of the elements of financial statements issued by state and local governments. The statement is one of a series of Concept Statements that will be used as a framework for evaluating existing standards and practices and for establishing future state and local government financial reporting standards. Concept Statements do not establish accounting and financial reporting standards but they provide a standard to assist GASB in maintaining a consistent conceptual approach from standard to standard.

**GASB Preliminary Views Documents:**

- 1 GASB issued a Preliminary Views document, *Accounting and Financial Reporting for Derivatives*. This document sets forth a proposal for the recognition and measurement and disclosure of derivatives for state and local governments. It is the first due process document of the derivatives project, which ultimately is expected to result in a Statement of Governmental Accounting Standards.

The objective of this project is to consider whether derivatives should be displayed at fair value on the statement of net assets and whether current derivative note disclosures are appropriate. If derivatives are recognized in the financial statements, consideration of hedge accounting is necessary. Disclosures, such as derivative objectives, terms, and risks, are also included within the scope of this project. On the GASB Web site, it states they have tentatively agreed for the proposed effective date regarding its statement on derivatives and hedging to be for fiscal periods beginning after June 15, 2009 (fiscal 2010).

**GASB Invitations to Comment (ITC):**

- 1 An ITC, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued with a comment deadline of January 31, 2007. GASB initiated its research on fund balance to address concerns that users do not understand the difference between reserved and unreserved fund balance. There was also concern that users would be confused about how reserved fund balance relates to unrestricted net assets. The ITC was issued to address the problems that GASB identified and to make fund balance information more helpful to agencies that use the statements for drawing conclusions, making decisions, and performing analysis.

## AFR Requirements for GASB 34

After researching statutory requirements for agency *Annual Financial Reports* (AFRs), Fund Accounting and the Comptroller's legal staff, with concurrence from other oversight agencies, concluded that the statute does not require individual agencies to base their AFRs on Generally Accepted Accounting Principles (GAAP). However, individual agencies must provide sufficient accounting information in their AFRs for the Comptroller's office to prepare the CAFR on a GAAP basis. **Most state agencies are not required to fully comply with GASB 34; however, they are required to submit additional information to the Comptroller for use in the CAFR.** The additional information mainly consists of general ledger accounts to build the classified balance sheets/statements of net assets, comptroller object codes for the governmental/proprietary operating statements, three columns that will convert the modified accrual information to full accrual for governmental funds and additional note disclosures. Those topics are covered in detail in this manual.

If your agency has audited reports, you must comply with all provisions of GASB 34 in your stand-alone reports. See **Requirements for Agencies that Issue Stand-Alone or Audited Reports** section later in this chapter.

### State Agency Requirements

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#### Fund/Government-wide Financial Statements

Agencies are required to prepare fund statements for all of their GAAP/Appropriated funds. The governmental fund statements will include three separate columns for Capital Assets, Long-Term Liabilities, and Other Adjustments. These three columns include amounts to convert the governmental fund statement, which is based upon modified accrual, to the government-wide statement, which is based upon full accrual. Proprietary fund statements are based on full accrual and therefore do not have the three adjustment columns.

#### State Agency USAS Reconciliation

Agencies are required to reconcile and be in agreement with USAS so that the Financial Reporting section can extract the agency's data from USAS for CAFR purposes. All agencies are required to enter additional USAS entries to convert from modified accrual to full accrual (the Basis Conversion entries). **All agencies are still required to prepare note disclosure and supplemental schedules.**

#### State Agency Note Disclosure

The notes and their requirements are discussed in **Chapter 7 – Requirements for Notes to the Financial Statements**. The information required for the MD&A section of the CAFR will be provided by agencies via a note disclosure.

#### Major Funds

Only agencies that require an outside audit opinion will use major funds and these major funds may or may not be used at the CAFR level. Report major funds in separate columns for each of the fund statements and report nonmajor funds in a single column. A fund is considered major if its total assets, liabilities, revenues or expenditures/expenses are at least 10 percent of the corresponding total for all funds of that category (assets, liabilities, etc.) **and** at least 5 percent of the aggregate amount for all governmental and enterprise funds combined. All remaining nonmajor funds should be reported in aggregate in a single column. If agency officials believe any other governmental or enterprise fund is particularly important, that fund may be reported as a major fund.

Agencies not issuing stand-alone reports are required to prepare financials for all funds and do not need to distinguish between major and nonmajor funds. The Comptroller's office analyzes all funds to identify the current major and nonmajor funds, as these may change from year to year. All funds are reported in the CAFR; the major funds are disclosed on the face of the fund financial statements and the nonmajor funds are reported in one column with a supporting combining statement in the appropriate section.

## University Requirements

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### University Fund Statements

Colleges and Universities are allowed to report as a single column business-type activity. The financial statements for proprietary funds should be presented using the economic resources measurement focus and the accrual basis of accounting. Colleges and universities are allowed to aggregate all their funds into a single column. The three proprietary statements required are: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows.

### University USAS Reconciliation

The Financial Reporting section plans to extract some university USAS data. Universities are required to reconcile and be in agreement with USAS so that the Financial Reporting section can extract the university data from USAS for CAFR reporting purposes. Hard copy financial statements, notes, and supplemental schedules are required from all universities.

### University Note Disclosures

The notes and their requirements are discussed in **Chapter 7 – Notes to the Financial Statements**. The information required for the MD&A section of the CAFR will be provided by universities via a note disclosure.

## Requirements for Agencies that Issue Stand-Alone or Audited Reports

For agencies that issue stand-alone or audited financial statements, GASB 34 requires complete compliance, including additional statements and disclosures. See the table at the beginning of this chapter for a complete list of agencies that require independent audits.

Only those agencies that are required by statute to be audited must fully comply with all GASB 34 requirements. All other agencies are not required to include the additional information and statements in their AFR. The information provided below, while directed to the agencies required to prepare additional information, should be helpful to agencies including the information on an optional basis as well.

### AFR Requirements under GASB 34

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For the agencies with required independent audits and the State CAFR, the following requirements apply.

In accordance with GASB 34, the minimum requirements for basic financial statements and required supplementary information include the following:

- Management Discussion and Analysis (MD&A)
- Basic Financial Statements
  - Government-wide Financial Statements (GWFS)
  - Fund Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information

#### Major Funds

GASB 34 uses the concept of presenting only major funds. Report separate columns for the funds that are considered major and a single column for funds that would be considered nonmajor in each of the fund statements. A major fund is one in which the total asset, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category (assets, liabilities, etc.) **and** at least 5 percent of the aggregate amount for all governmental and enterprise funds combined. All remaining nonmajor funds should be reported in aggregate in a single column. Any other governmental or enterprise fund that the agency's officials believe is particularly important may be reported as a major fund.

Agencies that fully comply with GASB 34 must calculate major and nonmajor funds annually.

#### Management Discussion and Analysis (MD&A)

The first major requirement of GASB 34 and 35 is the Management Discussion and Analysis (MD&A). The MD&A compares, in laymen's terms, current year results to the prior year.

The Management Discussion and Analysis is a component of the required supplementary information. The MD&A should introduce the basic financial statements and provide an analytical overview of the government's financial activities based on currently known facts, decisions, or conditions. The MD&A should compare the current year results to the previous year, emphasizing the current year. This discussion should focus on the primary government and should distinguish between information pertaining to the primary government and information pertaining to its component units. When appropriate, the reporting entity should refer readers to the financial statements issued separately by the component units.

Required supplemental information (RSI) includes the MD&A. **Do not confuse the MD&A with a transmittal letter.** A transmittal letter is a separate and distinct portion of the AFR or CAFR that is not audited. GASB 34, paragraph 294, explains the different purposes of the transmittal letter and the MD&A.

The MD&A should provide an objective, easy-to-read analysis of the agency’s financial activities based on:

- 1** Currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets). Base this discussion on events or decisions that have already occurred, or have been enacted, adopted, agreed upon, or contracted. Do not discuss in the MD&A the possible effect of events that might happen (although you can address such matters in the letter of transmittal.) The award and acceptance of a major grant, the adjudication of a significant lawsuit, an approved increase in a university’s tuition, and a renegotiated labor contract with government employees are just a few examples of facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.
- 2** In MD&A, compare the current year results to the prior year, with emphasis on the current year, and address both positive and negative results (use charts and graphs). If basic financial statements and required supplementary information (RSI) are presented for the current and prior year, you are required to address both years in MD&A. Include comparative condensed financial information and related analyses for both years for the “comparative” MD&A. A separate MD&A is not required for each year presented.
- 3** Focus MD&A on the primary government. Distinguish between information presented for the primary government and that of its component units in your comments.
- 4** Present only the most recent and relevant information in MD&A – not “boilerplate” or information carried forward from the prior year. MD&A is regarded as RSI and therefore, the information presented should be limited to the topics below. Each specific requirement below describes the minimum to be addressed. Additional analytical or descriptive data may be provided if it provides additional details.

Do not include information that does not address the required topics below in MD&A; you may report it as supplementary information and discuss it in the letter of transmittal. The specific requirements areas follows:

- a.** A brief description of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information provided. Include analyses that assist readers in understanding why measurements and results reported in fund financial statements either reinforce information in the government-wide statements or provide additional information.
- b.** Condensed financial information derived from Government-wide Financial Statements, comparing the current year to the prior year. The information is disclosed to support the analysis of financial position and results of operations required in item **c** that follows, including the following relevant elements:
  - 1) Total assets, distinguishing between capital and other assets
  - 2) Total liabilities, distinguishing between long-term liabilities and other liabilities
  - 3) Total net assets, separating amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts
  - 4) Program revenues, by major source
  - 5) General revenues, by major source
  - 6) Total revenues
  - 7) Program expenses, at a minimum by function
  - 8) Total expenses
  - 9) Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers
  - 10) Contributions
  - 11) Special and extraordinary items
  - 12) Transfers
  - 13) Change in net assets
  - 14) Ending net assets

- c. An analysis of the overall financial position and results of operations to assist users in assessing whether the financial position has improved or deteriorated during the past year. Address both governmental and business-type activities in the analysis, as reported in the Government-wide Financial Statements, and explain significant changes from the prior year. Discuss important economic factors, such as changes in the tax or employment bases, that significantly affected the current year's operating results.
- d. An analysis of balances and transactions of individual funds. Address the reasons for significant changes in fund balances or fund net assets and whether restrictions, commitments, or limitations significantly affect the availability of fund resources for future use.
- e. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund (or its equivalent). Include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity.
- f. A description of significant capital asset and long-term debt activity for the current year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.
- g. When the modified approach is used (**TXDOT is the only state agency that uses the modified approach for infrastructure reporting**), include a discussion to report infrastructure assets including the following:
  - 1) Significant changes in the assessed condition of eligible infrastructure assets compared to previous condition assessments
  - 2) How the current assessed condition compares with the established agency condition level
  - 3) Any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared to actual amounts spent for the current year
- h. Provide currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets).

The authorship of the MD&A is important. If your entity is required to comply with this Statement, the management of your entity and/or your staff writes the MD&A and the State Auditor or your external auditors perform their standard audit of that information.

## Basic Financial Statements

The basic financial statements should include both the Government-wide Financial Statements and the Fund Financial Statements as described below.

### Government-Wide Financial Statements

Report information about the reporting entity as a whole in the Government-wide Financial Statements, except for fiduciary activities. Present separate columns for governmental and business-type activities for both the primary government and its component units. Prepare these financial statements using the economic resources measurement focus and the accrual basis of accounting.

### Fund Financial Statements

The fund financial statements are presented after the government-wide statements and are used to report additional and detailed information about the primary government. These statements present information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Include financial information for fiduciary funds and similar component units in fiduciary statements. Present the governmental funds



statements using the current financial resources measurement focus and the modified accrual basis of accounting. Present the proprietary funds and fiduciary funds statements using the economic resources measurement focus and accrual basis of accounting.

Governments should present a summary reconciliation to the Government-wide Financial Statements. You may present the reconciliation at the bottom of the financial statements or in a separate schedule.

### Notes to the Financial Statements

The notes to the financial statements should present information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. The notes should focus on the primary government with emphasis on its governmental activities, business-type activities, major funds individually and nonmajor funds in the aggregate. Present information about the government's discretely presented component units in accordance with GASB 14, paragraph 63, as amended by GASB 34. You can find guidance pertaining to existing note disclosures in NCGA Interpretation 6, as amended. (See chapter 7 for details.)

## **Required Supplementary Information (RSI) other than MD&A**

### Budgetary Comparison Schedule

Present all required supplementary information, except MD&A, immediately following the notes to the financial statements. In addition to information required as RSI under previous GASB statements, GASB 34 requires governments to present budgetary comparison schedules for the General Fund and for each major Special Revenue Fund that has a legally adopted annual budget.

The GASB Codification 2400.105 also requires the presentation of budgetary comparison schedules for individual non-major Special Revenue Funds and other governmental funds of the primary government (including its blended component units). The NCGA Statement 1, paragraph 155, requires the inclusion of budgetary comparisons for funds which an annual budget has been adopted.

GASB 41 amends GASB 34 to clarify the budgetary presentation requirements for agencies with significant budgetary perspective differences that result in their not being able to present budgetary comparison information for their general fund and major special revenue funds. These agencies are required to present budgetary comparison schedules as RSI based on the fund, organization or program structure that the agency uses for its legally adopted budget. Also, if you use the modified approach, provide a description of the methodology used in the RSI section.

The Budgetary Comparison schedule should present the following:

- 1 The original budget
- 2 The final appropriated budgets for the reporting period
- 3 Actual inflows, outflows and balances, stated on the agency's budgetary basis
- 4 A separate column to report the variance between the final budget and actual amounts (encouraged but not required)

### Infrastructure Assets

GASB 34 also requires that information regarding infrastructure assets be reported using the modified approach. (TXDOT is the only state agency that uses the modified approach for infrastructure reporting.)

## Office of the Comptroller Submission Requirements

Agencies are no longer designated as Group I, II, or III agencies. Agencies are now designated as simplified reporting agencies or full reporting agencies.

The Comptroller's office has identified agencies that are eligible to participate in a simplified *Annual Financial Report* (AFR) submission process. These agencies are referred to as simplified reporting agencies. To speed the AFR process, the Comptroller's office encourages simplified reporting agencies to take advantage of incentives for submitting their AFRs early. The deadline for early submission is **by 9:00 a.m. on October 3, 2007**.

Simplified reporting agencies that submit their AFR information early are required to use the *Simplified Reporting Agencies Package Submission Requirements* to submit their annual financial information. Simplified reporting agencies that opt **not** to submit their AFR information early must follow the same deadlines and requirements as full reporting agencies.

Full reporting agencies must use the *Full Reporting Agencies Submission Requirements* to submit their annual financial information. Full reporting agencies are encouraged to meet early submission deadlines. If a full reporting agency opts to submit early they must use the *Full Reporting Agencies Submission Requirements*

Full reporting agencies marked with an \* **must submit a hard copy AFR** to the Comptroller's office.

**All Agencies are required to submit and adhere to the following:** (whether simplified or full reporting)

- Be reconciled and in agreement with USAS by Comptroller general ledger account for the balance sheet and statement of net assets (DAFR8580 and DAFR8585)
- Be reconciled and in agreement with USAS by GAAP source/object for the operating statement (DAFR8590, DAFR8600, and DAFR8605)
- Submit all applicable notes and schedules in the format requested. Notes and schedules can now be submitted via e-mail to the financial reporting analyst assigned to that agency. Notes need to be in Microsoft Word format. Schedules need to be in Microsoft Excel format.

The DAFR report request profiles shown on the following pages provide the DAFR reports at the levels an agency is required to be reconciled. If an agency's USAS data appears to be incorrect, the Financial Reporting section reserves the right to request hard copy exhibits or supporting detail for the combined and combining balance sheet and/or operating statement. For further instructions on ordering DAFR reports, refer to the *USAS Reports Guide* or to the **Ordering Reports** section in **Chapter 11 – USAS Reconciliation**.

All agencies are required to submit AFR data to agencies other than the Comptroller's office. Those agencies with addresses and submission requirements are listed in the following section.

The submission requirements for each type of agency are different. Refer to the list following to determine how an agency is classified and follow the submission requirements for that type.

### List of Simplified Reporting Agencies

Agency No.	Agency/College/University
101	Senate
102	House of Representatives
103	Texas Legislative Council
104	Legislative Budget Board
105	Legislative Reference Library
107	Comm on Uniform State Laws
116	Sunset Advisory Commission
201	Supreme Court of Texas
203	Board of Law Examiners
211	Court of Criminal Appeals
212	Texas Judicial Council Office of Court Administration
213	Office of the State Prosecuting Attorney
221	First Court of Appeals District, Houston
222	Second Court of Appeals District, Fort Worth
223	Third Court of Appeals District, Austin
224	Fourth Court of Appeals District, San Antonio
225	Fifth Court of Appeals District, Dallas
226	Sixth Court of Appeals District, Texarkana

Agency No.	Agency/College/University
227	Seventh Court of Appeals District, Amarillo
228	Eighth Court of Appeals District, El Paso
229	Ninth Court of Appeals District, Beaumont
230	Tenth Court of Appeals District, Waco
231	Eleventh Court of Appeals District, Eastland
232	Twelfth Court of Appeals District, Tyler
233	Thirteenth Court of Appeals District, Corpus Christi
234	Fourteenth Court of Appeals District, Houston
242	Commission on Judicial Conduct
243	State Law Library
306	Texas State Library – Archives Commission
308	State Auditor
312	State Securities Board
329	Real Estate Commission
333	Office of State-Federal Relations
337	Board of Tax Professional Examiners
338	State Pension Review Board
352	Bond Review Board
356	Ethics Commission
357	Office of Rural and Community Affairs
359	Office of Public Insurance Counsel
360	Office of Administrative Hearings
364	Health Professions Council
370	Texas Residential Construction Commission
403	Veterans Commission
407	Commission on Law Enforcement Officer Standards and Education
409	Commission on Jail Standards
411	Commission on Fire Protection
448	Office of Injured Employee Council
450	Savings and Loan Department
451	Department of Banking
456	Board of Plumbing Examiners
459	Board of Architectural Examiners
460	Board of Professional Engineers
464	Board of Professional Land Surveying
466	Consumer Credit Commission
469	Credit Union Department
472	Structural Pest Control Board
475	Office of Public Utility Counsel
476	Racing Commission
481	Board of Professional Geoscientists
502	Board of Barber Examiners
503	Board of Medical Examiners
504	Board of Dental Examiners
505	Cosmetology Commission
507	Board of Nurse Examiners
508	Board of Chiropractic Examiners
512	Board of Podiatry Examiners
513	Funeral Service Commission
514	Optometry Board
515	Board of Pharmacy
520	Board of Examiners of Psychologists
527	Cancer Council
533	Executive Council of Physicians and Occupational Therapy Examiners
554	Animal Health Commission
578	Board of Veterinary Medical Examiners
579	Rio Grande River Compact Commission
583	Sabine River Compact Commission
592	Soil and Water Conservation Board
596	Red River Compact Commission
598	Canadian River Compact Commission
599	Pecos River Compact Commission
771	School for the Blind and Visually Impaired
772	School for the Deaf
808	Historical Commission
813	Commission on the Arts
819	Tx Emancipation Juneteenth Cultural and Historical Comm.

## **Simplified Reporting Agencies Package Submission Requirements**

The Comptroller's office will waive several submission requirements for simplified reporting agencies who submit their AFRs by October 3, 20CY. Simplified reporting agencies opting not to submit early must follow submission requirements for full reporting agencies.

Simplified reporting agencies are required to make entries into the Uniform Statewide Accounting System (USAS) to ensure USAS reflects agency data correctly. Simplified reporting agencies are **required to submit** all notes and schedules **via e-mail** to the financial reporting analyst assigned to that agency. Following is a list of items to be included in the simplified reporting agencies submission requirements:

- USAS and Interagency Activity Certification Form – State Agencies
- List of Notes to Financial Statements for Simplified Reporting Agencies that submit early. This list must be **submitted via e-mail** to the assigned financial reporting analyst.
- Applicable notes with **each note on a separate page** and in Microsoft Word format. Notes must also be **submitted via e-mail** to the assigned financial reporting analyst.
- GR reconciliation
- Schedule 1A – Schedule of Expenditures of Federal Awards (SEFA) and notes, if applicable, must be submitted in the SEFA Web application.
- Schedule 1B – State Grant Pass-Through From/To State Agencies and State Colleges and Universities, if applicable. Schedule **must be submitted** in Microsoft Excel format **via e-mail** to the financial reporting analyst assigned to that agency.
- Long term liabilities basis conversion entries

Once complete, the List of Notes to Financial Statements for Simplified Reporting Agencies, applicable notes, and applicable schedules will be submitted via e-mail to the financial reporting analyst assigned to your agency. This is only for simplified agencies who submit early, all others will follow submission requirements for full reporting agencies.

Simplified reporting agencies that submit early **are not required** to enter the capital asset basis conversion transactions in USAS. The Financial Reporting section of the Comptroller's office will complete this task for simplified reporting agencies based on their SPA balances which will be certified by agencies.

Simplified reporting agencies that submit early **are not required** to submit the following documents to the Comptroller's office:

- The hard copy of AFR Note 2 Capital Assets
- The USAS DAFR 8910 Interfund/Interagency Activity Report
- The hard copy exhibits (i.e., Combined and Combining Balance Sheet, Statement of Net Assets and/or operating statement)
- The financial statement DAFRs (i.e., DAFR8580, DAFR8600, DAFR8590, DAFR8585, DAFR8600, or DAFR8605)

For submission requirements to agencies other than the Comptroller's office, see the section titled **Addresses and Numbers of Copies to Deliver** later in this chapter.

## List of Full Reporting Agencies

Agency No.	Agency/College/University
010	Guaranteed Student Loan *
012	Texas Affordable Housing Corporation *
202	State Bar of Texas *
241	District Courts Compt Jud Sec
300	Governor – Fiscal
301	Governor – Executive
302	Office of the Attorney General
303	Building and Procurement Commission
304	Comptroller of Public Accounts
305	General Land Office and Veterans' Land Board
307	Secretary of State
311	Treasury Department – Fiscal
313	Department of Information Resources
315	Texas Tomorrow Fund
317	General Land Office – Fiscal
320	Texas Workforce Commission
323	Teacher Retirement System
325	Fire Fighters' Pension Commissioner
327	Employees Retirement System
332	Department of Housing and Community Affairs
347	Texas Public Finance Authority
362	Lottery Commission
401	Adjutant General's Department
405	Department of Public Safety
406	Texas Military Facilities Commission
452	Department of Licensing and Regulation
453	Workers' Compensation Commission
454	Department of Insurance
455	Railroad Commission of Texas
457	Board of Public Accountancy
458	Alcoholic Beverage Commission
473	Public Utility Commission
477	Advisory Comm. on State Emergency Communications
479	State Office of Risk Management
529	Health and Human Services Commission
530	Department of Family and Protective Services
537	Department of State Health Services
538	Department of Assistive and Rehabilitative Services
539	Department of Aging and Disability Services
551	Department of Agriculture
580	Water Development Board
582	Texas Commission on Environmental Quality
601	Texas Department of Transportation
665	Juvenile Probation Commission
694	Texas Youth Commission
696	Department of Criminal Justice
701	Texas Education Agency
705	St Board of Educator Certification
717	Texas Southern University*
719	Texas State Technical College System Administration*
731	Texas Woman's University *
735	Midwestern State University *
755	Stephen F. Austin State University *
781	Higher Education Coordinating Board
793	Texas Tech System *
794	University of North Texas System *
795	Texas State University System *
797	University of Houston System *
798	Texas A&M University *
799	The University of Texas System *
802	Parks and Wildlife Department
809	Preservation Board
902	Comptroller of Public Accounts
903	Comptroller Funds Management
907	State Energy Conservation Office – Comptroller
930	Treasury Safekeeping Trust Company

## **Full Reporting Agencies Submission Requirements**

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Remember, agencies marked with an \* must also submit a hard copy of their AFR.

Full reporting agencies are required to enter into the Uniform Statewide Accounting System (USAS) to ensure USAS reconciles to agencies data. Full reporting agencies have the option of sending the list of notes and all applicable notes and schedules via e-mail to the Comptroller's office. Below is a list of items to be included in the full reporting agencies submission requirements:

- USAS and Interagency Activity Certification Form – State Agencies
- List of Notes to Financial Statements for Full Reporting Agencies that submit early. Optional to submit via e-mail to the financial reporting analyst assigned to that agency.
- Three copies of all applicable notes with **each note on a separate page**. Optional to submit via e-mail to the financial reporting analyst assigned to that agency. If submitting via e-mail only one copy of each note on a separate page is required. Ensure notes are in Microsoft Word format.
- GR reconciliation
- Schedule 1A – Schedule of Expenditures of Federal Awards (SEFA) and notes, if applicable, must be submitted in the SEFA Web application.
- Schedule 1B – State Grant Pass-Through From/To State Agencies and State Colleges and Universities, if applicable. Optional to submit via e-mail to the financial reporting analyst assigned to that agency. If submitting via e-mail ensure schedule is in Microsoft Excel format.
- All other applicable schedules. Optional to submit via e-mail to the financial reporting analyst assigned to that agency. If submitting via e-mail ensure schedule is in Microsoft Excel format.
- Long term liability, capital asset and basis conversion entries.

Full reporting agencies **will not be required** to submit the following documents to the Comptroller's office:

- The USAS DAFR 8910 Interfund/Interagency Activity Report.
- The hard copy exhibits (i.e., Combined and Combining Balance Sheet, Statement of Net Assets and/or operating statement). This exception does not apply to Higher Education nor Agency 202 State Bar.
- The financial statement DAFRs (i.e., DAFR8580, DAFR8600, DAFR8590, DAFR8585, DAFR8600, or DAFR8605). This exception does not apply to Higher Education agencies, or Agency 202 State Bar.

For submission requirements to agencies other than the Comptroller's office, see the section titled **Addresses and Numbers of Copies to Deliver** later in this chapter.

## Ordering Financial Statement DAFRs

### Combined Balance Sheet

DAFR 8580, Balance Sheet – Governmental and Proprietary Fund Types (FFS) ordered at the ORG level 2, FND level 2 (D21 – GAAP fund type), and GLA level 3. See the example of the 91 Report Request Profile screen below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 09:54 AM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: XXXX	REPORT ID: <b>DAFR8580</b> REQUEST NO: XX
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL – ORG: 2	PROGRAM: OBJECT: FUND: 2	NACUBO FUND: GL ACCT: 3
GRANT: PROJECT:		
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS –		
AGENCY: XXX	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	
APPROP FUND:	FUND:	
COMP OBJECT:	AGY OBJECT:	
GL ACCT:	AGY GL ACCT:	
GRANT:	PROJECT:	
SPEC SEL 1:	SPEC SEL 2:	
LST RUN DATE:	LINES:	STATUS CODE: A

### Combining Balance Sheet

DAFR 8580, Balance Sheet – Governmental and Proprietary fund types (FFS) ordered at the ORG level 2, FND level 3 (D24 – GAAP Fund Level/Appropriated fund), and GLA level 3. See the example of the 91 Report Request Profile screen below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 09:54 AM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: XXXX	REPORT ID: <b>DAFR8580</b> REQUEST NO: XX
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL – ORG: 2	PROGRAM: OBJECT: FUND: 3	NACUBO FUND: GL ACCT: 3
GRANT: PROJECT:		
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS –		
AGENCY: XXX	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	
APPROP FUND:	FUND:	
COMP OBJECT:	AGY OBJECT:	
GL ACCT:	AGY GL ACCT:	
GRANT:	PROJECT:	
SPEC SEL 1:	SPEC SEL 2:	
LST RUN DATE:	LINES:	STATUS CODE: A

**Attention:** The system clearing general ledger account (GL 9999) is required to be zero at the D23 agency fund level. The DAFR8580 should be requested at Fund Level 4 to obtain the balance sheet at the D23 level.

## Combined Operating Statement – Governmental Funds

DAFR 8590, Operating Statement – Governmental Funds ordered at the ORG level 2, OBJ level 3, and FND level 2 (D21 – GAAP fund type). See the example of the 91 Report Request Profile screen below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 09:54 AM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: XXXX	REPORT ID: <b>DAFR8590</b> REQUEST NO: XX
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL - ORG: 2	PROGRAM: OBJECT: 3	FUND: 2 NACUBO FUND: GL ACCT: 0
GRANT:	PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: XXX		ORG CODE:
PROGRAM CODE:		NACUBO FUND:
APPROP FUND:		FUND:
COMP OBJECT:		AGY OBJECT:
GL ACCT:		AGY GL ACCT:
GRANT:		PROJECT:
SPEC SEL 1:		SPEC SEL 2:
LST RUN DATE:	LINES:	STATUS CODE: A

## Combining Operating Statement – Governmental Funds

DAFR 8590, Operating Statement – Governmental Funds ordered at the ORG level 2, OBJ level 3, and FND level 3 (D24 – GAAP Fund Level/Appropriated Fund). See the example of the 91 Report Request Profile screen below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 09:54 AM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: XXXX	REPORT ID: <b>DAFR8590</b> REQUEST NO: XX
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL - ORG: 2	PROGRAM: OBJECT: 3	FUND: 3 NACUBO FUND: GL ACCT: 0
GRANT:	PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: XXX		ORG CODE:
PROGRAM CODE:		NACUBO FUND:
APPROP FUND:		FUND:
COMP OBJECT:		AGY OBJECT:
GL ACCT:		AGY GL ACCT:
GRANT:		PROJECT:
SPEC SEL 1:		SPEC SEL 2:
LST RUN DATE:	LINES:	STATUS CODE: A

**Attention:** The operating statement must not show an amount for Backout N/A Revenue or Backout N/A Expenses/Expenditure at the GAAP fund level. Agencies should verify using the DAFR 8590 ordered at the combining level.



## Combined Operating Statement – Proprietary Funds

DAFR 8600, Operating Statement – Proprietary Funds ordered at the ORG level 2, OBJ level 3, and FND level 2 (D21 – GAAP fund type). See the example of the 91 Report Request Profile screen below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 09:54 AM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: XXXX	REPORT ID: <b>DAFR8600</b> REQUEST NO: XX
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL – ORG: 2	PROGRAM: OBJECT: 3	FUND: 2 NACUBO FUND: GL ACCT: 0
GRANT:	PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS –		
AGENCY: XXX		ORG CODE:
PROGRAM CODE:		NACUBO FUND:
APPROP FUND:		FUND:
COMP OBJECT:		AGY OBJECT:
GL ACCT:		AGY GL ACCT:
GRANT:		PROJECT:
SPEC SEL 1:		SPEC SEL 2:
LST RUN DATE:	LINES:	STATUS CODE: A

## Combining Operating Statement – Proprietary Funds

DAFR 8600, Operating Statement – Proprietary Funds ordered at the ORG level 2, OBJ level 3, and FND level 3 (D24 – GAAP Fund Level/Appropriated Fund). See the example of the 91 Report Request Profile screen below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 09:54 AM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: XXXX	REPORT ID: <b>DAFR8600</b> REQUEST NO: XX
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL – ORG: 2	PROGRAM: OBJECT: 3	FUND: 3 NACUBO FUND: GL ACCT: 0
GRANT:	PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS –		
AGENCY: XXX		ORG CODE:
PROGRAM CODE:		NACUBO FUND:
APPROP FUND:		FUND:
COMP OBJECT:		AGY OBJECT:
GL ACCT:		AGY GL ACCT:
GRANT:		PROJECT:
SPEC SEL 1:		SPEC SEL 2:
LST RUN DATE:	LINES:	STATUS CODE: A

**Attention:** The operating statement must not show an amount for Backout N/A Revenue or Backout N/A Expenses/Expenditure at the GAAP fund level. Agencies should verify using the DAFR 8600 ordered at the combining level.

## Combined Statement of Net Assets – Fiduciary Funds

DAFR 8585, Statement of Net Assets ordered at the ORG level 2, FND level 2 (D21 – GAAP fund type), and GLA level 3. See the example of the 91 Report Request Profile screen below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 09:54 AM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: XXXX	REPORT ID: <b>DAFR8585</b> REQUEST NO: XX
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL – ORG: 2	PROGRAM: OBJECT: FUND: 2	NACUBO FUND: GL ACCT: 3
GRANT: PROJECT:		
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS –		
AGENCY: XXX	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	
APPROP FUND:	FUND:	
COMP OBJECT:	AGY OBJECT:	
GL ACCT:	AGY GL ACCT:	
GRANT:	PROJECT:	
SPEC SEL 1:	SPEC SEL 2:	
LST RUN DATE:	LINES:	STATUS CODE: A

## Combining Statement of Net Assets – Fiduciary Funds

DAFR 8585, Statement of Net Assets ordered at the ORG level 2, FND level 3 (D24 – GAAP Fund Level/Appropriated Fund), and GLA level 3. See the example of the 91 Report Request Profile screen below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 09:54 AM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: XXXX	REPORT ID: <b>DAFR8585</b> REQUEST NO: XX
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL – ORG: 2	PROGRAM: OBJECT: FUND: 3	NACUBO FUND: GL ACCT: 3
GRANT: PROJECT:		
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS –		
AGENCY: XXX	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	
APPROP FUND:	FUND:	
COMP OBJECT:	AGY OBJECT:	
GL ACCT:	AGY GL ACCT:	
GRANT:	PROJECT:	
SPEC SEL 1:	SPEC SEL 2:	
LST RUN DATE:	LINES:	STATUS CODE: A

**Attention:** The system clearing general ledger account (GL 9999) is required to be zero at the D23 agency fund level. The DAFR8585 should be requested at Fund Level 4 to obtain the statement of net assets at the D23 level.

## Combined Statement of Net Assets—Balance Sheet Format (GWFS)

DAFR 8581, Statement of Net Assets – Balance Sheet Format (GWFS) ordered at the ORG level 2, FND level 2 (D21 – GAAP fund type), and GLA level 3. See the example of the 91 Report Request Profile screen below.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM      MM/DD/YY 03:35 PM
LINK TO:          REPORT REQUEST PROFILE                      PROD
ACTIVE
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

AGENCY: XXX      REQUESTOR: XXXX      REPORT ID: DAFR8581 REQUEST NO: XX
APPN YEAR:        PERIOD: 13          FY: CY  FREQUENCY: MMDDYYYY

LEVEL -   ORG: 2 PROGRAM:   OBJECT:   FUND: 2 NACUBO FUND:   GL ACCT: 3
GRANT:   PROJECT:
AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
AGENCY: XXX                      ORG CODE:
PROGRAM CODE:                    NACUBO FUND:
APPROP FUND:                      FUND:
COMP OBJECT:                      AGY OBJECT:
GL ACCT:                          AGY GL ACCT:
GRANT:                             PROJECT:
SPEC SEL 1:                       SPEC SEL 2:
LST RUN DATE:          LINES: 0000000          STATUS CODE: A
EFF START DATE: 05112004  EFF END DATE:          LAST PROC DATE: 06042007
Z06 RECORD SUCCESSFULLY RECALLED
PLEASE ENTER FUNCTION
F1-HELP      F3-END      F4-INTERRUPT      F6-PROCESS

```

## Combining Statement of Net Assets—Balance Sheet Format (GWFS)

DAFR 8581, Statement of Net Assets – Balance Sheet Format (GWFS) ordered at the ORG level 2, FND level 3 (D24 – GAAP Fund Level/Appropriated Fund), and GLA level 3. See the example of the 91 Report Request Profile screen below.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM      MM/DD/YY 03:35 PM
LINK TO:          REPORT REQUEST PROFILE                      PROD
ACTIVE
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

AGENCY: XXX      REQUESTOR: XXXX      REPORT ID: DAFR8581 REQUEST NO: XX
APPN YEAR:        PERIOD: 13          FY: CY  FREQUENCY: MMDDYYYY

LEVEL -   ORG: 2 PROGRAM:   OBJECT:   FUND: 3 NACUBO FUND:   GL ACCT: 3
GRANT:   PROJECT:
AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
AGENCY: XXX                      ORG CODE:
PROGRAM CODE:                    NACUBO FUND:
APPROP FUND:                      FUND:
COMP OBJECT:                      AGY OBJECT:
GL ACCT:                          AGY GL ACCT:
GRANT:                             PROJECT:
SPEC SEL 1:                       SPEC SEL 2:
LST RUN DATE:          LINES: 0000000          STATUS CODE: A
EFF START DATE: 05112004  EFF END DATE:          LAST PROC DATE: 06042007
Z06 RECORD SUCCESSFULLY RECALLED
PLEASE ENTER FUNCTION
F1-HELP      F3-END      F4-INTERRUPT      F6-PROCESS

```

## Combined Statement of Changes in Fiduciary Net Assets

DAFR 8605, Statement of Changes in Fiduciary Net Assets ordered at the ORG level 2, OBJ level 3, and FND level 2 (D21 – GAAP fund type). See the example of the 91 Report Request Profile screen below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 09:54 AM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: XXXX	REPORT ID: <b>DAFR8605</b> REQUEST NO: XX
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL - ORG: 2	PROGRAM: OBJECT: 3	FUND: 2 NACUBO FUND: GL ACCT: 0
GRANT:	PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: XXX	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	
APPROP FUND:	FUND:	
COMP OBJECT:	AGY OBJECT:	
GL ACCT:	AGY GL ACCT:	
GRANT:	PROJECT:	
SPEC SEL 1:	SPEC SEL 2:	
LST RUN DATE:	LINES:	STATUS CODE: A

## Combining Statement of Changes in Fiduciary Net Assets

DAFR 8605, Statement of Changes in Fiduciary Net Assets ordered at the ORG level 2, OBJ level 3, and FND level 3 (D24 – GAAP Fund Level/Appropriated Fund). See the example of the 91 Report Request Profile screen below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 09:54 AM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: XXXX	REPORT ID: <b>DAFR8605</b> REQUEST NO: XX
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL - ORG: 2	PROGRAM: OBJECT: 3	FUND: 3 NACUBO FUND: GL ACCT: 0
GRANT:	PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: XXX	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	
APPROP FUND:	FUND:	
COMP OBJECT:	AGY OBJECT:	
GL ACCT:	AGY GL ACCT:	
GRANT:	PROJECT:	
SPEC SEL 1:	SPEC SEL 2:	
LST RUN DATE:	LINES:	STATUS CODE: A

**Attention:** The Statement of Changes in Fiduciary Net Assets must not show an amount for Backout N/A Revenue or Backout N/A Expenses/Expenditure at the GAAP fund level. Agencies should verify using the DAFR 8605 ordered at the combining level.

## Addresses and Number of Copies to Deliver

Please use the following addresses to mail or deliver the agency's *Annual Financial Report*:

Mailing Address	Street Address	Number of Copies Enclosed
Office of the Comptroller Fund Accounting Division Financial Reporting section, Room 901 P.O. Box 13528 Austin, Texas 78711	Office of the Comptroller LBJ State Office Building Financial Reporting section, Room 901 111 East 17th Street Austin, Texas 78774	Three copies of each applicable note and schedule, <b>one of these will need to be unbound with each note on a separate page.</b>  DAFR 8910 Not Required Notes and Supplemental Schedules Required Higher Education and Agencies 010, 012, and 202 must submit a hard copy AFR All other Agencies need not send hard copy AFR nor DAFR reports (8580, 8590, 8600, 8585, 8581, or 8605)
Mr. John Keel, CPA State Auditor's Office P.O. Box 12067 Austin, Texas 78711	State Auditor's Office Robert E. Johnson Building, Suite 4.224 1501 North Congress Avenue Austin, Texas 78701	Three copies of each applicable note and schedule, <b>one of these will need to be unbound with each note on a separate page.</b>  DAFR 8910 Not Required Notes and Supplemental Schedules Required Higher Education and Agencies 010, 012, and 202 must submit a hard copy AFR All other Agencies can either send a hard copy AFR or DAFR reports (8580, 8590, 8600, 8585, 8581, or 8605)
Governor's Office Office of Budget & Planning P.O. Box 12428 Austin, Texas 78711	Governor's Office Office of Budget and Planning State Insurance Bldg., 4th Floor 1100 San Jacinto, Room 4.300 Austin, Texas 78701	one copy  Higher Education and Agencies 010, 012, and 202 must submit a hard copy AFR All other Agencies can either send a hard copy AFR or DAFR reports (8580, 8590, 8600, 8585, 8581, or 8605) and notes and schedules
Legislative Budget Board P.O. Box 12666 Austin, Texas 78711	Legislative Budget Board Robert E. Johnson Bldg., 5th Floor 1501 N. Congress Austin, Texas 78701	one copy  Higher Education and Agencies 010, 012, and 202 must submit a hard copy AFR All other Agencies can either send a hard copy AFR or DAFR reports (8580, 8590, 8600, 8585, 8581, or 8605) and notes and schedules
Legislative Reference Library P.O. Box 12488 Austin, Texas 78711	Legislative Reference Library Capitol Building, Room 2N.3 1100 Congress Avenue Austin, Texas 78701	one copy  Higher Education and Agencies 010, 012, and 202 must submit a hard copy AFR All other Agencies can either send a hard copy AFR or DAFR reports (8580, 8590, 8600, 8585, 8581, or 8605) and notes and schedules
Texas State Library Texas State Publications Depository Program P.O. Box 12927 Austin, Texas 78711-2927	Texas State Library Texas State Publications Depository Program, Room 307 1201 Brazos Street Austin, Texas 78701	three copies  Higher Education and Agencies 010, 012, and 202 must submit hard copy AFRs All other Agencies can either send hard copy AFRs or DAFR reports (8580, 8590, 8600, 8585, 8581, or 8605) and notes and schedules
Texas Higher Education Coordinating Board Research, Planning & Finance Division P.O. Box 12788 Austin, TX 78711-2788	Texas Higher Education Coordinating Board Research, Planning & Finance Division 1200 E. Anderson Lane Austin, TX 78752	<b>Institutions of Higher Education only</b>  Enclose one copy

## Explanation of USAS and Interagency Activity Certification Form – State Agencies

The USAS certification is included because state agencies are required to post and reconcile AFR information to the Uniform Statewide Accounting System (USAS) on a Generally Accepted Accounting Principles (GAAP) basis. This manual includes guidance to assist agencies with posting year-end adjusting entries and with reconciling USAS to the fiscal 2007 AFR. Agencies must reconcile financial data in USAS at the D23 Fund level. The reconciliation, including all required entries into USAS, must be completed by the November 20, 2007 submission date of the AFR. Interagency activities and balances must be entered by September 20. **If higher education is not involved and both sides agree**, interagency activities and balances may be entered past September 20 through the use of recurring transaction indexes (RTIs), but not later than September 30.

**Agencies and state colleges and universities are required to post and reconcile annual financial report information to USAS on a GAAP basis by November 20. The reconciliation is to be at the General Ledger account level and/or GAAP source/object level within the USAS Agency (D23) Fund. Make adjustments for any reconciling items in USAS so that the USAS balance sheet/statement of net assets or USAS operating statement/Statement of Changes in Fiduciary Net Assets and Interfund/ Interagency Activity Report reflect the AFR information.**

To be considered reconciled, the following elements must be correct:

- ✓ AFR Cash in the State Treasury matches the USAS balance (Net of G/L Accounts 0045, 0047, and 0048)
- ✓ Legislative Appropriations Revenue and Assets equal USAS balances
- ✓ System Clearing (9999 and 9992) general ledger accounts equal to zero at the D23 fund level
- ✓ All balance sheet line items reconcile at the G/L Account level
- ✓ Fund balance is allocated and agrees to the AFR at the GL account level
- ✓ All operating statement line items reconcile to the GAAP source/object level
- ✓ Fund type 09 D23 funds (GAAP agency funds) not reported on the AFR are eliminated in USAS
- ✓ Fund type 09 D23 funds (GAAP agency funds) do not have operating statement activity in USAS
- ✓ The operating statement ending fund balance must equal the balance sheet ending fund balance
- ✓ Interfund/Interagency (Pass-throughs, Due to/from and Transfers) activity matches the amounts on the AFR and is entered into USAS by September 20
- ✓ Interfund/Interagency activity has the correct agency general ledger (AGL) information and the DAFR8910 correctly represents the activity

### Profile Review and Cleanup

Instructions presented in this manual assume that agencies have used the electronically transmitted reports to complete the Profile Review and Cleanup Procedures. If you did not receive the reports, please contact your financial reporting analyst. The *Profile Review and Cleanup* manual is located online at <<https://fmx.cpa.state.tx.us/fmx/pubs/usas/profilereview/index.php>> or you can link to this manual under *Publications* on the Financial Reporting Web site.

Set up the profile screens to correctly reflect GAAP reporting for the entity at all levels of the fund hierarchy in USAS. If the information is correct at the USAS fund (D23) level **and** fund profiles indicate the correct roll-ups, all levels will be reported correctly.

---

**Note:** Review roll-ups for fund profiles for correctness during Profile Review and Cleanup.

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# USAS and Interagency Activity Certification Form – State Agencies

Agency No. \_\_\_\_\_

Agency Name \_\_\_\_\_

All agencies are required to **submit this form with an ORIGINAL SIGNATURE** to the Comptroller of Public Accounts, Financial Reporting section of the Fund Accounting Division, on or before **November 20, 2007**. List any AFR line item(s) that do not match USAS. For the agencies that are materially reconciled, their data may be extracted for the CAFR.

The Interagency Activity portion of this form is required for all agencies, regardless of whether they are a simplified reporting or a full reporting agency. These transactions are extracted from USAS for **all agencies**. Please check the boxes that are applicable for each type of transaction.

**Please remember to complete this form by signing the last page.**

## I. USAS/AFR Reconciliation

- 1 \_\_\_\_\_ I certify that for the above agency, the fiscal 2007 financial data contained in the Uniform Statewide Accounting System (USAS) has been adjusted and the balances accurately reflect the agency's fund financial and/or government-wide financial position as reflected in the fiscal 2007 *Annual Financial Report* (AFR). This reconciliation was completed on

\_\_\_\_\_  
[Date].

The accuracy of USAS balances includes, but is not limited to:

The Combining Balance Sheet/Statement of Net Assets reconciles to USAS by General Ledger account.

- The Combining Operating Statement/Statement of Changes in Net Assets reconciles to USAS by GAAP source/object (D08) for governmental, proprietary, or fiduciary fund types. In addition, the operating statement has the correct D08 roll up to either program revenue or general revenue on the Government-wide Statement of Activities.
- USAS Fund Balances have been properly allocated in USAS.
- System Clearing (GL 9999 and 9992) in USAS equals zero at the agency fund (D23) level.
- The **AGENCY GL** field in USAS is correct on all interagency activities and balances.
- Any interfund payables or receivables that are not reported on the AFR have been eliminated in USAS.

- 2 \_\_\_\_\_ This reconciliation was not completed; therefore, I understand the agency is not in compliance with the Comptroller's reporting requirements and may be referred to the State Auditor's Office.  
Refer to **Chapter 11 – USAS Reconciliation** for more details regarding the required levels of USAS reconciliation to AFR.

## II. Interagency Balances for Due From's and Due To's

Check the appropriate paragraph, either 1 or 2;

- 1 \_\_\_\_\_ I certify that for the above agency, the fiscal 2007 interagency and interfund Due From and Due To balances were coordinated and are posted accurately in the Uniform Statewide Accounting System (USAS). The DAFR8910 Inter-Fund/Interagency Activity Report has been run and the following have been verified (see **Chapter 11 – USAS Reconciliation** for instructions on how to run this report).
  - no “NP” items (“NP” items occur if the agency general ledger [AGL] information is blank),
  - correct agency general ledger (AGL) information which consists of opposite agency number, D23 fund, 0,
  - amounts that reconcile in total to the financial statements, and
  - The DAFR8910 was ordered at the levels indicated in **Chapter 11 – USAS Reconciliation** for all Due To/Due From balances.

— or —

- 2 \_\_\_\_\_ I certify that for fiscal 2007, the above agency does not have any Due From or Due To balances reflected on the AFR.

## III. Interagency Activities for Federal Grant Pass-Through Revenues and Expenditures

Check the appropriate paragraph, either 1 or 2;

- 1 \_\_\_\_\_ I certify that for the above agency, the fiscal 2007 interagency and interfund Federal Grant Pass-Through activities are posted accurately in the Uniform Statewide Accounting System (USAS). The DAFR8910 Interfund/Interagency Activity Report has been run and the following have been verified:
  - no “NP” items (“NP” items occur if the AGL information is blank),
  - correct AGL information which consists of opposite agency number, D23 fund, 0,
  - amounts that reconcile in total to the financial statements,
    - amounts that match the Schedule of Expenditures of Federal Awards, and
    - The DAFR8910 was ordered at the levels indicated in **Chapter 11 – USAS Reconciliation** for Federal Grant Pass-Through Revenue or Expenditures.

— or —

- 2 \_\_\_\_\_ I certify that for fiscal 2007, the above agency does not have any Federal Grant Pass-Throughs reflected on the AFR.

## IV. Interagency Activities for State Grant Pass-Through Revenues or Expenditures

Check the appropriate paragraph, either 1 or 2:

- 1 \_\_\_\_\_ I certify that for the above agency, the fiscal 2007 interagency and interfund State Grant Pass-Through activities are posted accurately in the Uniform Statewide Accounting System (USAS). The DAFR8910 Inter-Fund/Interagency Activity Report has been run and the following have been verified:
  - no “NP” items (“NP” items occur if the AGL information is blank),
  - correct AGL information which consists of opposite agency number, D23 fund, 0,
  - amounts that reconcile in total to the financial statements,
  - amounts that match the Schedule of State Grant Pass-Throughs From/To State Agencies, and
  - The DAFR8910 was ordered at the levels indicated in **Chapter 11 – USAS Reconciliation** for State Grant Pass-Through Revenue or Expenditures.

— or —

- 2 \_\_\_\_\_ I certify that for fiscal 2007, the above agency does not have any State Grant Pass-Through Revenues or Expenditures reflected on the AFR.



**V. Interagency Activities for Transfers**

Check the appropriate paragraph, either 1 or 2;

- 1 \_\_\_\_\_ I certify that for the above agency, the fiscal 2007 interagency and interfund transfers were coordinated and are posted accurately in the Uniform Statewide Accounting System (USAS). The DAFR8910 Interfund/Interagency Activity Report has been run and the following have been verified:
  - no “NP” items (“NP” items occur if the AGL information is blank),
  - correct AGL information which consists of opposite agency number, D23 fund, 0,
  - amounts that reconcile in total to the financial statements, and
  - The DAFR8910 was ordered at the levels indicated in **Chapter 11 – USAS Reconciliation**.

— or —

- 2 \_\_\_\_\_ I certify that for fiscal 2007, the above agency does not have any Transfers reflected on the AFR.

**VI. Required Signature for sections I.–V.**

Submit completed form with **ORIGINAL SIGNATURES** to the Comptroller of Public Accounts, Financial Reporting section of the Fund Accounting Division.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title & Phone Number

\_\_\_\_\_  
AFR Contact Person & Phone Number

\_\_\_\_\_  
USAS Contact Person & Phone Number

\_\_\_\_\_  
Federal Contact Person & Phone Number

## Explanation of USAS and Interagency Activity Certification Form – Universities

The USAS certification is included because universities are required to post and reconcile AFR information to the Uniform Statewide Accounting System (USAS) on a Generally Accepted Accounting Principles (GAAP) basis. This manual will assist universities in posting year-end adjusting entries and reconciling USAS to the AFR. Universities must reconcile financial data in USAS at the D23 Fund level. The reconciliation, including all required entries into USAS, must be completed by the **November 20, 2007** submission date of the AFR.

There are two separate certification forms. The first form is for independent universities and university components of a system including the system office. The second is for a Consolidated System Report.

One major difference between the two forms is that the university components of a system are not required to enter the entire AFR into USAS, only certain line items. In the Consolidated System Report a major difference is that a single AGL XXX79990 (where XXX is the system number) is used when entering Due From/To Other Funds and Other Agencies, Federal and State Grant Pass-Throughs and Transfers.

The interagency portion is required for all independent universities and each individual university component of a system because this data will be extracted from USAS for the CAFR. Be sure to include all pages of the form.

# USAS and Interagency Activity Certification Form – Universities

University Number \_\_\_\_\_

University Name \_\_\_\_\_

This form **must be submitted with an ORIGINAL SIGNATURE** to the Comptroller of Public Accounts, Financial Reporting section of the Fund Accounting division, on or before **November 20, 2007**. List any AFR line item(s) that do not match USAS with an explanation.

The Interagency Activity portion of this form is required for all universities. These transactions will be extracted from USAS for all universities. Please check the boxes that are applicable for each type of transaction.

Please remember to complete this form by signing the last page.

## I. USAS/AFR Reconciliation

Check the appropriate paragraph, either 1 or 2:

- 1 \_\_\_\_\_ I certify that for the above university, the fiscal 2007 financial data contained in the Uniform Statewide Accounting System (USAS) has been adjusted and that the balances accurately reflect our financial position as reflected in our fiscal 2007 *Annual Financial Report* (AFR). This reconciliation was completed on

\_\_\_\_\_  
[Date].

### For Independent Universities

The accuracy of USAS AFR balances includes, but is not limited to:

- The Statement of Net Assets reconciles to USAS by General Ledger account
- The Statement of Revenues, Expenses and Changes in Net Assets reconciles to USAS by GAAP source/object (D08) which has the correct roll up to either program revenue or general revenue on the Statement of Activities
- USAS Net Assets have been properly allocated in USAS
- System Clearing (GL 9999) in USAS equals zero at the agency fund (D23) level
- The **AGENCY GL** field in USAS is correct on all interagency activities
  - AFR Cash In State Treasury matches the USAS balance at the D23 fund Level

### For University Components of a System, Including the System Office

The accuracy of USAS AFR balances includes only:

- AFR Cash in State Treasury matches the USAS balance at the D23 Fund Level
- AFR short-term and long-term investments for Treasury Funds (Fund 0001 and 02XX) match the USAS balance. Includes investment for tobacco money in Fund 08XX
- Due From/To Other Agencies includes accurate agency general ledger (AGL) information (Due From/To Other University Component – data entry not required except for shared cash, GL 0047, entries)
- State and Federal Pass-Through Grant Revenue includes accurate AGL information and reconciles to the AFR by GL accounts
- For Components – Payables in funds 0001 and 5040 must have accurate balances in USAS

- AFR Legislative Appropriation balances and activity entered into Fund 0001 match the USAS balances. May have legislative transfers for Deficiency Grants on the Statement of Revenues, Expenses, and Changes in Net Assets
  - Transfers between agencies (not system office) include accurate AGL information and reconcile to the AFR by GL accounts
  - System Clearing (GL9999) in USAS equals zero at the agency fund (D23) level. The net of the above activity will result in a system clearing balance. This balance should be cleared to the Fund Balance account that is appropriate for the fund. For agency funds, the balance should be offset to Funds Held for Others.

2 \_\_\_\_\_ This reconciliation was not completed; therefore, I understand that the university is not in compliance with the Comptroller's reporting requirements and may be referred to the State Auditor's Office.

## II. Interagency Balances for Due Froms and Due Tos

Check the appropriate paragraph, either 1 or 2:

1 \_\_\_\_\_ I certify that for the above university, the fiscal 2007 interagency and interfund Due From/To balances were coordinated and are posted accurately in the Uniform Statewide Accounting System (USAS). The DAFR8910 Inter-Fund/Interagency Activity Report has been run and the following verified:

- no "NP" items ("NP" items occur if the agency general ledger (AGL) information is blank),
- correct AGL information which consists of opposite agency number, D23 fund, and 0,
- amounts reconcile in total to financial statements, and
- The DAFR8910s were ordered at the levels indicated in **Chapter 11 – USAS Reconciliation**.

— or —

2 \_\_\_\_\_ I certify that for fiscal 2007, the above university does not have any Due Froms or Due Tos reflected on the AFR.

## III. Interagency Activities for Federal Grant Pass-Through Revenues and Expenditures

Check the appropriate paragraph, either 1 or 2:

1 \_\_\_\_\_ I certify that for the above university, the fiscal 2007 interagency and interfund Federal Grant Pass Through activities were posted accurately in the Uniform Statewide Accounting System (USAS). The DAFR8910 Inter-Fund/Interagency Activity Report has been run and the following verified:

- no "NP" items ("NP" items occur if the AGL information is blank),
- correct AGL information which consists of opposite agency number, D23 fund, and 0,
- amounts reconcile in total to financial statements,
- amounts match the Schedule of Expenditures of Federal Awards, and
- The DAFR8910 was ordered at the levels indicated in **Chapter 11 – USAS Reconciliation** for Federal Grant Pass-Through Revenues and Expenses.

— or —

2 \_\_\_\_\_ I certify that for fiscal 2007, the above university does not have any Federal Pass-Throughs reflected on the AFR.

**IV. Interagency Activities for State Grant Pass-Through Revenues and Expenditures**

Check the appropriate paragraph, either 1 or 2:

- 1 \_\_\_\_\_ I certify that for the above university, the fiscal 2007 interagency and interfund State Grant Pass-Through activities are posted accurately in the Uniform Statewide Accounting System (USAS). The DAFR8910 Inter-Fund/Interagency Activity Report has been run and the following verified:
- no “NP” items (“NP” items occur if the AGL information is blank),
  - correct AGL information which consists of opposite agency number, D23 fund, and 0,
  - amounts reconcile in total to financial statements,
  - amounts match the Schedule of State Grant Pass-Throughs, and
  - The DAFR8910 was ordered at the levels indicated in **Chapter 11 – USAS Reconciliation** for State Grant Pass-Through Revenues and Expenses.

— or —

- 2 \_\_\_\_\_ I certify that for fiscal 2007, the above university does not have any State Grant Pass-Throughs reflected on the AFR.

**V. Interagency Activities for Transfers**

Check the appropriate paragraph, either 1 or 2;

- 1 \_\_\_\_\_ I certify that for the above agency, the fiscal 2007 interagency and interfund transfers were coordinated and are posted accurately in the Uniform Statewide Accounting System (USAS). The DAFR8910 Inter-Fund/Interagency Activity Report has been run and the following verified:
- no “NP” items (“NP” items occur if the AGL information is blank),
  - correct AGL information which consists of opposite agency number, D23 fund, 0,
  - amounts that reconcile in total to the financial statements, and
  - The DAFR8910 was ordered at the levels indicated in **Chapter 11 – USAS Reconciliation**.

— or —

- 2 \_\_\_\_\_ I certify that for fiscal 2007, the above agency does not have any Transfers reflected on the AFR.

**VI. Required Signature for Sections I–V**

Submit completed form with **ORIGINAL SIGNATURES** to the Comptroller of Public Accounts, Financial Reporting section of the Fund Accounting Division.

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Signature

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Printed Name

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Title & Phone Number

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AFR Contact Person & Phone Number

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USAS Contact Person & Phone Number

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Federal Contact Person & Phone Number

# USAS Certification for Consolidated System Report

System Number \_\_\_\_\_  
(793, 794, 795, 797, 798, 799)

System Name \_\_\_\_\_

This form **must be submitted with an ORIGINAL SIGNATURE** to the Comptroller of Public Accounts, Financial Reporting section of the Fund Accounting Division, on or before **November 20, 2007**. List any AFR line item(s) that do not match USAS with an explanation.

Please remember to complete this form by signing the last page.

## USAS/AFR Reconciliation

Check the appropriate paragraph, either 1 or 2:

- 1 \_\_\_\_\_ I certify that for the above system, the fiscal 2007 financial data contained in the Uniform Statewide Accounting System (USAS) has been entered and that the balances accurately reflect our financial position as reflected in our fiscal 2007 *Annual Financial Report* (AFR). This reconciliation was completed on

\_\_\_\_\_  
[Date].

The accuracy of USAS AFR balances includes:

- The Statement of Net Assets reconciles to USAS by General Ledger account (except for Cash in State Treasury GL account 0045, which should be entered with the Shared Cash GL account 0047),
- The Statement of Revenues, Expenses, and Changes in Net Assets reconciles to USAS by GAAP source/object (D08) which has the correct roll up to either program revenue or general revenue on the Statement of Activities,
- USAS Net Assets have been properly allocated in USAS.
- System Clearing (GL 9999) in USAS equals zero at the agency fund (D23) level.
- Due From/To Other Funds and Other Agencies have been entered to the GL account "Due From/To Other Components" with a single AGL XXX79990 (where XXX is the system number), and
- State Grant Pass Throughs, Federal Grant Pass Throughs, and Transfers should be entered with a single AGL XXX79990 (where XXX is the system number).

- 2 \_\_\_\_\_ This reconciliation was not completed; therefore, I understand that the system is not in compliance with the Comptroller's reporting requirements and may be referred to the State Auditor's Office.

**Required Signature**

Submit completed form with **ORIGINAL SIGNATURES** to the Comptroller of Public Accounts office, Financial Reporting section of the Fund Accounting Division.

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Signature

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Printed Name

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Title & Phone Number

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AFR Contact Person & Phone Number

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USAS Contact Person & Phone Number

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Federal Contact Person & Phone Number



## General Revenue Certification

The GR reconciliation process extracts information from USAS, where possible, making it imperative that USAS contain accurate information. The USAS Appropriation Record Inquiry (62) screen must reflect the accurate balance types and amounts in order for the reconciliation process to report proper balances. The deadline for entry into the database and certification is November 1, 20CY. Effective start dates for the USAS budgetary transaction codes are changed on October 31; therefore, all legislative transactions for fiscal 20CY must be entered into USAS by the last USAS process cycle date before October 31. As in previous years, the GR query reports are electronically submitted in September. See **Chapter 4 – General Revenue Requirements for Annual Financial Reports** for instructions on completing the General Revenue Certification via the Internet.

**Full Reporting Agencies are required to reconcile and certify the GR reconciliation via the Internet on or before November 1, 20CY.**

**Simplified Reporting Agencies who submit early are required to reconcile and certify the GR reconciliation via the Internet on or before September 28, 20CY.**

# AFR Preparation and Year-End USAS Adjustments

## Steps for Internal Agencies

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**Note:** For simplified reporting agencies preparing their AFR for early submission, the dates referenced below should be adjusted to meet the deadlines noted earlier in this chapter.

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**STEP ONE** Ensure that cash cleanup, Profile Review, Interfund/Interagency Activity cleanup, and other procedures are performed by August 31.

---

This manual assumes that certain procedures covered in other documentation have been performed. Begin analyzing USAS to determine if there are any preliminary problems that need to be corrected.

- \_\_\_\_\_ Complete Profile Review and Cleanup. See *Profile Review and Cleanup Procedures* manual.
  - \_\_\_\_\_ Eliminate System Clearing. See related section in this manual.
  - \_\_\_\_\_ Clear default funds.
  - \_\_\_\_\_ Clear IT File (transactions in error) before 08/31/CY and those payments that hit Cash in State Treasury. See *Profile Cleanup Procedures* manual.
  - \_\_\_\_\_ Clean up all interfund/interagency activity on a cash basis if applicable (Pass-throughs, Transfers & Due To/From).
  - \_\_\_\_\_ Correct any balances in funds where the Appropriated Fund was incorrectly changed during the year.
  - \_\_\_\_\_ Restate any beginning 20CY fund balances in USAS that do not agree to 20PY ending audited CAFR balances. See **Chapter 13 – List of Beginning Balances** for your agency.
- 

**STEP TWO** Prior to August 31, review USAS balances and record corrections to ensure that the balances are as accurate as possible on a cash basis.

---

USAS reports must be ordered to begin verifying the balances. The following reports are recommended: Operating Statement/Statement of Changes in Net Assets (8590, 8600, or 8605), Balance Sheet/Statement of Net Assets (8580 or 8585), Trial Balance (8920 or 8930), Fund Cash Transactions for Shared Cash (8660), Interfund/Interagency Activity Report (8910), and Statements of Changes in Assets & Liabilities (8690). We recommend ordering at least the operating statement and balance sheet at a lower level of detail, which would be the D23 fund level (4) and the comptroller object level (3). See **Chapter 11 – USAS Reconciliation** for information on ordering reports to determine the levels of each, the structure in USAS and to analyze other reports. Perform any necessary corrections, which may include expenditure/revenue reclassifications and movement of expenditures/revenues to the correct fund.

- \_\_\_\_\_ Review USAS Security access with regard to the security section of this guide and begin processing requests if necessary.
  - \_\_\_\_\_ Order the DAFR8590, DAFR8600, or DAFR8605; DAFR8580 or DAFR8585, DAFR8660, and DAFR8910 from USAS for fiscal 20CY. Order these reports at the lowest level of detail. See **Chapter 11 – USAS Reconciliation** for a discussion on ordering reports.
  - \_\_\_\_\_ Review these reports and compare to internal documentation for accuracy.
  - \_\_\_\_\_ Review DAFR8910 to ensure that there are no missing AGL numbers on any transaction.
  - \_\_\_\_\_ Post any necessary expenditure, revenue or transfer corrections by 08/31/CY.
  - \_\_\_\_\_ Post any petty cash corrections according to the Profile Review and Cleanup Procedures and post petty cash entries according to FPP A.044 *Travel Advance Account and Petty Cash Account (APS 010)* and FPP C.001 *Accounting for Uncollectable Accounts (APS 027)*.
  - \_\_\_\_\_ Ensure that Petty Cash amounts are correctly shown as: Cash On Hand (0015, 0020, 0030, 0068) or Cash In Bank (0041, 0042, 0043, 0070) and that the balance sheet amounts match the authorized amount of the petty cash fund.
-

- 
- STEP THREE** Enter Investments information, as of fiscal year-end, into USAS by September 14.
- 
- Investments as of fiscal year-end should be correctly reflected in USAS by GL Account and appropriated fund on or before September 14.
- \_\_\_\_\_ Ensure, if applicable, that investments as of fiscal year-end are correctly reflected in USAS. Investments recorded in USAS must be posted to the applicable investment GL account that reflects whether the investment is current or non-current. See section on **Investments**.
- 
- STEP FOUR** Coordinate amounts and make entries into USAS for Interagency Activity with other agencies by September 20.
- 
- The majority of the data entry for Interagency Activity (i.e. Due To, Due From, Transfers, and State & Federal pass-throughs) should be done using the RTI process. The DAFR8910 Interfund/Interagency Activity Report should be used to verify all these types of activity. **All coordination and entry must be done by September 20.**
- \_\_\_\_\_ Coordinate Interagency Activity and make entries in USAS by September 20.
  - \_\_\_\_\_ If an agency does not respond to your agency’s coordination effort, contact your financial reporting analyst.
  - \_\_\_\_\_ Ensure the DAFR8910 has the correct interfund/interagency balances and the correct AGL information. See **Chapter 5 – Interfund Requirements for Annual Financial Reports** for Interfund/ Interagency activity entries.
  - \_\_\_\_\_ Enter shared cash entries to make the Cash in State Treasury plus Shared Cash match the USAS 57 screen.
- 
- STEP FIVE** Enter Binding Encumbrance and Payables Information into USAS by October 30.
- 
- Enter Cash Expenditures for Appropriated Local Funds, and Binding Encumbrance and Payable Information into USAS according to FPP A.019, *Encumbrance Report and Lapsing of Appropriations (APS 018)* with attention to expenditure portions of this guide. Information must be recorded by strategy and object code either directly or during cost allocation. **Do not use generic T-Codes to record payables and encumbrances. These T-Codes do not post balance types. Generic T-Codes do not affect appropriation balances accurately. Record Binding Encumbrances and Payables with the correct fund, strategy, object code, and AY.**
- 
- Note:** The GL 5600 account can be mapped in ABEST for locally funded appropriations.
- 
- \_\_\_\_\_ Enter Accounts Payable with an effective date of 08/31/CY or 08/32/CY if entered into USAS after 09/30/CY. (**Note:** The reversing entries will have the current system management date.) See the **Appropriated Accruals** sections.
  - \_\_\_\_\_ Enter Encumbrances with an effective date of 08/31/CY or 08/32/CY if entered into USAS after 09/30/CY. (**Note:** The reversing entries will have the current system management date.) See the **Binding Encumbrances** section.
  - \_\_\_\_\_ Enter Appropriated Local Fund expenditure and payable information.
  - \_\_\_\_\_ Perform all steps of Cost Allocation on the Administrative Cost Pools (if applicable).
- 
- STEP SIX** Calculate and complete the Legislative Appropriation worksheet and certification form and submit to the Comptroller’s office via the Internet by November 1.
- 
- The General Revenue Certification and the Reconciliation of Legislative Appropriation worksheet will be submitted via the Internet. See **Chapter 4 – General Revenue Requirements for Annual Financial Reports** for instructions on submitting these items via the Internet. Submit the General Revenue Certification Form on or before November 1, 20CY.
- \_\_\_\_\_ Calculate adjustment for payroll related costs/revenues.
  - \_\_\_\_\_ Enter all budget and accrual entries into USAS to update the GR database.

**STEP SEVEN** Analyze USAS Reports, determine the necessary AFR entries, calculate revenue accruals and adjust USAS as necessary.

**Note:** Period 12 of the current fiscal year is closed in USAS after the September 30, 20CY cycle. All USAS entries to the current fiscal year must use an effective date of 8/32/CY if entered into USAS after 09/30/CY. New profiles, especially RTI profiles, needed for entering current fiscal year data should be established prior to the close of period 12 after the September 30, 20CY cycle.

Since a detailed reconciliation occurred in **Step Two** and the expenditure accruals have been calculated and entered into the system, the next step is to calculate and enter the revenue accruals. Then you must determine the necessary AFR entries.

- \_\_\_\_\_ Enter Accrued Revenues, Accounts Receivable, and all local fund revenues including accruals. See the **Revenue** Section.
- \_\_\_\_\_ All agencies with governmental funds will report their Capital Assets in the governmental funds on their hard copy AFR in the Capital Asset Adjustment column. This column will include balance sheet and operating statement impacts for depreciation and gain/loss on sale of capital assets.
- \_\_\_\_\_ All agencies with governmental funds will report Long-Term Liabilities in their governmental funds on their hard copy AFR in the Long-Term Liabilities Adjustments column.
- \_\_\_\_\_ Enter consumable inventory balances to impact the operating statement calculation of fund balance and the asset on the balance sheet.
- \_\_\_\_\_ Enter any other necessary adjustments to the operating statement activity. See the **Operating Statement** section and the **Interfund/Interagency** section for detailed instructions.
- \_\_\_\_\_ Allocate fund balance/net assets if appropriate. See **Fund Balance Allocation** section.
- \_\_\_\_\_ Enter any other necessary adjustments to balance sheet accounts. See the **Balance Sheet section and the Interfund/Interagency** section.

**STEP EIGHT** Analyze and verify adjusted USAS information.

Reorder the financial reports at a more summarized reporting level. The Financial Reporting section recommends that you order the reports at the GAAP fund type (2) level for the fund structure and the GAAP/source/object (2) level for the object structure to provide the balances for the combined statements. If your agency reports combining statements, the Financial Reporting section recommends that you order these at the GAAP/Appropriated Fund (3) level and the same level (2) for the object structure. Verify that AFR entries were entered correctly in **Step Seven**.

- \_\_\_\_\_ Reorder Reports DAFR8580 or DAFR8585; DAFR8590, DAFR8600 or DAFR8605; DAFR8920, DAFR8660, and DAFR8690. See **Chapter 11 – USAS Reconciliation** for instructions on ordering reports.
- \_\_\_\_\_ Review the reports for accuracy and compare to supporting documentation.
- \_\_\_\_\_ Verify that Legislative Appropriations (GL 9000) equals GR Reconciliation Work Sheet.
- \_\_\_\_\_ Verify that Legislative Revenue equals GR Reconciliation Work Sheet.
- \_\_\_\_\_ Verify that Payroll Related Costs matches the GR Work Sheet.
- \_\_\_\_\_ Verify that Fund Cash matches the DAFR8660.
- \_\_\_\_\_ Verify that Inventory equals the Fund Balance – Reserve for Inventory.
- \_\_\_\_\_ Verify that Loans and Contracts equals the Fund Balance – Reserve for Loans and Contracts, if applicable.
- \_\_\_\_\_ Verify that Noncurrent Interfund Receivables equals the Fund Balance – Reserve for Noncurrent Interfund Receivables, if applicable.
- \_\_\_\_\_ Verify that Petty, Imprest and/or Travel Cash equals the Fund Balance – Reserve for Imprest Accounts.
- \_\_\_\_\_ Verify that GL Account 9005 equals the Fund Balance – Reserve for Encumbrances.
- \_\_\_\_\_ Verify that System Clearing is zero at the D23 Fund level.
- \_\_\_\_\_ Analyze and adjust for any remaining discrepancies. Re-verify balances if any other adjustments are made.
- \_\_\_\_\_ Verify that all fiscal 20CY effective dated transactions have cleared the IT File.

**STEP NINE** Analyze Government-wide Statements

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- \_\_\_\_\_ Run DAFR8581 Statement of Net Assets – Balance Sheet Format (GWFS).
  - \_\_\_\_\_ Verify revenue rolling to Program Revenue vs. General Revenue.
  - \_\_\_\_\_ Enter full accrual entries.
  - \_\_\_\_\_ Run DAFR8581 and ensure accrual entries are posted.
  - \_\_\_\_\_ Verify System Clearing (GL 9992) is zero.
- 

**STEP TEN** Verify financial statements DAFRs or complete paper copy of AFR by November 20.

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Complete the paper copy of the AFR according to the **Reporting Requirements** and internal procedures of your agency by November 20.

- \_\_\_\_\_ For governmental funds, ensure the balances for capital assets adjustment, long-term liabilities adjustment and other adjustments are correct.
  - \_\_\_\_\_ Complete and submit the USAS and Interagency Activity certification form by November 20.
  - \_\_\_\_\_ Clear IT file for transactions with an effective date prior to 09/01/CY.
-

## Steps for Reporting Agencies and Universities

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**Note:** For simplified reporting agencies preparing their AFR for early submission, the dates referenced below should be adjusted to meet the deadlines noted earlier in this chapter.

---

**STEP ONE** Ensure that cash cleanup, Profile Review, Interfund/Interagency Activity cleanup and other procedures are performed by August 31.

---

This manual assumes that certain procedures covered in other documentation have been performed. Begin analyzing USAS to determine if there are any preliminary problems that need to be corrected.

- \_\_\_\_\_ Complete Profile Review and Cleanup. See *Profile Review and Cleanup Procedures* manual.
  - \_\_\_\_\_ Determine that the correct comptroller object was used for state and federal pass throughs.
  - \_\_\_\_\_ Eliminate system clearing. See related section in this manual.
  - \_\_\_\_\_ Clear default funds.
  - \_\_\_\_\_ Clear IT File (transactions in error) before 08/31/CY and those payments that hit Cash in State Treasury. See *Profile Cleanup Procedures* manual.
  - \_\_\_\_\_ Clean up all interfund/interagency activity on a cash basis if applicable (Pass-throughs, Transfers & Due To/From).
  - \_\_\_\_\_ Correct any balances in funds where the Appropriated Fund was incorrectly changed during the year. Unappropriated general revenue receipts must be posted to Appropriation 99906 or 99907 for local taxes by 08/31/CY.
- 

**STEP TWO** Prior to August 31, review USAS balances and record corrections to ensure that the balances are as accurate as possible on a cash basis.

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USAS reports must be ordered so that cash basis activity can be verified. Reports to order are the: Operating Statement/Statement of Changes in Net Assets (8590, 8600, or 8605) at OBJ level 3, Balance Sheet/Statement of Net Assets (8580, 8585), Fund Cash Transactions for Shared Cash (8660), and Interfund/Interagency Activity Report (8910). Reconcile Cash in the State Treasury using the DAFR8660, which should be done on a monthly basis. Perform any necessary corrections that may include expenditure/revenue reclassifications and movement of expenditures/revenues to the correct fund. See chapter 11 for a discussion on ordering reports.

- \_\_\_\_\_ Review USAS Security access with regard to the security section of this guide and begin processing requests if necessary.
  - \_\_\_\_\_ Order the DAFR8580 or DAFR8585; DAFR8590 or DAFR8605; DAFR8600, DAFR8660, and DAFR8910 from USAS for fiscal 20CY. Order these reports at the lowest level of detail. See chapter 11 for a discussion on ordering reports.
  - \_\_\_\_\_ Review these reports and compare to internal documentation for accuracy.
  - \_\_\_\_\_ Review DAFR8910 to assure that there are no missing AGL numbers on any transaction.
  - \_\_\_\_\_ Post any necessary expenditure, revenue, or transfer corrections by 08/31/CY.
  - \_\_\_\_\_ Post any petty cash corrections according to the Profile Review and Cleanup Procedures and post petty cash entries according to FPP A.004 *Travel Advance Account and Petty Cash Account (APS 010)* and FPP C.001 *Accounting for Uncollectable Accounts (APS 027)*. See **Petty Cash** in the **Miscellaneous** section of chapter 1).
  - \_\_\_\_\_ Ensure that Petty Cash amounts are correctly shown as On Hand (0015, 0020, 0030, 0068) or Cash In Bank (0041, 0042, 0043, 0070) and that the balance sheet amounts match the authorized amount of the petty cash fund.
- 

**STEP THREE** Enter Investment information, as of fiscal year-end, into USAS by September 14.

---

Investments as of fiscal year-end should be correctly reflected in USAS by GL account and appropriated fund by September 14.

- \_\_\_\_\_ Ensure, if applicable, that investments as of fiscal year-end are correctly reflected in USAS. Investments recorded in USAS should be posted to the applicable investment GL account that reflects whether the investment is current or non-current. See section on **Investments**.
-

---

**STEP FOUR** Coordinate amounts and make entries into USAS for Interagency Activity with other agencies by September 20.

---

The majority of the data entry for Interagency Activity (i.e. Due To and Due From, Transfers, and State & Federal Pass-Throughs) should be done using the RTI process. The DAFR8910 Interfund/ Interagency Activity Report should be used to verify all these types of transactions. **All coordination and entry must be done by September 20.**

- \_\_\_\_\_ Coordinate Interagency Activity and make entries into USAS with other agencies by September 20.
  - \_\_\_\_\_ If an agency does not respond to your agency’s coordination effort, contact your financial reporting analyst.
  - \_\_\_\_\_ Ensure the DAFR8910 has the correct interfund/interagency balances and the AGL information. See **Chapter 5 – Interfund Requirements for Annual Financial Reports** for Interfund/Interagency activity entries.
  - \_\_\_\_\_ Enter shared cash entries to make the Cash in State Treasury plus Shared Cash match the USAS 57 screen.
- 

**STEP FIVE** Enter Binding Encumbrance and Payables information into USAS by October 30.

---

Enter Cash Expenditures for Appropriated Local Funds, and Binding Encumbrance and Payable Information into USAS according to FPP A.019 *Encumbrance Report and Lapsing of Appropriations (APS 018)*. Information must be recorded by strategy and object code either directly or can be accomplished during cost allocation for non-institutional funds. **Do not use generic T-Codes to record payables and encumbrances. These T-Codes do not post balance types. Transactions that impact appropriations must post using T-Codes (207 & 420) with the applicable balance types. Generic T-Codes do not update ABEST. Record Binding Encumbrances and Payables with the correct fund, strategy, object code and AY.**

**Note:** The GL 5600 account can be mapped in ABEST for locally funded appropriations.

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- \_\_\_\_\_ Enter Accounts Payable with an effective date of 08/31/CY if entered into USAS after 09/30/CY. (**Note:** The reversing entries will have the current system management date.) See the **Appropriated Accruals** section.
  - \_\_\_\_\_ Enter Encumbrances with an effective date of 08/31/CY if entered into USAS after 09/30/CY. (**Note:** The reversing entries will have the current system management date.) See the **Binding Encumbrance** section.
  - \_\_\_\_\_ Enter Appropriated Local Fund expenditure and payable information.
  - \_\_\_\_\_ Perform all steps of Cost Allocation on the Administrative Cost Pools (if applicable).
- 

**STEP SIX** Calculate and complete the legislative appropriation worksheet and certification form and submit to the Comptroller’s office via the Internet by November 1.

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Submit the General Revenue Certification and the Reconciliation of Legislative Appropriation worksheet via the Internet. See **Chapter 4 – General Revenue Requirements for Annual Financial Reports** for instructions on submitting via the Internet. Submit the General Revenue Certification Form on or before November 1, 20CY.

- \_\_\_\_\_ Calculate adjustment for payroll related costs/revenues.
  - \_\_\_\_\_ Enter all budget and accrual entries into USAS to update the GR database.
-

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**STEP SEVEN** Verify financial statement DAFRs or complete paper copy of AFR by November 20.

---

- \_\_\_\_\_ For agencies with governmental funds, ensure the balances for capital assets adjustments, long-term liabilities adjustments and other adjustments are correct.
  - \_\_\_\_\_ Complete and submit the USAS and Interagency Activity certification form by November 20.
  - \_\_\_\_\_ Clear IT file for all transactions with an effective date prior to 09/01/CY.
- 

**STEP EIGHT** Analyze USAS Reports, calculate the revenue accruals, determine the necessary AFR entries, and adjust USAS as necessary.

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**Note:** Period 12 of the current fiscal year will be closed in USAS after the September 30, 20CY cycle. All USAS entries to the current fiscal year must use an effective date of 8/32/CY if entered to USAS after 09/30/CY. New profiles, especially RTI profiles, needed for entering current fiscal year data should be established prior to the close of period 12 after the September 30, 20CY cycle.

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Since a detailed reconciliation occurred in Step Two and the expenditure accruals have been calculated and entered into the system, the next step is to calculate and enter the revenue accruals. Then an agency must determine the necessary AFR entries.

- \_\_\_\_\_ Enter Accrued Revenues and Accounts Receivable. See the **Revenue** section.
  - \_\_\_\_\_ Capital Assets for all agencies with governmental funds will be reported on their hard copy AFR in the Capital Asset Adjustment column. This column will include balance sheet and operating statement impacts for depreciation and gain/loss on sale of capital assets.
  - \_\_\_\_\_ Long-Term Liabilities for all agencies with governmental funds will be reported on their hard copy AFR in the Long-Term Liabilities Adjustments column.
  - \_\_\_\_\_ Enter Consumable Inventory balances to impact the operating statement calculation of fund balance and the asset on the Balance Sheet/Statement of Net Assets.
  - \_\_\_\_\_ Make entries to adjust the Operating Statement/Statement of Changes in Net Assets to the AFR at the GAAP source/object Level for all GAAP funds.
  - \_\_\_\_\_ Make entries to adjust the Balance Sheet/Statement of Net Assets to the AFR at the GL Account Level for all GAAP funds.
  - \_\_\_\_\_ Enter Fund Balance/Net Asset allocations, if necessary.
  - \_\_\_\_\_ Make entries to adjust the DAFR8910 Interfund/Interagency Activity Report to reflect AFR balances with the correct AGL information for Due To, Due From, Transfers and Pass-throughs.
- 

**STEP NINE** Analyze Government-wide Statements

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- \_\_\_\_\_ Run DAFR8581 Statement of Net Assets – Balance Sheet Format (GWFS).
  - \_\_\_\_\_ Verify revenue rolling to Program Revenue vs. General Revenue.
  - \_\_\_\_\_ Enter full accrual entries.
  - \_\_\_\_\_ Run DAFR8581 and ensure accrual entries are posted.
  - \_\_\_\_\_ Verify System Clearing (GL 9992) is zero.
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**STEP TEN** Analyze and verify adjusted USAS information by November 20.

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Reorder the financial reports at a more summarized reporting level. Financial Reporting recommends that these reports be ordered at the GAAP fund type (2) level for the fund structure and the GAAP/source/object (2) level for the object structure in order to provide the balances for the Combined Statements. For agencies that report Combining Statements, Financial Reporting recommends ordering these at the GAAP/Appropriated Fund (3) level and level (2) for the object structure. Determine the impact of the adjusting and AFR entries that were performed in **Step Eight**.

- \_\_\_\_\_ Reorder Reports DAFR8580, DAFR8585, DAFR8590, DAFR8600, DAFR8605, DAFR8920, DAFR8660, DAFR8690, and DAFR8910. See **Chapter 11 – USAS Reconciliation** for instructions on ordering reports.
- \_\_\_\_\_ Review the reports for accuracy and compare to supporting documentation.
- \_\_\_\_\_ Verify Legislative Appropriations (GL 9000) equals GR Reconciliation Work Sheet.
- \_\_\_\_\_ Verify Legislative Revenue equals GR Reconciliation Work Sheet.
- \_\_\_\_\_ Verify Payroll Related Costs matches the GR Work Sheet.
- \_\_\_\_\_ Verify that Fund Cash matches the DAFR8660 for controlled funds.
- \_\_\_\_\_ Verify Inventory equals the Fund Balance – Reserve for Consumable Inventory, if applicable.
- \_\_\_\_\_ Verify Loans and Contracts equals the Fund Balance – Reserve for Loans and Contracts, if applicable.
- \_\_\_\_\_ Verify Noncurrent Interfund Receivables equals the Fund Balance – Reserve for Noncurrent Interfund Receivables, if applicable.
- \_\_\_\_\_ Verify Petty, Imprest and/or Travel Cash equals the Fund Balance – Reserve for Imprest Accounts, if applicable.
- \_\_\_\_\_ Verify any other Fund Balance/Net Assets allocation entries.
- \_\_\_\_\_ Verify that System Clearing is zero at the D23 Fund level.
- \_\_\_\_\_ Analyze and adjust for any remaining discrepancies. Re-verify balances if any other adjustments are made.
- \_\_\_\_\_ Verify that all fiscal 20CY effective dated transactions have cleared the IT File.

## Special Audit Note

### Introduction

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The State Auditor’s Office no longer audits individual agencies’ annual financial reports except in a few special cases. Individual agencies will be audited to the extent necessary to issue an opinion on the *State of Texas Comprehensive Annual Financial Report* (CAFR).

It will be necessary to clearly communicate to the user of the *Annual Financial Report* that the report is unaudited and that no opinion is rendered. (See the sample Agency Transmittal Letter in **Chapter 9 – Sample Agency Financial Report**.)

### Requirements

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The word “UNAUDITED” shall be clearly and conspicuously placed at the **top center** of each page of the annual financial report.

The agency name and number shall be clearly and conspicuously placed at the top of each page of the annual financial report. This requirement also applies to the third copy of the notes submitted on separate pages.

The letter of transmittal (signed by the executive head of the agency) shall contain a sentence that states the following:

“The accompanying annual financial report will be considered for audit by the State Auditor as part of the audit of the *State of Texas Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.”

Any excerpts of information that make reference to the State Auditor for release to third parties must have the prior written approval of the State Auditor.

## Responsibilities of the State Auditor’s Office

### I. Perform an Audit of the Statewide Annual Financial Report

The State Auditor conducts a statewide financial audit based on a single annual financial report issued by the Comptroller’s office. This report is a summary of individual agency and university annual financial reports. The State Auditor expresses opinions on the government-wide statements and the major funds. The audit is conducted in accordance with authoritative standards and guidelines, which include, but are not limited to, the following:

1. Generally Accepted Auditing Standards
2. Generally Accepted Government Auditing Standards (Standards for Audit of Governmental Organizations, Programs, Activities, and Functions – the “Yellow Book”)
3. Statements and other authoritative pronouncements issued by the Governmental Accounting Standards Board (GASB) or the Financial Accounting Standards Board (FASB)
4. OMB’s Circular A-133, Audits of State and Local Governments
5. AICPA Industry Audit Guides
6. General Appropriations Act and other state statutes

The Legislative Audit Committee has granted the State Auditor the approval to conduct a statewide audit. A plan for the performance of a statewide audit has been prepared by the State Auditor outlining the extent of financial auditing to be performed at each agency.

### II. Issue Management Letters

Results of all types of audits are addressed in a statewide management letter. The management letter includes the following:

1. Scope of the audits
2. Audit findings and recommendations
3. Opinions on compliance with federal requirements
4. Opinions on compliance with internal controls over financial reporting
5. Management’s response to findings and recommendations
6. Follow-up review and evaluation of management’s progress regarding the findings from the previous audit

A statewide management letter is issued by May of 20FY.

### III. Submit a Written Report to the Legislative Audit Committee

As required under a Policy Directive issued by the Legislative Audit Committee, the State Auditor makes a written report to the Committee on the status of progress by the agency in implementing the recommendations on significant findings.

## Miscellaneous Topics

### Budget Reductions

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Report all budget reductions in the operating statement as follows:

- A. Reductions of appropriations in the General Revenue Fund will be recorded as a reduction of Legislative Appropriation revenue.
- B. Reductions from special revenue funds will be reported as “Transfer Out – Agy 902, Fund 0001.”

### Petty Cash

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The application of GAAP in the establishment of a petty or travel cash fund provides for the transaction to be considered a reclassification of cash. TEXAS GOVT. CODE Section 403.245 further states that a creation of a petty cash account is not an expenditure of state money or a reduction of appropriation. Thus, there should not be any effect on the establishment of such accounts. However, if an agency increases budget with budget revision T-Codes for a petty cash account in fund 0001, the operating statement would be impacted. The change in fund balance should be recognized as additional Legislative Appropriations. Special T-Codes exist to account for the handling of petty and travel cash accounts.

Ensure that the following petty cash (current asset) accounts are correctly stated:

Cash on Hand: Imprest Cash (GL 0015)  
Petty Cash (GL 0020)  
Travel Cash (GL 0030)

Cash in Bank: Imprest Cash (GL 0041)  
Petty Cash (GL 0042)  
Travel Cash (GL 0043)

Restricted – Cash on Hand: Imprest/Petty/Travel Cash on Hand (GL 0068)

Restricted – Cash in Bank: Imprest/Petty/Travel Cash in Bank (GL 0070)

#### USAS Tip

The total of Cash in Bank (GL 0040,0041,0042,0043, 0044) and restricted Cash in Bank (GL 0069, 0070) must equal the amount shown in *Note 3: Deposits for Cash in Bank*. If agencies have Petty Cash in bank accounts, these amounts should not be recorded as Cash on Hand but should be recorded as Cash in Bank.

### Refunds

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Refunds received in the same year of expenditure should be used to reduce expenditures reported. If a refund occurs in a subsequent year, it is acceptable to show amounts received as Other Revenues.

### Rounding

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Agencies should not round any of the numbers presented in their AFR. This includes numbers in notes as well as exhibits. The only exceptions are agency 010 – Guaranteed Student Loans, agency 012 – Texas Affordable Housing Corporation and agency 202 – State Bar of Texas.

When submitting notes on Internet applications, agencies must follow the submission instructions regarding rounding requirements.

### Sunset Review

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Contact the Sunset Advisory Commission at (512) 463-1300 or use the **Comptroller Manual of Accounts Volume I** to verify Sunset Act requirements.



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## Chapter 2 – Accounting Overview and Fund Structure

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# The Governmental Financial Reporting Model

The basic financial statements consist of Government-wide Financial Statements (GWFS), Fund Financial Statements (FFS) and Notes to the Financial Statements (Notes). This chapter will discuss the GWFS and the FFS. The Notes will be discussed in **Chapter 7 – Requirements for Notes to the Financial Statements**.

Below is an overview of the GWFS and the FFS. Agencies will **not** be required to submit their AFR in compliance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, **unless** required to do so to meet independent audit requirements. However, agencies will be required to present additional information in their AFR to assist the state in compiling its CAFR in compliance with GASB 34.

## Government-wide Financial Statements (GWFS)

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The GWFS are reported using the economic resources measurement focus and the accrual basis of accounting. They report information about the government as a whole without displaying individual funds or fund types. Distinctions should be made in the GWFS between the primary government and its discretely presented component units, as well as between governmental activities and business-type activities. Fiduciary activities are not included in the GWFS.

The GWFS include:

- A Statement of Net Assets and
- A Statement of Activities.

### Statement of Net Assets

This statement reports the difference between assets and liabilities as net assets, not fund balances or equity. Net assets are displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted. Capital assets and long-term liabilities are also reported in this statement and not as a separate account group.

### Statement of Activities

This statement presents the operations of the government in a format that reports the net (expense) revenue of its individual functions. It presents governmental activities at the minimal level of detail by function as required in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund. Business-type activities are reported at least by different identifiable activities.

## Fund Financial Statements (FFS)

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The FFS report more detailed information about the primary government. These statements present information about major funds individually and about non-major funds in the aggregate for governmental and proprietary fund types. Fiduciary statements include financial information for Fiduciary fund types and similar component units. Each of these fund types are reported using the Measurement Focus and Basis of Accounting required for that fund type.

For governmental and proprietary funds, special and extraordinary items should be reported separately at the bottom of the Statement of Revenues, Expenditures, and Changes in Fund Balances or the Statement of Revenues, Expenses, and Changes in Net Assets, respectively. See the *Special and Extraordinary Items* section at the end of this chapter.

Agencies will continue to report all funds in their annual financial report since major funds will be evaluated and reported only at the CAFR level. Major funds are discussed in **Chapter 1 – Introduction and Highlights**.

## Governmental Funds

Agencies with governmental funds require the following financial statements:

- A Balance Sheet/Statement of Net Assets, and
- A Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities.

The fund financial statements for governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting.

GASB 34 requires the following format presentation on the Fund Financial Statements for governmental funds:

- Residual Equity Transfers are included with Transfers in the Other Financing Sources (Uses) section of the Statement of Revenues, Expenditures and Changes in Fund Balances.
- Special and Extraordinary Items should be reported separately at the bottom of the Statement of Revenues, Expenditure and Changes in Fund Balances. See discussion above.
- Consumption method – Report the inventories initially purchased and prepaids as an asset and defer the recognition of an expenditure until the period in which the inventories actually are consumed or the prepaids are used or consumed.

Under the consumption method, the Net Change in Reserves for Inventories in the Other Financing Sources (Uses) category is no longer used. There is also no need to do basis conversion entries under the consumption method because the same method is used for both the FFS and the GWFS.

## Proprietary Funds

Agencies and universities with proprietary funds require the following financial statements:

- Statement of Net Assets or Balance Sheet
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

Present the financial statements for proprietary funds using the economic resources measurement focus and the accrual basis of accounting. Colleges and universities should aggregate their funds into a single column. Display a combined total column for all enterprise funds.

GASB 34 requires the following format presentation on the Fund Financial Statements for proprietary funds:

- Capital contributions, additions to permanent and term endowments, special and extraordinary items, and transfers should be reported above the Increase (Decrease) in Net Assets.
- Requirement for the disclosure of Special Items. See discussion above.

Present the Statement of Cash Flows for proprietary funds using the direct method of cash flows from operating activities. The statement should include a reconciliation of operating cash flows to operating income. For more details on the Statement of Cash Flows, refer to the **Statement of Cash Flows** section later in this chapter.

## **Fiduciary Funds**

Fiduciary fund financial statements required by GASB 34 include:

- A Statement of Fiduciary Net Assets, and
- A Statement of Changes in Fiduciary Net Assets.

The statements should provide a separate column for each fiduciary fund type (e.g., Pension Trust fund, External Investment Trust fund, Private-Purpose Trust fund, and agency funds). Report these statements using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans. For agency funds (fund type 09), assets must equal liabilities in the Statement of Net Assets. Agency funds are also required to report using the Statement of Changes in Assets and Liabilities with the beginning balances, additions, deductions, and ending balances. Do not report agency funds in the Statement of Changes in Fiduciary Net Assets.

## Fund Types

GASB 34 eliminated the Expendable (fund type 07) and Nonexpendable (fund type 08) Trust funds. GASB 34 established two additional fund types: Permanent funds (fund type 19) and Private-Purpose Trust funds (fund type 20). As noted below, Permanent funds are considered governmental funds, while Private-Purpose Trust funds are categorized as fiduciary funds.

GASB 35 amended GASB 34 to include public colleges and universities. Colleges and universities are reported as business-type activities (BTA) and must follow proprietary fund accounting. They are required to report all funds in a single column instead of by individual USAS fund. See the proprietary fund type section in this chapter for more details.

GASB 35 also supersedes Statement 15, which allowed public institutions to prepare their financial statements under the model contained in the 1973 AICPA Industry Audit Guide, Audits of Colleges and Universities (AICPA College Guide model). As a result, **the NACUBO fund structure that previously existed is not applicable as a reporting method.**

### Fund Type Structure

The following chart reflects the fund structure categorized as governmental, proprietary or fiduciary fund types. The USAS fund type code is in parenthesis next to the fund for quick reference.

Governmental Funds	Proprietary Funds	Fiduciary Funds
General (FT 01)	Enterprise (FT 05)	Pension (FT 10)
Special Revenue (FT 02)	Internal Service (FT 06)	Investment Trust (FT 18)
Debt Service (FT 03)		Private-Purpose Trust (FT 20)
Capital Projects (FT 04)		Agency (FT 09)
Permanent (FT 19)		
Component Units – Governmental (FT 14)	Component Units – Proprietary (FT 15)	

The following fund types in USAS are used to record amounts (Basis Conversion Transactions) for the basis difference between the FFS to the GWFS.

Basis Conversion Fund Types	Fund Type Numbers
Capital Asset Adjustment	11
Long-Term Liabilities Adjustment	12
Other Adjustments	21

### Governmental Funds

Governmental fund reporting focuses primarily on the sources, uses and balances of current financial resources and often has a budgetary orientation. The governmental fund category includes the General fund, Special Revenue funds, Capital Projects funds, Debt Service funds, and Permanent funds.

#### General Fund (Fund Type 01)

The General fund is the primary governmental fund type. Codification Section 1300.104a states that the purpose of a General fund is “to account for all financial resources except those required to be accounted for in another fund.” In most governments, the General fund is a very active fund and can become quite complex due to the range of activities, such as administration of the various branches of government.

General funds have all the characteristics of Governmental funds. Revenues are generally recognized when measurable and available. Expenditures are recognized when the liability is incurred.

A governmental entity can have only one General fund for financial reporting purposes. If several such funds exist, they should be combined into one fund for financial reporting purposes, as long as they are all part of the general government. Most General funds are required by statute to have a budget approved by the legislative body. The approved budget sets the nature and scope of financial operations by setting amounts for sources of revenues and for purposes of expenditures and provides the legal authorization for expenditures.

### **Special Revenue Fund (Fund Type 02)**

Establish Special Revenue funds to account for revenue sources that finance particular functions or projects. These funds account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes. Revenue for these funds can come from a variety of sources, such as taxes, fees, gifts and grants, or contributions from other governmental entities. The expenditures from these funds are normally restricted by statute, charter provisions, local ordinance, or grant agreements. The funds may be used for operations or capital outlay as legal restrictions mandate. Special Revenue funds are commonly used for education, highways, libraries, road maintenance, business licensing, parks, or museums.

Special Revenue funds may be established for long or short-term operations or projects. The life of the fund may be limited by legal restrictions or may terminate upon completion of the specified project; it may also continue indefinitely for specific functions, such as highway projects or library services.

The use of Special Revenue funds is not required for conformity with GAAP under GASB 1 and they should not be used unnecessarily. Please contact your financial reporting analyst regarding the possible use of fund type 01 instead. The determining factor for establishment of a fund of this type is the existence of legal restrictions placed on the expenditures of the fund. Revenues derived from charges to users of services (e.g., refuse, water and sewer services) may be accounted for in Special Revenue funds (or in enterprise funds) even though the funds are restricted to provide a particular service. A distinguishing characteristic of Special Revenue funds is that they account for both tax and non-tax revenues restricted for specific purposes. These revenues include property, income and sales tax, fees, grants and governmental contributions.

Special Revenue funds are very common even though their use is essentially voluntary. Special Revenue funds are mainly used to avoid including restricted revenues within the General Revenue fund as to provide separate information on the sources and applications of restricted funds. GAAP does require the use of a Special Revenue fund to account for the General fund of a legally separate entity (component unit) that is blended with the government. In addition, GAAP requires that states use either a Special Revenue fund or a General fund to account for the administration of the federal food stamp program.

The distinction for maintaining separate accounting treatment of specific revenues is determined solely by the presence of legal mandates on the expenditures of the funds. Revenues that are not subject to definite legal restrictions should not be designated as special revenues.

### **Debt Service Fund (Fund Type 03)**

Agencies use a Debt Service fund to account for the accumulation of resources for the payment of Long-Term Debt principal and interest. GASB Codification, sec. 1300, states that Debt Service funds are required only if they are legally mandated and/or if financial resources are being accumulated for principal and interest payments maturing in future years. Some finance officers use the Debt Service fund for all general government long-term debt, while others use it only when legally required.

A Debt Service fund commonly services bond issues as well as liabilities under capital leases, notes, time warrants, lease-purchase agreements, special assessment notes, installment purchase agreements and other forms of general government debt securities and agreements.

### **Capital Projects Fund (Fund Type 04)**

Agencies use Capital Project funds to account for resources to be utilized for the acquisition or construction of major capital facilities such as buildings, streets and other types of major capital improvements. A Capital Project fund is established upon authorization of a major capital project. It is terminated upon completion of and payment for, the project and disposal of any remaining fund balance.

Some capital projects related to proprietary funds or the acquisitions of minor or short-lived capital assets are not accounted for through Capital Project funds. Occasionally, Special Revenue funds must be used for the accounting of a major capital project as required by law, regulation or contractual agreement rather than Capital Project funds.

Capital Project funds focus on sources and uses of available, spendable resources and use the modified accrual basis of accounting. The use of a Capital Project fund is not required; the activities accounted for in a Capital Project fund may be accounted for in the General fund. However, Capital Project funds facilitate management and control over most project expenditures and budgets, especially if separate funds are established for each project.

### **Permanent Fund (Fund Type 19)**

As defined by GASB 34, Permanent funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is for the benefit of the government or its citizenry. Previously, these funds were reported as either Expendable or Nonexpendable Trust funds.

## **Governmental Fund Types—Modified to Full Accrual Adjustments**

### **Capital Asset Adjustment Fund (Fund Type 11), Long-Term Liabilities Adjustment Fund (Fund Type 12), Other Adjustments Fund (Fund Type 21)**

These three fund types will be used to convert governmental fund types from modified accrual to full accrual. These three fund types will also correspond to columns on all agencies' AFRs. All agencies are required to enter the information from the AFR into USAS (Basis Conversion Entries). State agencies are divided into two groups based on agency size and GASB 34 requirements. Simplified Reporting agencies are those whose AFRs are marginally affected by GASB 34. Full Reporting agencies are those large agencies whose AFRs are affected most heavily by GASB 34.

All governmental agencies **are required to enter** adjustments (basis conversion entries) related to the conversion of modified accrual to full accrual into **USAS**. The information on Capital Assets (fund type 11), Long-Term Liabilities (fund type 12), plus revenue recognition (fund type 21), are required to be entered into USAS and reflected on their AFR.

## Proprietary Funds

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Proprietary fund reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. The Proprietary fund category includes Enterprise and Internal Service funds.

### Enterprise Fund (Fund Type 05)

Enterprise funds are no longer solely used to account for governmental activities that are like commercial activities. As defined by GASB 34, Enterprise funds may be used to report any activity for which a fee is charged to external users for goods and services. You must report activities as Enterprise funds if **any one** of the following criteria is met. Review the activity's principal revenue sources in applying the criteria.

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

These criteria do not require insignificant activities of governments to be reported as Enterprise funds. For example, state law may require a county's small claims court to assess plaintiffs a fee to cover the cost of frivolous claims. However, taxes, not fees, are the principal revenue source of the county's court system and the fees in question cover only the cost of frivolous small claims court cases. In this case, the county would not be required to remove its court system or the small claims court activity from its General fund and report it in an Enterprise fund. Conversely, a state department of environmental protection regulation may require a water utility to recover the costs of operating its water plant, including debt service costs, through charges to its customers—the utility's principal revenue source. Because these charges are the activity's principal revenue source and because the water utility is required to recover its costs, the utility should be reported as an Enterprise fund.

State unemployment compensation funds, turnpike authorities, lotteries, and public colleges and universities are examples of activities that may be accounted for as Enterprise funds.

Once it is determined that an activity should be accounted for in an Enterprise fund, a separate fund should be established for each distinct service provided by the governmental unit. Separate accounting entities facilitate the measurement of costs incurred to deliver each service. Segment information disclosure may also be required for Enterprise funds.

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**Note:** All college and university activity is reported as Business-Type Activity (BTA) under a single-column enterprise activity.

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### Internal Service Fund (Fund Type 06)

An Internal Service fund is created to provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. If the reporting entity is not the predominant participant in the activity, the fund should be reported as an Enterprise fund.

The purpose of centralizing certain activities in an Internal Service fund is to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple units within the governmental organization. For example, a state sometimes centralizes the purchasing function to improve operating efficiency as well as to maintain fiscal control over the activity. Costs associated with the centralized activity are usually recovered from governmental units that benefit from the goods or services provided through the Internal Service fund.

It may not be necessary to establish an Internal Service fund if the activity involved is immaterial. However, when various services are provided to numerous governmental operating units, it is usually necessary to establish separate Internal Service funds in order to determine individual service costs and to restrict use of authorized resources. For example, print shops established with the help of oversight agencies, may or may not have material activity. However, with the Council on Competitive Government's ongoing analysis of operations, there may be a trend towards more proprietary fund types.

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**Note:** Based on a review of existing internal service funds, it was determined that the State of Texas has only one Internal Service fund, the Employee's Life, Accident, and Health Benefits fund. This fund is used to account for the services provided by the Group Insurance program to other agencies. The State of Texas is the predominant participant in the activity.

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## **Fiduciary Funds**

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Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund category includes Pension and Other Employee Benefit Trust funds, Investment Trust funds, Private-Purpose Trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished from agency funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

### **Agency Funds (Fund Type 09)**

Agency funds are classified as fiduciary funds and are used to report resources held by the reporting government in a purely custodial capacity (assets held for others that cannot be used to support the government's own programs.) Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations, or other governments. GAAP requires the use of an agency fund to account for debt service transactions involving special assessment debt for which the government is not obligated in any manner.

Agency funds should be used to report assets that are held in a trustee or agency capacity for others and not used to support the government's own programs. Resources held in trust for the benefit of the government's own programs or its citizenry should be accounted for in a governmental fund instead of a fiduciary fund.

GASB 34 excludes the reporting of fiduciary activities in the government-wide financial statements and requires agency fund assets and liabilities to be recognized on the accrual basis. Agency funds are required to report using the Statement of Changes in Assets and Liabilities, with the beginning balances, additions, deductions and ending balances. Agency fund activities are reported only in the fiduciary fund financial statements and should not recognize revenues, expenditures or expenses.



When an agency fund is used as a clearing account, any assets that are held in the agency fund at the reporting date pending distribution to other funds should not be reported as an agency fund. These assets should be reported in the governmental or proprietary fund, as appropriate.

Agencies are required to clear out their suspense fund balances, USAS GAAP fund 0900, if it points to a fund type 09. Agencies with material balances in these accounts at the end of the year will be required to make additional AFR entries in order to report the balances in the most appropriate fund type. See the section in **Chapter 3 – Reclassing Material Balances in Agency funds Used as a Clearing Account from Fund Type 09 to the Fund Type That is Most Appropriate.**

### **Pension and Other Employee Benefit Trust Fund (Fund Type 10)**

Pension and Other Employee Benefit Trust funds are used to report resources that are required to be *held in trust* for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans or other employee benefit plans. GAAP require the use of separate trust funds for each individual pension plan.

### **External Investment Trust Fund (Fund Type 18)**

GASB 31 requires the reporting of the state's external investment pool funds. This statement requires the sponsoring government of an external investment pool to report the external portion of each pool as a separate investment trust fund (a fiduciary fund).

An External Investment Pool is defined in GASB 31 as an arrangement that commingles (pools) the monies of more than one legally separate entity and invests on the participants' behalf in an investment portfolio. One or more of the participants is not part of the sponsor's reporting entity. An external investment pool can be sponsored by 1) an individual government, 2) more than one government jointly or 3) a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

### **Private-Purpose Trust Fund (Fund Type 20)**

As defined by GASB 34, Private-Purpose Trust funds report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

This fund type is used to report escheat property in situations where a government has elected to establish a separate fund for this purpose.

## **College and University Funds**

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### **Colleges and Universities (Fund Type 05)**

Colleges and Universities are reported as an Enterprise fund in fund type 05, Proprietary fund type. GASB 35 superseded GASB 15, which allowed public institutions to prepare their financial statements under the model contained in the 1973 AICPA Industry Audit Guide, Audits of Colleges and Universities (AICPA College Guide model). This reporting model used NACUBO classifications and subfunds that are now obsolete.

## **Discrete Component Units**

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### **Component Units – Governmental (Fund Type 14)**

Component units, as defined by GASB 14, are legally separate organizations for which the elected officials of the primary government are financially accountable. Component units that are engaged in governmental activities are reported using this fund type.

Agencies must submit a completed GASB 14 questionnaire to the Comptroller's office by August 15, 20CY for all newly identified or changing potential component units.

If the new potential component unit meets the criteria in GASB 14 to be a component unit, agencies **are not required** to complete the GASB 39 questionnaire.

If the new potential component units does not meet the criteria in GASB 14 to be a component unit, agencies **are required** to complete the GASB 39 questionnaire.

### **Component Units – Proprietary (Fund Type 15)**

Component units that are engaged in proprietary activities are reported using this fund type. Component units of higher education institutions will be reported with this GAAP fund type 15 for Proprietary Component Units.

Fund type 15 component units follow the same guidelines in submitting the questionnaires as fund type 14 above.

## Basis of Accounting

There are three different bases of accounting.

- The cash basis, used by the State of Texas for budgetary purposes. The cash basis of accounting recognizes transactions when they affect cash. Under the cash basis of accounting, for example, revenues are only recognized at the time cash is collected.
- Full accrual (see description below).
- Modified accrual (see description below).

### Full Accrual

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The full accrual basis of accounting recognizes the financial effect of events that impact the entity during the accounting period, regardless of whether cash has been received or spent. In business, full accrual accounting is commonly used to determine a more accurate net profit, to measure the financial position of the entity and to match income with expenses for the period. In government, the determination of a net profit is not the primary objective; however, under GASB 34, Government-wide Financial Statements (GWFS) are presented using the full accrual method.

#### Agency Requirement for the Government-wide Financial Statements (GWFS)

The GWFS must be presented on a full accrual basis of accounting for both governmental and proprietary fund types for the CAFR and for stand-alone or audited reports. Some agencies are not required to prepare the GWFS, **but all agencies must submit** information regarding the conversion from one basis to the other.

### Modified Accrual

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Modified accrual is a combination of cash basis and full accrual basis. For governmental fund types that use modified accrual, it is close to full accrual with a few exceptions. Revenues are recognized when they are both measurable and available. Measurable generally means that the cash flow from the revenue can be reasonably estimated. Available generally means the revenue is available to finance current expenditures, which is within 60 days. Expenditures are recorded on an accrual basis, because they are measurable when they are incurred. The measurement focus of governmental funds affects which transactions are recognized in the operating fund. If transactions are not a current resource or use, they are not reported in the operating fund of the fund financial statement (i.e., capital assets or long-term liabilities). Under GASB 34, these noncurrent activities will be reported on the government-wide statements only. Depreciation expense is not recorded for governmental funds under the modified accrual basis; instead assets are expensed in the operating fund when purchased, since they are a current use of funds.

## **Contrasts Between Modified Accrual and Full Accrual**

The following table summarizes the differences between the modified and full accrual bases.

	<b>Modified Accrual</b>	<b>Full Accrual</b>
<b>Accounts Payable</b>	In the absence of an applicable modification, accounts payable should be recognized in the period in which the entity incurs the liability.	Recognize a payable in the period in which the entity incurs the liability.
<b>Prepaid Assets</b>	Under GAAP, it is optional to use either the purchase method or the consumption method. (See the <b>Governmental Funds</b> section earlier in this chapter for definitions of the two methods.) The Comptroller has adopted the consumption method and agencies must use the consumption method in their AFR.	Consumption method: Capitalize first, then expense in the period used or consumed.
<b>Long-Term Liabilities – Current Portion</b>	Recognize as the liability matures or to the extent the liability is expected to be liquidated with expendable available financial resources.	Recognize the liability in the period in which the entity incurs the liability.
<b>Long-Term Liabilities – Noncurrent</b>	The portion that does not meet the criteria for recognition as a current liability is a non-current long-term liability.	Recognize the liability in the period in which the entity incurs the liability.
<b>Revenues</b>	Governmental funds recognize revenues as cash is received during or soon after the end of the year and when it is earned and both measurable and available ( <b>within 60 days</b> ).	Recognize the revenue in the period in which the entity has earned the revenue and it is measurable. Availability is not a factor.
<b>Expenditures</b>	In the absence of an applicable modification, expenditures should be recognized in the period in which they are expended or when they are subject to accrual. Accruals are recorded when they are expected to use expendable financial resources.	Fund expenditures should be recognized in the period in which the entity incurs a liability. Adjustments may be needed to ensure that the matching principle is followed.
<b>Capital Asset Acquisitions</b>	Recognize the expenditure at the acquisition date.	Recognize the cost of the asset and depreciate the value over the expected useful life of the asset.
<b>Inventories</b>	Under GAAP, it is optional to use either the purchase method or the consumption method. (See the <b>Governmental Funds</b> section earlier in this chapter for definitions of the two methods.) The Comptroller has adopted the consumption method and agencies must use the consumption method in their AFR.	Consumption method: Recognize asset when purchased and expense in the period used or consumed.
<b>Compensated Absences</b>	Recognize as a liability as payments come due each period upon the occurrence of resignations or retirements.	Recognize the liability and the expense in the period in which the entity incurs the liability.
<b>Claims &amp; Judgments</b>	Recognize as a liability to the extent they are normally expected to be liquidated with expendable available financial resources.	Recognize the liability in the period in which the entity incurs the liability.

## **Modified to Full Accrual Adjustments**

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Because governmental funds are required to be presented on two different bases of accounting, basis conversion entries will be required to adjust from the modified accrual to the full accrual basis. The difference between accounting on a modified accrual basis and a full accrual basis for a particular fund is usually a matter of a small number of journal entries.

Schedule of Modified to Full Accrual Adjustments is no longer required to be submitted to the Comptroller's office. See chapter 8 for the journal entries to convert the modified basis to the full accounting basis. Following the journal entries are instructions for completing the long-term liabilities and capital asset work papers.

## Proprietary Fund Accounting

Proprietary fund reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial positions, and cash flows.

### **Full Accrual for Proprietary Funds**

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Accrual accounting attempts to record a transaction's financial effects in the period in which the transaction occurred, rather than when cash is received or paid by the governmental entity. Revenues are recorded when they are earned or when the entity has a right to receive the revenues. Expenses are recognized when they are incurred. When the related cash is received or paid is of no consequence.

There are four essential elements of accrual accounting. They are:

- Deferral of expenditures and the subsequent amortization of the deferred costs.
- Deferral of revenues until they are earned.
- Capitalization of certain expenses and the subsequent depreciation of the capitalized costs.
- The accruals of revenues that have been earned and expenses that have been incurred.

### **Measurement Focus for Proprietary Funds**

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Proprietary funds use the flow of economic resources measurement focus, which is similar to the focus used by commercial entities. Proprietary funds focus on whether the enterprise is economically better off as a result of the events and transactions that occurred during the fiscal period reported. Transactions and events that improved an enterprise's financial position are reported as revenues or gains. Transactions and events that diminished the economic position of the enterprise are reported as expenses or losses. Both current and long-term assets and liabilities are shown on the Statement of Net Assets for proprietary funds.

### **Operating vs. Non-Operating Revenues/Expenses**

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The proprietary Statement of Revenues, Expenses, and Changes in Net Assets is segregated into operating and non-operating sections.

Generally, operating activities are those that directly result from the provision of goods and services to customers or are directly related to the principal and usual activity of a fund. GASB 34 indicates that a consideration for defining a proprietary fund's operating revenues and expenditures is how individual transactions would be classified for purposes of preparing a Statement of Cash Flows according to GASB 9.

GASB recognized that certain arrangements that are called "grants" appear to be contracts for services. Grants of this type should be classified as operating activities. To be classified as an operating cash inflow, the grant should finance a program that the grantee would not otherwise undertake.

GASB 9, which establishes standards on preparing a Statement of Cash Flows, is more restrictive in categorizing operating activities than governmental GAAP. For instance, some state agencies sponsor loan programs that are undertaken as part of their governmental responsibilities. These loan programs, which directly provide a benefit to individual constituents, would be classified as investing activities on the Statement of Cash Flows, even though they are the primary activity of the fund. Therefore, it would be appropriate for the agency to show transactions related to these loan programs as part of their operating activities section on the Statement of Revenues, Expenses, and Changes in Net Assets. For this reason, the Comptroller defines operating activities as those activities that result from the principal and usual activity of a fund, unless classifying the activity as operating would contradict GAAP. This definition should be disclosed in Note 1, Summary of Significant Accounting Policies.

## Funds Presentation

### Funds Required to be Reported

Your agency should include a separate column for each appropriated fund/GAAP fund and fund type combination on each combining statement. **Do not combine two or more appropriated funds into one column.** Title each column with the name and number of the appropriated fund as listed in the *Comptroller Manual of Accounts*. Under the appropriated fund title, identify the D23 fund number(s) reported in USAS.

Give local funds titles at the agency's discretion, but use appropriated fund 9999 to indicate this fund is not on deposit in the State Treasury. Do not use appropriated fund 9999 to indicate amounts that are imprest accounts of an appropriated state fund. Show these with the appropriated fund that provided the source of cash for the imprest funds and identified by the D23 fund number reported in USAS below the column title.

There is no need to isolate, into separate columns, balances and activities of individual grants or programs in the same appropriated fund. Combine all balances and activities of the same appropriated fund into one single column. If desired, combining statements may be done for additional detail.

Review the list of appropriated funds under your agency's control as presented in the *Comptroller Manual of Accounts* and verify in USAS that all of your appropriated funds are represented on the financial statements. Some appropriated funds have been discontinued subsequent to the issuance of the *Comptroller Manual of Accounts*. The *Comptroller Manual of Accounts* is available on the Web at <https://fm.x.cpa.state.tx.us/fm/pubs/cma/index.php>.

### General Fund (0001) And Funds Consolidation

The GASB Codification of Governmental Accounting and Financial Reporting Standards, Sec. 1300.108 states, "The general rule is to establish the minimum number of separate funds consistent with legal specifications, operational requirements and the principles of fund classification discussed above." GASB Code Sec. 1300.106 specifically states that a government shall report only one general fund. However, certain options exist with regard to the establishment and classification of funds under GAAP.

#### General Fund

Appropriated fund (0001) and specified consolidated accounts should be the only funds classified in the General fund on an agency's report. All other funds, even though they receive their funding from Appropriated fund 0001, should be classified as another fund type that fits its usage.

#### Splitting of Appropriated Fund 0001 into Different GAAP Fund Types

All General Revenue fund activity, except unappropriated receipts, should be reported in the General fund type. Your financial reporting analyst must approve exceptions to this rule. Unappropriated receipts collected by the agency during the year should be in Appropriation 99906 to be swept prior to year-end. Therefore, no reporting is necessary for fund type 09. Do not report prior year unappropriated receipts that have not been swept.

Federal and special state programs that are operated through Appropriated fund 0001 must be reported within the General fund. Even though an agency's internal accounting system may identify these programs separately, they are NOT to be reported as Special Revenue funds or any other fund type unless a specific appropriated fund number has been assigned for these programs.

## Funds Consolidation

At times the Legislature reviews the creation of funds, accounts and the dedication of revenues. The funds that retain their dedication are referred to as consolidated general revenue accounts. The funds that lose their dedication are consolidated in the General fund (Appropriated fund 0001) and lose their identity as a separate fund.

The following guidance is provided for reporting of the consolidation by impacted agencies in their annual financial reports.

## Technical Assistance for Funds Consolidation

### Legend for Consolidated Funds

The following legend is provided to identify the fiscal years referred to in this section for Consolidated funds:

- FYX0 = the year before consolidation
- FYX1 = the first year for the consolidated fund
- FYX2 = the second year for the consolidated fund and the last year funds can be spent which were obligated in FYX0

**Do not change the appropriated fund lookup on any D23 fund profile screen.** This is the main risk area involving Consolidated funds. If a fund lost its dedication, the FYX1 and FYX2 appropriated fund lookup on the D23 fund should be the same as the FYX0 D23 fund so that the cash balance rolls forward correctly.

## Consolidated Fund/Account That Retained Its Dedication

### Fiscal Year X1

The USAS screen shown below is an example of a D23 fund profile as it should be for a consolidated fund which has retained its dedication. The fund profile shown below has a GAAP fund type 01 for General fund. On a USAS generated financial report, the activity for this fund would be reported in the General fund column as determined by the GAAP fund type.

TEXAS SD23	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 06:00 PM
LINK TO:	FUND PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	FISCAL YEAR: X1	FUND: 0008
TITLE: CONSOLIDATED FUND WHICH RETAINED DEDICATION		
APPROPRIATED FUND: 0008	(MUST BE IN D22 APPROP FUND PROFILE)	
GAAP FUND: 0008	GAAP FUND TYPE: 01	
LOCAL FUND IND: N		
FUND LEVELS DETERMINE THE LEVEL OF CONTROL FOR THE FOLLOWING		
(0=NONE, 1=APPROPRIATED FUND, 2=FUND):		
APPROPRIATION: 1	AGENCY BUDGET: 0	CASH CONTROL: 1
CASH BALANCE DISP - IND: N	FUND:	%/AMT: 0000000000
DESCRIPTION:		
CC ORG LEVEL IND: 0	(0=DO NOT POST AGENCY, 1=POST AGENCY)	
DEPOSITORY INTEREST IND: Y		
STATE FUND GROUP: 03	(SYSTEM GENERATED)	
GAAP FUND GROUP: 01	(SYSTEM GENERATED)	



**Valid GAAP Fund Types** of 01 – General; 03 – Debt Service; 04 – Capital Projects; 05 – Enterprise; 06 – Internal Service; 09 – Agency funds; 10 – Pension funds; 19 – Permanent; and 20 – Private-Purpose are the only ones which are valid when the Consolidated fund indicator on the D22 Appropriated fund profile is 0001.

```

TEXAS SD22          UNIFORM STATEWIDE ACCOUNTING SYSTEM   MM/DD/YY 06:49 PM
LINK TO:          APPROPRIATED FUND PROFILE           PROD

ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
APPROPRIATED FUND: 0008
TITLE: CONSOLIDATED FUND WHICH RETAINED DEDICATION
STATE FUND GROUP: 03
CONSOLIDATED FUND: 0001 (MUST BE IN D22 APPROPRIATED FUND PROFILE)
REPORT ROUTE AGENCY: XXX (DEFAULT AGENCY TO ROUTE FUND BASED REPORTS;
                          MUST BE 000 OR IN D02 AGENCY PROFILE)

CASH CONTROL-
TYPE: 1 (0=NO, 1=ABSOLUTE, 2=ADVISORY)

```

### Consolidated Fund/Account That Has Lost Its Dedication

#### Fiscal Year X1

The following USAS screen is an example of a D23 fund profile screen for FYX1 as it should be for the first year the consolidated fund loses its dedication. It is for Fiscal Year X1 and has a GAAP fund type of 01 for General fund. See the previous listing for other valid GAAP fund types. On a USAS generated financial report, the activity for this fund would be reported in the General fund column as determined by the GAAP fund type. A DAFR8660 fund Cash History Report or similar report will be available for this fund. Note the appropriated fund number and the GAAP fund number stay the same for the existing D23 fund.

```

TEXAS SD23          UNIFORM STATEWIDE ACCOUNTING SYSTEM   MM/DD/YY 06:00 PM
LINK TO:          FUND PROFILE                       PROD

ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
AGENCY: XXX FISCAL YEAR: X1 FUND: 0008
TITLE: CONSOLIDATED FUND WHICH LOST DEDICATION
APPROPRIATED FUND: 0008 (MUST BE IN D22 APPROP FUND PROFILE)
GAAP FUND: 0008 GAAP FUND TYPE: 01
LOCAL FUND IND: N
FUND LEVELS DETERMINE THE LEVEL OF CONTROL FOR THE FOLLOWING
(0=NONE, 1=APPROPRIATED FUND, 2=FUND):
APPROPRIATION: 1 AGENCY BUDGET: 0 CASH CONTROL: 1
CASH BALANCE DISP - IND: N FUND: %/AMT: 00000000000
DESCRIPTION:
CC ORG LEVEL IND: 0 (0=DO NOT POST AGENCY, 1=POST AGENCY)
DEPOSITORY INTEREST IND: Y
STATE FUND GROUP: 03 (SYSTEM GENERATED)
GAAP FUND GROUP: 01 (SYSTEM GENERATED)

```

```

TEXAS SD22          UNIFORM STATEWIDE ACCOUNTING SYSTEM   MM/DD/YY 06:49 PM
LINK TO:          APPROPRIATED FUND PROFILE           PROD

ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
APPROPRIATED FUND: 0008
TITLE: CONSOLIDATED FUND WHICH LOST ITS DEDICATION
STATE FUND GROUP: 03
CONSOLIDATED FUND: 0001 (MUST BE IN D22 APPROPRIATED FUND PROFILE)
REPORT ROUTE AGENCY: XXX (DEFAULT AGENCY TO ROUTE FUND BASED REPORTS;
                          MUST BE 000 OR IN D02 AGENCY PROFILE)

```

Fiscal Year X2

**FY X1 Existing D23 Fund Profile screen that Rolled Forward to FY X2 With Appropriated Fund Look-up Similar to FY X1.**

The USAS screen shown below is an example of a D23 fund profile screen as it should be for remaining cash activity in FY X2 for a consolidated fund that has lost its dedication. On a USAS generated financial report, the activity for this fund would be reported in the General fund column as determined by the GAAP fund type. The only activity that should flow through this fund in FY X1 and FY X2 would be activity related to FY X0 obligations.

```

TEXAS SD23          UNIFORM STATEWIDE ACCOUNTING SYSTEM    MM/DD/YY 06:00 PM
LINK TO:          FUND PROFILE                                PROD

ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
              AGENCY: XXX FISCAL YEAR: X2 FUND: 0008
              TITLE: CONSOLIDATED FUND WHICH LOST DEDICATION
APPROPRIATED FUND: 0008 (MUST BE IN D22 APPROP FUND PROFILE)
              GAAP FUND: 0008 GAAP FUND TYPE: 01
LOCAL FUND IND: N
FUND LEVELS DETERMINE THE LEVEL OF CONTROL FOR THE FOLLOWING
(O=NONE, 1=APPROPRIATED FUND, 2=FUND):
APPROPRIATION: 1 AGENCY BUDGET: 0 CASH CONTROL: 1
CASH BALANCE DISP - IND: N FUND: %/AMT: 00000000000
    
```

**WARNING!** The GAAP fund type look up on this fund should not have been changed for FY X1 or X2. If the GAAP fund type look up was changed, a review should be done to determine if an agency has a D23 fund that has commingled different GAAP fund types within the fund.

**New D23 Fund Profile With a Look-up of Appropriated Fund 0001**

A new D23 fund profile should be created in FY X1 to reflect the information below. The new D23 fund will have activity for the respective fiscal years recorded in it. A new D23 fund number is required. If the agency already has an agency fund looking up appropriated fund 0001 and GAAP fund type 01, then it could be used instead of creating a new D23. The agency must ensure that it has adequate records to support possible reporting of the revenue sources for the prior dedicated fund, if oversight agencies request this information.

```

TEXAS SD23          UNIFORM STATEWIDE ACCOUNTING SYSTEM    MM/DD/YY 06:00 PM
LINK TO:          FUND PROFILE                                PROD

ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
              AGENCY: XXX FISCAL YEAR: X1 FUND: 1008
              TITLE: NEW CONSOLIDATED FUND FOR FUND WHICH LOST ITS
DEDICATION
APPROPRIATED FUND: 0001 (MUST BE IN D22 APPROP FUND PROFILE)
              GAAP FUND: 0001 GAAP FUND TYPE: 01
LOCAL FUND IND: N
FUND LEVELS DETERMINE THE LEVEL OF CONTROL FOR THE FOLLOWING
(O=NONE, 1=APPROPRIATED FUND, 2=FUND):
APPROPRIATION: 1 AGENCY BUDGET: 0 CASH CONTROL: 1
CASH BALANCE DISP - IND: N FUND: %/AMT: 00000000000
    
```

The new D23 fund profile should be set up for an Appropriated fund look up of 0001 and a GAAP fund look up of 0001.

## Financial Report Presentation

The General fund, including Appropriated fund 0001 and other consolidated dedicated accounts, must be presented separately in the combining level statements. This requirement includes a combining balance sheet and operating statement. (See examples at Exhibit A-1 & A-2 in chapter 9). A column for each USAS D22 fund (Appropriated fund/fund type combination) should be shown discretely on the combining statements for all balances and activity. A separate column should be included for each consolidated account with a fund balance, even if it lost its dedication. These additional statements will assist agencies in their reconciliation to USAS.

If an agency wishes to present further detail on federal or special programs operated from Appropriated fund 0001, it may do so with a **supplemental schedule**, which shall be presented separately from the Combined or the Combining General Fund Consolidated Funds Financial Statements.

### Balance Sheet

All assets, liabilities and fund balances of all consolidated funds and accounts will be reported in General Revenue. The combining balance sheet should at a minimum, report amounts in General Revenue fund 0001. Other consolidated general revenue funds can be included. The suggested format will be as follows:

- One column for Appropriated fund 0001 (Required), and
- One column for each consolidated fund/account.

### Operating Statement

There are two scenarios for presenting the operating statement of consolidated funds. If the consolidated fund occurred in previous years, all amounts have been merged with the General fund. In this case, each fund with revenues and expenditures and fund balance will be reported as part of the General fund on Exhibit II. The combining statement will report GR fund 0001 and each consolidated fund/account like the balance sheet columns. For consolidated accounts which lost dedication, a Transfer Out should have been shown for the amount of unobligated consolidated fund balance transferred to Agency 902. Since appropriations generally have a two-year life, the once dedicated funds continue to report activity as usual for two years. In the third year, these accounts should report a final Transfer Out leaving an ending fund balance of zero.

If the consolidation of the fund occurred in this fiscal year, the operating statement treatment will be similar to the previous year's instructions for the operating statement. This requires reporting the fund activity in a Special Revenue fund and reporting a "Transfer Out" to reduce any unobligated fund balance to zero. The General fund on Exhibit II will report a "Transfer In" for that fund balance. The combining statement will report the Transfer In under the General Revenue 0001 or in the appropriate separate consolidated fund.

## Consolidated Funds Split between Fund Types

If you have consolidated funds that should be reported both in an operating fund and in a GAAP agency fund type, you must use different USAS agency level funds to separately distinguish between the two. You must enter balances and transactions consolidated in the General Revenue fund portion separately from the balances and transactions for the GAAP agency fund type. The GAAP agency fund types are not considered as part of the consolidation for reporting purposes. This requires you to report any such funds considered being in a GAAP agency fund type separately. The assets of the clearing fund that pertains to other funds should be reported in the funds that they are cleared to. Examples would be unappropriated collections and pass-through funds.

## Statement of Cash Flows

### Application

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Governments should present a Statement of Cash Flows for all proprietary funds, except Component Units – Proprietary (FT 15), based on the provisions of GASB 9, as amended by GASB 34. The direct method of presenting cash flows from operating activities, including a reconciliation of operating cash flows to operating income, should be used. This reconciliation is presented as a separate schedule as part of the Statement of Cash Flows.

### Purpose

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The primary purpose of a Statement of Cash Flows is to provide relevant information about cash receipts and payments of an entity during a period. The Statement of Cash Flows, when used with related disclosures and information in the other financial statements, will provide the following relevant information about an entity.

- Its ability to generate future net cash flows
- Its ability to meet obligations when due
- Its needs for external financing
- The reasons for differences between operating income and associated cash receipts and payments
- The effects on the entity's financial position of its cash and its noncash investing, capital, and financing transactions during the period

### Cash Equivalents

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The Statement of Cash Flows explains the change during the period in cash and cash equivalents regardless of restrictions on their use. The total amounts of cash and cash equivalents at the beginning and end of the period shown in the statement should be easily traceable to similarly titled line items or subtotals shown in the Statement of Net Assets as of those dates. For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are **both** readily convertible to known amounts of cash and having an original maturity to the holding entity of three months or less. Not all-qualifying short-term, highly liquid investments are treated as cash equivalents. An entity should disclose its policy for determining which items are treated as cash equivalents in Note 1: Summary of Significant Accounting Policies. This policy should be consistently applied throughout the year. Consult paragraphs 9 and 11 of GASB 9 to determine whether securities lending collateral should be reported as cash equivalents in the Statement of Cash Flows.

The following are examples of items that may be considered as cash equivalents.

- Treasury bills
- Commercial paper
- Certificates of deposit
- Money market funds
- Cash management pools

## Categories for Classifying Cash Transactions

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Four categories are used for classifying cash transactions. The Statement of Cash Flows should classify cash receipts and cash payments as resulting from operating, noncapital financing, capital and related financing and investing activities.

### I. Cash Flows from Operating Activities

Cash flows from operating activities result from providing services and producing and delivering goods and include all other transactions that are not defined as noncapital financing, capital and related financing or investing activities. In a sense, the operating activities section is a “catch-all” category.

Cash inflows from operating activities include:

- a. Cash from sales of goods and services including receipts from collection of accounts receivable and both short/long-term notes receivable from customers and students arising from those sales.
- b. Cash receipts from quasi-external operating transactions.
- c. Grant receipts for activities considered as operating activities of the grantor government.
- d. Cash receipts for reimbursements of operating activities.
- e. Collections from program loans. (See note below.)
- f. Other receipts not classified in the other categories.

Cash outflows from operating activities include:

- a. Cash payments to acquire materials for providing services and manufacturing goods for resale.
- b. Cash payments to employees for services.
- c. Grant payments considered to be operating activities of the grantor.
- d. Cash payments for quasi-external operating transactions, including payments in lieu of taxes.
- e. Cash disbursements for program loans.
- f. Other payments not classified in the other categories.

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**Note:** Cash flows from operating activities also include program loans made as a responsibility of the government to benefit individuals. The program loans include only low-income housing mortgages and student loans. Debt issued to finance these program loans will be included in non-capital financing.

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### II. Cash Flows from Noncapital Financing Activities

Cash flows from noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying the principle and interest on amounts borrowed.

Cash inflows from noncapital financing activities include:

- a. Cash from short and long-term borrowings used for purposes other than to acquire, construct, or improve capital assets.
- b. Cash receipts from grants not used for capital assets or for specific activities considered to be operating activities of the grantor.
- c. Cash received from other funds except amounts used for capital assets, quasi-external operating transactions, or reimbursement for operating transactions.
- d. Cash received from property and other taxes not specifically restricted for capital purposes.

Cash outflows for non-capital financing activities include:

- a. Repayments of principal and interest on borrowings for purpose other than acquiring, constructing, or improving capital assets.
- b. Grant payments to other governments or organizations for activities not considered as operating activities of the grantor.
- c. Cash paid to other funds except for quasi-external operating transactions.

### III. Cash Flows from Capital and Related Financing Activities

Cash flows from capital and related financing activities include acquiring and disposing of capital assets, borrowing money to acquire, construct or improve capital assets and repaying the principal and interest amounts.

Cash inflows from capital financing activities include:

- a. Proceeds from issuing or refunding bonds and other short or long-term borrowings used to acquire, construct or improve capital assets.
- b. Receipts of capital grants awarded to the governmental enterprise or other contributions for capital assets.
- c. Receipts from contributions made by other governments, organizations or individuals (gifts) for the specific purpose of defraying the cost of acquiring, constructing, or improving capital assets.
- d. Receipts from sales of capital assets; also, proceeds from insurance on capital assets that are stolen or destroyed.
- e. Receipts from special assessments or property and other taxes levied for capital purposes.

Cash outflows for capital financing activities include:

- a. Payments to acquire, construct, or improve capital assets.
- b. Principle and interest payments or refunding on amounts borrowed for capital assets.

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**Note:** Proceeds of a refunding debt issue used to refund capital debt should be reported in the Capital and Related Financing Category. Likewise, subsequent principal and interest payments on the refunding debt should also be reported as cash outflows in the capital category.

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### IV. Cash Flows from Investing Activities

Cash flows from investing activities include making and collecting loans (except program loans, student and low income housing, see **Cash Flows from Operating Activities**) and the acquisition and disposition of debt or equity instruments.

Cash inflows from investing activities include:

- a. Receipts from collections of loans (except program loans) and sales of other entities' debt instruments.
- b. Receipts from sales of equity instruments and from returns of investment in those instruments.
- c. Interest and dividends received as returns on loans (except program loans), debt instruments of other entities, equity securities and cash management or investment pools.
- d. Withdrawals from investment pools the governmental enterprise is not using as demand accounts.

Cash outflows for investing activities include:

- a. Disbursements for loans (except program loans) and acquisition of debt instruments of other entities.
- b. Payments to acquire equity instruments.
- c. Deposits into investment pools the governmental enterprise is not using as demand accounts.

## Content and Form of the Statement of Cash Flows

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### Net Change in Cash and Cash Equivalents

A Statement of Cash Flows for the period reports net cash provided or used in each of the four categories. It also reports the net effect of these flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents for the year. The ending “Cash and Cash Equivalents” for the year must tie to the total of “Cash and Cash Equivalent” accounts, regardless of restrictions of the related fund types on the balance sheet.

### Direct Method of Presenting Cash Flow Information

The direct method of presenting cash flows has the advantage of reporting operating cash inflows separately from operating cash outflows, which may be useful in estimating future cash flows. In using the direct method, the operating cash outflows are deducted from the operating cash inflows to determine the net cash flow from operating activities. That is, the operating activities are presented on a cash basis. The major classes of operating cash receipts and payments are:

- Cash receipts from customers
- Cash receipts from reciprocal operating transactions
- Other operating cash receipts, if any
- Cash payments to suppliers of goods and services
- Cash payments to employees for services
- Cash payments for quasi-external transactions
- Other operating cash payments, if any

### Reconciliation

Agencies must prepare a reconciliation of operating income to net cash flows from operating activities. The reconciliation is shown on the face of the Statement of Cash Flows in a separate schedule. The amount of net cash flows from operating activities is computed by adding or subtracting amounts that appear on the Statement of Revenues Expenses and Changes in Net Assets but do not provide or use cash. For example, depreciation expense is presented on the Statement of Revenues Expenses and Changes in Net Assets but is not a cash flow; therefore, depreciation expense is added back to operating income. Cost allocations, deferrals, and accruals must be added to or subtracted from operating income in order to convert operating income to net cash flow from operating activities.

This year the Reconciliation of Operating Income to Net Cash Provided by Operating Activities section on the Statement of Cash Flows is going to require extra documentation. The Comptroller’s office does not maintain the detail necessary to provide support for the increase/decrease amounts reported. Agencies are responsible for providing explanations to support the increase/decrease numbers in the reconciliation section and will be asked to provide explanations for significant fluctuations. Be sure you include numbers in the same categories as last year. **If something is in a different account this year than last year, please make a note of it.**

### **Non-cash Investing, Capital and Financing Activities**

Information about investing, capital and financing activities of a governmental enterprise during a period that affect assets and liabilities, but DO NOT result in cash receipts or cash payments in the period, should also be reported. Present this information with the Statement of Cash Flows. It may be in either narrative or tabular format and describe the cash and non-cash aspects of transactions involving similar items.

Examples of non-cash transactions that should be presented in a governmental entity's schedule of non-cash investing, capital and financing activities include the following (GASB 9, paragraph 37):

- Acquiring property, plant and equipment through deferred payment plans
- Acquiring property rights through lease contracts that must be capitalized
- Acquiring property through an exchange of property
- Retiring debt through the issuance of other debt
- Retiring debt by giving property to a debtor

When transactions are part cash and part non-cash, only report the cash portion within the Statement of Cash Flows. Disclose the non-cash portion in the schedule of non-cash investing, capital and financing activities.



## Program and General Revenue Classification

GASB 34 requires a Government-wide Statement of Activities to report all changes in a government's net assets. The revenue classification in the Government-wide Statement of Activities differs from the fund operating statement in that revenues are classified by purpose rather than type of revenue.

Additional coding roll ups were set up in USAS to classify revenue by purpose and type for each statement. Most of the revenue codes only have one purpose. However, a few of the existing revenue codes by type cover more than one purpose which required additional codes to be established to properly classify the overlapping revenue purpose. The "GWFS GAAP source/object" classification on the USAS comptroller object profile (D10) identifies how the revenue activity will appear on the Government-wide Statement of Activities.

GASB 34 requires reported resource inflows on the GWFS to be classified as:

- Program Revenue
  - Charges for Services
  - Program Specific Operating Grants and Contributions
  - Program Specific Capital Grants and Contributions
- General Revenues
- Contributions to Permanent and Term Endowments
- Contributions to Permanent fund Principal
- Special Items
- Extraordinary Items

There are four basic sources of revenue which fall under program or general revenue:

Type	Revenue Source	Revenue Classification
<b>A</b>	Those who purchase, use or directly benefit from the program's goods, services, or privileges	Always program revenue
<b>B</b>	Parties outside the reporting government's citizenry (e.g., other governments, nongovernmental, entities, or individuals)	Program revenue if restricted to a specific program; general revenue if unrestricted
<b>C</b>	All the reporting government's taxpayers (includes all taxpayers, regardless of whether they benefit from a particular program)	Always general revenue, even if restricted
<b>D</b>	The governmental entity itself (i.e., through investing)	Usually general revenue, unless restricted

### Program Revenues

Program revenues either derive directly from the program or from parties outside the reporting government's taxpayers or citizenry. These revenues reduce the net cost of the function to be financed from the government's general revenues. The Statement of Activities should separate the three categories of program revenues:

- Charges for services
- Program-specific operating grants and contributions
- Program-specific capital grants and contributions

When identifying the function that pertains to program revenue, the **determining factor for charges for services** is the function that **generates** the revenue. For **grants and contributions**, the **determining factor** is the function to which the revenues are **restricted**.

## Charges for Services

*Charges for services* is the term used for a broad category of program revenues that are generated from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

This category of revenues include:

- Fees charged for privileges
- Payments for goods and services:
  - From other governments or individuals outside the reporting entity
  - Between governmental, fiduciary, and proprietary fund types
- Licenses
- Permits
- Lease or rental income
- Operating special assessments, such as street cleaning or special street lighting; and any other amounts charged to service recipients
- Fines and forfeitures result from direct charges to those who are “otherwise directly affected” by a program or service, even though they receive no benefit.

## Program-Specific Grants and Contributions

Included in this category of revenues are those resulting from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in specific programs. These revenues reduce the net expense of the related program to the reporting government and should be designated as operating or capital:

- Operating (multi-purpose) grants include grants and contributions that are restricted to a program but that may be used for either operating expenses or capital assets.
- Capital grants and contributions may only be used for capital purposes (i.e., to purchase, construct, or renovate capital assets associated with a specific program).

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**Note:** Multi-purpose grants that do not provide specific identification of programs and amounts should be reported as general revenues.

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## Earnings on Investments

Earnings on endowments or permanent fund investments should also be reported as program revenues (operating grants and contributions) if the earnings are restricted to a program or programs specifically identified in the endowment or permanent fund agreement or contract. When earnings on the invested accumulated resources of a program are legally restricted for use by such program, the net cost financed by the government’s general revenue is reduced and the investment earnings should be reported as program revenues. Similarly, earnings on investments not held by permanent funds may also be legally restricted to certain functions or programs and should be reported as program revenues.

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**Note:** Earnings that finance “general fund programs” or “general operating expenses” should **not** be reported as program revenue.

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## General Revenues

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All revenues except those required to be reported as program revenues are general revenues.

Examples of general revenue include:

- All taxes, even those levied for a specific purpose.
- All other non-tax revenues that do not meet the criteria for classification as program revenues. This includes:
  - Interest not restricted to a specific program
  - Grants and contributions not restricted to a specific program
  - Royalties not restricted to a specific program

General revenues should be reported after the net expense of the government's functions.

The following types of financing sources from governmental and business-type activities should be reported in the same manner as general revenues, but reported separately at the bottom of the statement of activities to determine the change in net assets for the reporting period:

- Contributions to permanent and term endowments
- Contributions to permanent fund principal
- Special and extraordinary items
- Transfers

## Special and Extraordinary Items

Report the following items separately at the bottom of the operating statement and disclose in Note 24 – Special and Extraordinary Items.

- *Extraordinary Items* are transactions or other events that are **both** unusual in nature **and** infrequent in occurrence.
- *Special Items* are significant transactions or other events **within the control of management** that are **either** unusual in nature **or** infrequent in occurrence and should be reported on the operating statement before extraordinary items.

Disclose in Note 24 – Special and Extraordinary Items the following item but not report separately at the bottom of the operating statement.

- Significant transactions or other events that are **either** unusual **or** infrequent but **are not within the control of management**.

Accounting Principles Board Opinion No. 30 *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, as amended and interpreted (APB 30), defines the terms “unusual in nature” and “infrequency of occurrence.” APB 30 states that judgment is required and that unless the evidence clearly supports its classification as an extraordinary item, an event or transaction should be presumed to be an ordinary and usual activity.

Unusual in nature means the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the agency, taking into account the environment in which the agency operates. Unusual in nature takes into account the type and scope of agency operations, operating policies, the environment in which the agency operates, and factors such as the geographical location of the agency operations. Unusual in nature is not established by the fact that an event or transaction is beyond the control of management.

Infrequent in occurrence means the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the agency operates. Determining the probability of recurrence of a particular event or transaction in the foreseeable future should take into account the environment in which an agency operates. The past occurrence of an event or transaction for a particular agency provides evidence to assess the probability of recurrence of that type of event or transaction in the foreseeable future. An event or transaction of a type that occurs frequently in the environment in which the agency operates cannot, by definition, be considered as extraordinary, regardless of its financial effect.

See FPP G.002 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for instructions on how to identify potential impairments, test the asset impairment for significance, and AFR reporting requirements. Also see chapter 6 for a summary as it pertains to Capital Assets.

Agencies must disclose all special or extraordinary items regardless of the amount. The information is consolidated on a statewide basis to determine the significance of the item on a statewide basis.

Only significant amounts on a statewide basis is disclosed in the CAFR per GASB requirements.



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## Chapter 3 – Requirements for Financial Statement Accounts

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## Accounts Receivable/Accrued Revenues

Accounts Receivable is defined as an asset account reflecting amounts owed from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds of the same government). Amounts due from other funds or from other governments are reported separately.

Recording uncollected revenues results in the recognition of receivables and either revenue or deferred revenue. Accounts receivable generally arise from the sale of goods or the rendering of services. They also come from such other sources as overpayments of grants or entitlements, loans, notes, or similar items that must be recorded in the accounting records.

To measure financial position and operating results, either the modified accrual or the accrual basis of accounting, should be used. The *Modified Accrual Basis* recognizes revenue in the accounting period in which it becomes available and measurable. The *Accrual Basis* recognizes revenue in the accounting period in which it is earned and becomes measurable.

Accounts receivables should be reported at the net amount expected to be collected, after allowances for uncollectables. The amount of the allowance can be presented on the balance sheet parenthetically, as a separate entry deducted from the receivables, or in the notes to the financial statements. If the amount is considered material, separate entries might be presented for receivables resulting from taxes, service charges, intergovernmental transactions, special assessments, interest and dividends.

## GASB 33 – Non-Exchange Transaction Reporting

### Introduction

GASB 33 requires examination of each non-exchange transaction at the time of the transaction. Revenue recognition must be determined on a transaction basis as each one may be different. If you need assistance determining the proper accounting treatment for transactions, please contact your assigned financial reporting analyst.

Governmental funds must accrue receivables or advances and revenues or deferred revenues at year-end for amounts not booked under the modified accrual basis. The additional accrual is necessary for conversion to full accrual basis for the Government-wide Financial Statements for compliance with requirements of GASB 34 and 35.

Full accrual accounting applies to colleges and universities, as they will be classified as *business-type activities* under GASB 35. State agencies that use proprietary or fiduciary accounting will also report on a full accrual basis. Contra asset accounts (allowance for doubtful accounts) must be established for uncollectible receivables such as gifts or pledges. Uncollectible amounts must be written off, with proper approval, when they are determined to be uncollectible in accordance with FPP C.001 *Accounting for Uncollectible Accounts (APS 027)* at <https://fmnx.cpa.state.tx.us/fm/pubs/aps/27/index.php>.

**The Comptroller’s office continues to use a 60-day period as the basis of availability for revenue recognition under modified accrual.**

GASB 33 requires governments to recognize capital contributions to proprietary funds and to other governmental entities that use proprietary fund accounting as revenues, not contributed capital.

**All standards in GASB 33 apply whether the accrual basis or the modified accrual basis of accounting is required.** On either basis of accounting, recognition of non-exchange transactions in the financial statements is required unless the transactions are not measurable (reasonably estimable) or are not **probable<sup>1</sup> of collection**. Transactions that are not recognizable because they are not measurable should be disclosed.

<sup>1</sup> In this Statement, the term probable has the meaning assigned in paragraph 3a of Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*—that is “the future event or events are likely to occur.”

State and local governments engage in two kinds of transactions:

1. Exchange and exchange-like transactions, in which each party receives and gives up essentially equal values, and
2. Non-exchange transactions, in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange.

GASB 33 establishes accounting and financial reporting standards for the non-exchange transactions of state and local governments. It applies to all governments<sup>2</sup> that engage in non-exchange transactions, including primary governments and component units in the same reporting entity, whether they are recipients of resources or providers of resources to others.

GASB 33 defines transactions as external events. It does not apply to internal events, such as nonreciprocal (or non-exchange) transfers of resources between funds of the same government. It applies to non-exchange transactions between primary governments and their component units.

Component units are legally separate entities and all activities between them and their primary governments, whether exchange or non-exchange should be considered transactions, at least in component units' stand-alone report; to be reclassified to transfers in the primary government's report. Reclassification is required whether the component unit is blended or discretely presented in non-exchange transactions with governments.

GASB 33 applies to non-exchange transactions involving financial or capital resources; it does not apply to other resources, such as contributed services; food stamps; and on-behalf payments for fringe benefits and salaries, which are addressed in GASB Statement No. 24. GASB 33 does apply to pass-through grants as defined in GASB 24.<sup>3</sup> Application of the standards in GASB 33 requires analysis of the substance of a transaction, rather than attention only to its label.

A transaction's label often indicates its substance and the class of non-exchange transaction to which it belongs. However, in practice, the same label, such as *tax* or *grant* may be given to transactions that have different characteristics and should be accounted for in a different manner. For example, property taxes and income taxes have different characteristics that affect how they should be reported. Different labels may be given in practice to transactions that, from an accounting and financial reporting perspective, have the same characteristics and should be reported in the same manner. For example, some transactions called *grants* have the same characteristics as other transactions called *contributions* or *donations*.

Labels commonly used for exchange and exchange-like transactions, such as *fees* and *charges* sometimes are applied to non-exchange transactions therefore, **it cannot be assumed from the label that an exchange has occurred**. Some transactions have characteristics of both exchange and non-exchange transactions. For example, a for-profit organization may provide resources to a public agency/university for research that may result in commercial applications. **The award may be labeled as a *grant*, but if the provider retains the right of first refusal to benefit from the research results, the award may be an exchange or exchange-like transaction.** The characteristics of the award may require that part of the transaction be accounted for as an exchange transaction and the remainder as a non-exchange transaction.

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2 The terms *government*, *governments* and *governmental* in GASB 33 do not include the federal government, unless otherwise indicated.

3 GASB 33 **does not apply** to the use of resources resulting from **grants or other nonexchange transactions when that use is an exchange transaction** (for example, the use of grant monies to purchase goods or services).

### Characteristics of Exchange and Non-Exchange Transactions

The table below provides guidance in determining exchange vs. non-exchange transactions.

	Exchange Transactions	Non-Exchange Transactions
1	Funds provide goods or services for the resource provider.	Funds provide resources for the programmatic activities of the agency/university. The resource provider is making a charitable contribution under the Internal Revenue Code.
2	Initiative for the activity comes from the resource provider (e.g. an RFP or RFA)	Initiative for the activity comes from the agency/university.
3	Proprietary results belong to the resource provider, in whole or in part, after the work is completed.	Proprietary results belong entirely to the agency/university.
4	Results of the work have commercial value to the resource provider.	Results of the work have no commercial value to the resource provider.
5	Resource provider sponsors R&D activities and retains patents, copyrights and advance and exclusive knowledge of outcomes.	The agency/university determines intellectual property rights.
6	Funds support the direct/immediate need of the resource provider.	Funds support the needs of the agency/university.
7	Benefits to the non-government resource provider are primary and public benefits are secondary.	Benefits are to the agency/university and its existing or planned academic programs.
8	Resource provider defines performance objectives such as a detailed report and a timetable for meeting objectives.	The agency/university defines performance objectives.
9	Time and place for deliverables (e.g. progress reports) are specified in the agreement.	Time and place for delivery of reports are not specified.
10	Fulfills a service as prescribed by the resource provider.	Fulfills a need of the agency/university.
11	The agency/university gives up the benefits of the activity to the resource provider.	The resource provider does not receive commensurate value in return for support.
12	The agency/university pays economic/punitive penalties for failure to meet objectives of the resource provider.	The agency/university has an unconditional right to receive the funds.

**Note:** In making an exchange/contribution determination, all of the applicable characteristics should be weighed. No single factor is determinative.

You must examine the **actual substance** of a transaction **before applying** GASB 33. There are many transactions that appear to fall under the authority of GASB 33 that in actuality do not. GASB 33 **does not apply to exchange transactions** and it is often difficult to determine whether a transaction is an exchange or non-exchange transaction.

The following are examples of exchange transactions not covered by GASB 33.

Example: Developer Contribution-Infrastructure

A city (recipient) gives land valued at \$10 million to a developer (provider) to construct an industrial park. In return, the developer assumes the cost of installing roads, power lines, water and sewer lines and other infrastructure on the site. When the industrial park is completed, the developer is to give the infrastructure (excluding the land) that has a total cost of approximately \$9.5 million, to the city.

This is an exchange-like transaction (land for constructed infrastructure, of approximately equal values) and should be accounted for as an exchange transaction—assets and revenues should be recognized when the exchange occurs. **GASB 33 does not apply.**

Example: Research Grant

A large corporation that makes cleaning products (provider) gives money to a state agency/ university (recipient) to conduct research on the ability of a certain chemical compound to quickly remove graffiti. The corporation stipulates that the research results should be shared with the corporation before being announced to the public and that the corporation has the right to apply for a patent on the compound.

This is an exchange transaction. In return for its gift, the corporation receives the right [future benefit] to profit from the research results. Assets and revenues should be recognized when the exchange occurs. **GASB 33 does not apply.**

### Characteristics and Classes of Non-Exchange Transactions

In a **non-exchange transaction**, a government (including the federal government, as a provider) **either gives value** (benefit) to another party without directly receiving equal value in exchange **or receives value** (benefit) from another party **without directly giving equal value in exchange**. GASB 33 groups non-exchange transactions of governments into four classes, based on their principal characteristics:

- 1. Derived Tax Revenues** result from assessments imposed by governments on exchange transactions. Examples include taxes on personal income, goods, or services. The principal characteristics of these transactions are:
  - a.** The assessing government **imposes** the provision of resources on the provider (the entity that acquires the income, goods, or services)
  - b.** The government's assessment is on an **exchange transaction**, such as the exchange of an employee's services for a wage or salary or the exchange of motor fuel for the market price of the fuel.
    - **Assets Recognition:** Governments should **recognize assets** from derived tax revenue transactions in the period when the exchange transaction occurs or when the resources are received, whichever occurs first.
    - **Revenue Recognition:** **Revenues should be recognized**, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, **provided that the underlying exchange transaction has occurred**. Resources received in advance should be reported as deferred revenues (liabilities) until the period of the exchange.

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*Example: Sales Tax*

A state (recipient) imposes a tax on sales of goods by retail merchants. The tax is 5% of the sale amount and is collected by merchants from customers (providers) at the time of sale. Most merchants must submit sales tax receipts to the state on a weekly basis; smaller retailers submit receipts on a quarterly basis. This example illustrates the characteristics of derived tax revenues. (The sales are exchange transactions.) The state should recognize assets and revenues, net of estimated refunds, as each sales transaction occurs.

**2. Imposed Non-Exchange Revenues** result from assessments by governments on nongovernmental entities, including individuals, *other than* assessments on exchange transactions. Examples include property (*ad valorem*) taxes; fines and penalties; and property forfeitures, such as seizures and escheats. The principal characteristic of these transactions is:

- The transmittal of resources to the assessing government is imposed by that government due to an act committed or omitted by the provider (such as property ownership or the contravention of a law or regulation) that is **not an exchange transaction**.
  - Assets Recognition: Assets from imposed non-exchange revenue transactions should be **recognized** when an enforceable legal claim arises or the assets are received whichever occurs first.
  - Revenue Recognition: Revenues **should be recognized** in the same period that the assets are recognized unless the enabling legislation includes time requirements. If time requirements are stipulated, revenues should be recognized in the period the resources are used or when use is first permitted. Resources received or recognized as receivables before that period should be reported as deferred revenues.

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*Example: Property Tax with Early Collections*

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A city (recipient) through its council adopts a property tax levy ordinance that explicitly links the taxes to the appropriation ordinances for the fiscal year May 1, 20PY through April 30, 20CY. State statutes indicate the city's enforceable legal claim to taxes arises on the lien date, defined as the January 1 preceding the start of the fiscal year for which the taxes are levied. Taxes are collected March 1, 20PY or later.

This example illustrates the characteristics of **imposed non-exchange revenues**. The city should recognize property taxes receivable on January 1, 20PY, (the date that the enforceable claim arises) and it should recognize revenues over the period May 1, 20PY through April 30, 20CY (the period for which the tax is levied). For the period from January 1, 20PY until May 1, 20PY, the city should recognize deferred revenues for property taxes recognized as receivable or received.

**3. Government-Mandated Non-Exchange Transactions** occur when a government (including the federal government) at one level provides resources to a government at another level and requires that government to use them for a specific purpose or purposes established in the provider's enabling legislation<sup>4</sup>. **The provider establishes purpose restrictions and may also establish time requirements.** The principal characteristics of these transactions are:

- a.** A provider government (including the federal government) **mandates** that a recipient government perform a particular program or facilitate its performance by another government or by a nongovernmental entity (secondary recipient), and
- b. Fulfillment of certain requirements** is essential for a transaction (other than the provision of cash or other assets in advance) to occur. These essential requirements may include time requirements and are referred to in GASB 33 as *eligibility requirements*.

Providers of resources in government-mandated or voluntary non-exchange transaction often stipulate eligibility requirements. Eligibility requirements are conditions established by legislation or the provider that must be met before a transaction can occur (other than the provision of cash or other assets in advance). Until all eligibility requirements are met, the provider does not have a liability, the recipient does not have a receivable and the recognition of expenses or revenues for resources transmitted in advance should be deferred.

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<sup>4</sup> Unfunded mandates are not transactions (no value passes from one party to another); therefore, GASB 33 does not apply to them.

- **Assets Recognition: When all applicable eligibility requirements, including time requirements, are met,** recipients should **recognize receivables** (or a decrease in liabilities) and providers should recognize liabilities (or a decrease in assets).
- **Revenue Recognition: When all applicable eligibility requirements, including time requirements, are met,** recipients should **recognize revenues** (net of estimated uncollectible amounts) and providers should recognize expenses from government-mandated or voluntary non-exchange transactions.

The recipient should report resources transmitted **before the eligibility requirements are met** as deferred revenues and the provider should report an advance,<sup>5</sup> except as indicated below for recipients of certain resources transmitted in advance.

**Purpose Restriction:** In some kinds of government-mandated and voluntary non-exchange transactions, a provider transmits cash or other assets with the stipulation (time requirement) that the resources cannot be sold, disbursed, or consumed until after a specified time has passed or a specific event has occurred, if ever. During the interim, the provider requires or permits the recipient to benefit from the resources—for example, by investing or exhibiting them. Examples of these transactions include permanently nonexpendable additions to endowments and other trusts; term endowments; and contributions of works of art, historical treasures and similar assets to capitalized collections. For these kinds of transactions, the recipient should recognize revenues when the resources are received, provided that all eligibility requirements have been met.<sup>6</sup>

**Resulting net assets (or equity or fund balance, as appropriate) should be reported as restricted for as long as the provider’s purpose restrictions or time requirements remain in effect.**<sup>7</sup>

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*Example: Educational Programs*

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A state (provider) reimburses school districts (recipients) for specific costs related to special education, up to a maximum amount for each school district in each school year. To obtain reimbursement for allowable costs, the school districts submit quarterly reports to the state. This example illustrates the characteristics of **voluntary non-exchange transactions**. (The program is not a mandate of the state or the school districts.) However, fulfillment of two eligibility requirements is necessary for a transaction to occur (in addition to the requirement that the recipients be school districts). The first requirement is that the applicable period (school year) should have begun. The second requirement is that the school districts should have incurred costs. The second requirement indicates that the transaction has the characteristics of grants commonly referred to as **reimbursement-type** or **expenditure-driven** grants.

Recipients, after the school year has begun, should recognize receivables and revenues as they incur allowable costs up to the yearly maximum. The state (provider), after the school year has begun, should recognize liabilities and expenses as the school districts incur allowable costs up to the allowed yearly maximum.

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5 Recognition of assets and revenues should not be delayed pending completion of purely routine requirements, such as the filing of claims for allowable costs under a reimbursement program (GASB 33 ¶20c) or the filing of progress reports with the provider.

6 For transactions that meet the criteria of this paragraph, the time requirement is met as soon as the recipient begins to honor the provider’s stipulation not to sell, disburse, or consume the resources and continues to be met for as long as the recipient honors that stipulation.

7 For a governmental fund, recipients should report a reservation of fund balance.



**4. Voluntary Non-Exchange Transactions** result from legislative or contractual agreements,<sup>8</sup> other than exchanges, entered into willingly by two or more parties. Examples of voluntary non-exchange transactions include **certain grants, certain entitlements and donations by nongovernmental entities**, including individuals (private donations). Both parties to a voluntary non-exchange transaction may be governments (including the federal government as a provider), or one party may be a nongovernmental entity, including an individual. Frequently, the provider establishes **purpose restrictions** and **eligibility requirements**. The provider may require the return of the resources if the purpose restrictions or eligibility requirements are not fulfilled after recognition of the transaction.

The principal characteristics of voluntary non-exchange transactions are:

- a.** They are **not imposed** on the provider or recipient, and
- b.** **Fulfillment of eligibility requirements** is essential for a transaction (other than the provision of cash or other assets in advance) to occur.

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*Example: Private Donation with Eligibility Requirements*

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An individual (provider) promises in writing to give \$1 million to the town library (recipient) for the construction of a new wing, provided that the library raises an equal amount of donations from others.

This example illustrates the characteristics of voluntary non-exchange transactions. However, fulfillment of an eligibility requirement is necessary for a transaction to occur: The library is to raise \$1 million from other parties for a construction of the new wing. The library should recognize a receivable and a revenue for the individual's \$1 million when the other \$1 million has been raised. Because there is a purpose restriction (construction of a new wing), resulting net assets (or equity or fund balance) should be restricted until used.

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*Example: Private Donation with Purpose Restriction*

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An individual (provider) makes a large cash donation to a state agency/university (recipient). The donation is to be used in the business school at any time for operations, scholarships, or any other purposes deemed appropriate by the agency/university.

This example also illustrates the characteristics of voluntary non-exchange transactions. There is no eligibility requirement. Assuming that the donation was not announced in advance, the agency/university should recognize cash and revenue when the money is received. If, on the other hand, the donor announces the donation a year before paying it and the agency/university believes that the collection is probable, the agency/university should recognize a receivable and revenue when the donation is announced. Because of the purpose restriction, the agency/university should report resulting net assets (or fund balance) as restricted until used.

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*Example: Term Endowment*

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An alumnus promises to donate \$500,000 to his alma mater with the stipulation that the agency/university invest the principal and use the income to provide summer research grants for accounting faculty members. The terms of the agreement specify that, after the donor's death, the agency/university should withdraw the principal of the gift and also use it (expend it) for summer research grants for accounting faculty members.

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<sup>8</sup> Contractual agreements include oral as well as written contracts, provided that they are verifiable.

This example is also a voluntary non-exchange transaction. The gift is a term endowment. The requirements to invest the principal until the donor's death and then to expend it for summer grants are **purpose restrictions**. The requirement to maintain the principal intact until after the donor's death is a time requirement. The agency/university should recognize assets and revenues when the gift is received. The agency/university should not recognize a receivable when the promise is made because the agency/university cannot begin to comply with the time requirement until the gift is received. When the gift is recognized, the agency/university should report resulting net assets or fund balance as restricted because of the purpose restrictions and the time requirement. The initial purpose restriction (invest the principal) and the **time requirement** (maintain principal intact) expire at the donor's death. However, the agency/university should continue to report net assets or fund balance as restricted after the donor's death, until the principal is expended in accordance with the donor's stipulations.

Transactions with time requirements as shown above should be distinguished from those in which a government receives cash or other assets (for administrative or practical reasons) in the period immediately before the period that the provider specifies as the time when sale, disbursement, or consumption is required or may begin. Although the recipient may benefit from the short-term investment of these resources, the benefit is incidental and not a primary purpose of the provider. **The recipient should recognize receivables (or a decrease in liabilities) and revenue (net of estimated uncollectible amounts) when all eligibility requirements (including time stipulations) have been met.**

**When there are no time requirements**, the entire award would be recognized by the provider as a liability and an expense while the recipient would recognize a receivable and revenue (net of estimated uncollectible amounts). These transactions should be recognized in the period **when all applicable eligibility requirements are met.**

When the provider is a government (including the federal government), the applicable period for both the provider and recipient is the provider's fiscal year and begins on the first day of that year.<sup>9</sup> The entire award should be recognized at that time. If a provider government has a biennial budgetary process, each year of the biennium should be considered a separate applicable period. In such circumstances, the provider and recipient should allocate one-half of the resources appropriated for the biennium to each applicable period, unless the provider specifies a different allocation.

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*Example: Awards from Biennial Appropriation*

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A state (provider) gives money to counties (recipients) for road maintenance. The state has a biennial budget and appropriates the amounts for the two-year period beginning July 1, 20X6. Approximately one-half of the total is to be provided in the first fiscal year of the biennium and the remainder in the second fiscal year. The state and the counties have concurrent fiscal years.

This example illustrates the characteristics of **voluntary non-exchange transactions**. (The program is not a mandate on the state or counties.) However, fulfillment of an eligibility requirement (in addition to the requirement that the recipients be counties) is necessary for the transaction to occur; the applicable period for use of the resources should have begun. In this case there are two applicable periods because the appropriation occurs in the year beginning July 1, 20X6 but applies to the next fiscal year as well. The counties (recipients) should recognize receivables and revenues for approximately one-half of the resources on July 1, 20X6. The remainder should be recognized in the following fiscal year.

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<sup>9</sup> For secondary recipients, the fiscal year of the **immediate** provider, rather than the **originating** provider, applies. For example, the state government's fiscal year would apply for a local government receiving federal resources via the state government.

Because there is a purpose restriction, the counties should report resulting net assets (or equity or fund balance) as restricted until used. The state (provider) should recognize liabilities and expenses for approximately one-half of the resources on July 1, 20X6. The remainder should be recognized in the following year.

Voluntary promises of cash or other assets made by nongovernmental entities, including individuals, may be referred to as “pledges,” “promises to give,” or “promised donations,” etc. Such “promised” or “pledged” assets may include permanently nonexpendable additions to endowments and other trusts, term endowments, contributions of works of art and similar assets to capitalized collections or other types of assets with or without purpose restrictions or time requirements. **If the promise is verifiable, resources are measurable and probable of collection and all eligibility requirements are met, the recipient should recognize receivables and revenues (net of estimated uncollectable amounts).**

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*Example: Multiyear Promise with Eligibility Requirement*

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An individual (provider) pledges \$500,000 to the hospital (recipient) to further its mission of serving the indigent. The doctor’s letter specifies that he will pay \$100,000 per year over the next five years and that each installment should be used in the year it is paid. This example illustrates the characteristics of **voluntary non-exchange transactions**. However, fulfillment of an eligibility requirement is necessary for a transaction to occur; the period to which each installment applies should have begun. Assuming that the hospital believes that the installments are probable of collection, the hospital should recognize a receivable and revenue of \$100,000 in each of the five years. The requirement to use the resources to further the hospital’s mission is not a purpose restriction because serving the indigent is part of the hospital’s general operations.

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*Example: Multiyear Promise without Eligibility Requirement*

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The facts of the previous example are the same except the donor does not specify that each installment be used in the year it is paid. Thus, there is no eligibility requirement. Assuming that the hospital believes that the installments are probable of collection, it should recognize a receivable and revenue for the discounted present value of the five installments in the period when the donor’s pledge is received. Subsequent accruals of the interest element should be reported as revenues.

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*Example: Status as Potential Beneficiary*

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A 25-year-old recent graduate (provider) of a state agency/university names the agency/university (recipient) as the primary beneficiary in her will. The graduate is single and has an estate currently valued at \$50,000.

This example illustrates the characteristics of voluntary non-exchange transactions. However, the state agency/university should not recognize any asset or revenue. It is **not probable** that the agency/university will remain the primary beneficiary and potential future distributions from the estate are **not measurable (reasonably estimable)** at this time.

When there is a time requirement that prohibits the sale, disbursement, or consumption of government-mandated or voluntary non-exchange transactions until a specified time period begins or has passed, the time requirement is met as soon as the recipient begins and continues to honor the provider’s stipulations. For these kinds of transactions, the recipient should recognize revenues when the assets are received if all eligibility requirements have been met. The recipient does not begin to meet time requirements until the cash or other assets are received.

## Eligibility Requirements

Eligibility requirements for government-mandated and voluntary non-exchange transactions comprise one or more of the following:

- 1. Required characteristics of recipients:** The recipient (and secondary recipient, if applicable) has the characteristics specified by the provider. (For example, under a certain federal program, recipients are required to be states and secondary recipients are required to be school districts.)
- 2. Time requirements:** Time requirements specified by enabling legislation or the provider have been met. (Resources have been used in the specified time period, or the time period has begun, or the resources have been maintained intact as required by the provider.)
- 3. Reimbursements:** The provider offers resources on a reimbursement (“expenditure-driven”) basis and the recipient has incurred allowable costs under the applicable program.
- 4. Contingencies: Contingencies apply only to voluntary non-exchange transactions.** The provider’s offer of resources is contingent upon a specified action of the recipient and that action has occurred. (For example, the recipient is required to raise a specific amount from third parties and has fulfilled the requirement.)

## Time Requirements and Purpose Restrictions

Enabling legislation or providers of resources in non-exchange transactions frequently stipulate time requirements, purpose restrictions, or both. *Time requirements specify the period or periods when resources are to be used or when use may begin.* (For example, a provider may stipulate that the resources it provides are to be disbursed during a specific fiscal year or over a specified number of years, or cannot be disbursed until after a certain date or event has occurred, if ever.) **Purpose restrictions specify the purpose or purposes for which the resources are required to be used.** (For example, a provider may specify that its resources be expended for road and street repairs or, in the case of an endowment that the principal is to be held in income-producing investments.)

This Statement establishes different standards for time requirements than for purpose restrictions. **Time requirements affect the timing of recognition** of non-exchange transactions. The effect on the timing of recognition is different, depending on whether a non-exchange transaction is (a) an imposed non-exchange revenue transaction<sup>10</sup> or (b) a government-mandated or voluntary non-exchange transaction.

**Purpose restrictions do not affect the timing of recognition for any class of non-exchange transactions.** Recipients of resources with purpose restrictions should report resulting net assets (or equity or fund balance, as appropriate) as restricted until the resources are used for the specified purpose or for as long as the provider requires the resources to be maintained intact (for example, endowment principal).<sup>11</sup>

## Reimbursements

Governments (including the federal government) frequently engage in award programs commonly referred to as “reimbursement-type” or “expenditure-driven” grant programs. These programs may be either government-mandated or voluntary non-exchange transactions, depending on their characteristics. In either case, the provider stipulates that a recipient cannot qualify for resources without first incurring allowable costs under the provider’s program. That kind of stipulation is an **eligibility requirement and affects the timing of recognition. Until the recipient has met the provider’s requirements by incurring costs in accordance with the provider’s program, there is no award—the provider has no liability and the recipient has no asset (receivable).** Cash and other assets

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10 Derived tax revenues generally do not have time requirements. However, if they apply, asset and revenue recognition should be consistent with the requirements for imposed nonexchange revenue transactions.

11 For a governmental fund, recipients should report a reservation of fund balance. Accounting for contraventions of purpose restrictions is discussed in GASB 33 ¶26.

provided in advance should be reported as advances (assets) by providers and as deferred revenues (liabilities) by recipients until allowable costs have been incurred and any other eligibility requirements have been met.

### Subsequent Contravention of Eligibility Requirements or Purpose Restrictions

After a nonexchange transaction has been recognized in the financial statements, it may become apparent that (a) the eligibility requirements are no longer met, or (b) the recipient will not comply with the purpose restrictions within the specified time period. **If it is probable** that the provider will not provide the resources or will require the recipient to return all or a part of the resources already received, the recipient should recognize a decrease in assets (or an increase in liabilities) and an expense and the provider should recognize a decrease in liabilities (or an increase in assets) and a revenue for the amount that the provider is expected to cancel or reclaim.

### Non-Exchange Revenues Administered or Collected by Another Government

A recipient government imposing a tax or other revenue source should have, or reasonably estimate, the accrual-basis information necessary to comply with the requirements of GASB 33 for derived tax revenues or imposed non-exchange revenues, even though the imposed revenue may be collected on the recipient's behalf by another government. An example would be a city sales tax collected by a state and then remitted to the city.

If a government shares its own derived tax revenues or imposed non-exchange revenues with other governments, the recipient governments may not be able to reasonably estimate the accrual-basis information necessary for compliance with GASB 33. If so, the recipient governments should recognize revenues for the period equal to cash received during the period.

### Revenue Recognition Using the Modified Accrual Basis of Accounting

GASB 33 does not change the existing standards for revenue recognition on the modified accrual basis of accounting. Revenues from non-exchange transactions should be recognized “in the accounting period when they become available and measurable.”<sup>12</sup> When the Modified Accrual Basis of Accounting is used, revenues derived from non-exchange transactions should be recognized as follows:

**Derived Tax Revenues:** Recipients should recognize revenues in the period when the underlying exchange transaction has occurred and the resources are available. (“Available” will continue to be based on a 60-day period according to the policy of the Comptroller).

**Imposed Non-Exchange Revenues—Property Taxes:** Recipients should recognize revenues in accordance with NCGA Interpretation 3, as amended. (**State of Texas does not collect property taxes**).

**Imposed Non-Exchange Revenues—Other Than Property Taxes:** Recipients should recognize revenues in the period when an enforceable legal claim has arisen and the resources are available.

**Government-Mandated Non-Exchange Transactions and Voluntary Non-Exchange Transactions:** Recipients should recognize revenues in the period when all *applicable eligibility requirements* have been met and the resources are *available*.

**Subsequent Contravention of Provider's Requirements:** If the recipient fails to comply with the provider's stipulations such as eligibility requirements or purpose restrictions and the provider requires the return of resources, the provider should recognize revenues in the period when the returned resources are available.

12 NCGA Statement 1, paragraph 62. GASB Interpretation No. 5, *Property Tax Revenue Recognition in Governmental Funds*, paragraph 4, states that the term *available* means, “collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. **“With respect to property taxes only,”** NCGA Interpretation 3, paragraph 8, as amended, states, **“Such time thereafter shall not exceed 60 days.”** Measurability and probability of collection are discussed in GASB 33 ¶11.

## Summary – Non-Exchange Transactions

Classes of Timing of Recognition of Non-Exchange Transactions		
Class	Recognition	
<b>Derived Tax Revenues</b> Examples: Sales taxes, personal and corporate income taxes, motor fuel taxes and similar taxes on earnings or consumption	<b>Assets<sup>13</sup></b> Period when underlying exchange has occurred or when resources are received, whichever is first.	<b>Revenues</b> Period when underlying exchange has occurred. (Report advance receipts as deferred revenues.) When <b>modified</b> accrual accounting is used, resources should also be “available.”
<b>Imposed Non-Exchange Revenues</b> Examples: Property taxes, most fines and forfeitures	<b>Assets</b> Period when an enforceable legal claim has arisen or when resources are received, whichever is first.	<b>Revenues</b> Period when resources are required to be used or first period that use is permitted (for example, for property taxes, the period for which levied). When <b>modified</b> accrual accounting is used, resources should also be “available.”
<b>Government-mandated Non-Exchange Transactions</b> Examples: Federal government mandates on state and local governments  <b>Voluntary Non-Exchange Transactions</b> Examples: Certain grants and entitlements, most donations. A grant for a student scholarship would be a contribution.	<b>Assets and Liabilities</b> Period when all eligibility requirements have been met or (for asset recognition) when resources are received, whichever is first.	<b>Revenues and Expenses or Expenditures</b> Period when all eligibility requirements have been met. (Report advance receipts or payments for use in the following period as deferred revenues or advances, respectively.) When <b>modified</b> accrual accounting is used for revenue recognition, resources should also be “available.”

## Year-End Accruals

The major impact of GASB 33 comes from the expanded recognition requirements for non-exchange transactions. These types of transactions require a thorough examination of the underlying documents or events. Accounting treatment will vary on a case-by-case basis, depending on transaction requirements. Depending on the quantity of transactions, it may be beneficial for agencies to set a materiality threshold for such transactions in order to limit time spent analyzing documents or events.

## Sample Accounting Treatment

## Example 1: Community College Capital Program without Time Requirements

A state (provider) offers money to community colleges (recipients) to be used solely for capital outlays. The amounts are based on student population. Amounts not used within three years must be returned to the state. This is a voluntary non-exchange transaction.

Two eligibility requirements must be met in order for a transaction to occur:

1. Recipients must be community colleges.
2. The applicable period must have begun (assumed to be the first day of the state’s fiscal year)

Additionally, the requirement to use the resources for capital outlays is a purpose restriction. Fund Balance or Equity should be restricted until capital costs are incurred due to the purpose restriction. (Purpose restrictions do not affect timing of revenue recognition.)

## Accounting Treatment: Full Accrual

	Debit	Credit
Cash or Accts Receivable	3,000	
Capital Grants Revenue		3,000

13 If there are purpose restrictions, report restricted net assets (or equity or fund balance), or for governmental funds, a reservation of fund balance.

**Example 1a: Community College Capital Program with Time Requirements – Funds Received**

Requirements are same as above except that the resources must be spread evenly over the three-year period. (Time requirements do affect revenue recognition.) One-third of the revenue would be recognized each year.

	<b>Debit</b>	<b>Credit</b>
Cash	3,000	
Capital Grants Revenue		1,000
Deferred Capital Grants Revenue		2,000

**Example 1b: State Cancels Grant After First Year – Advanced funds are returned to the state**

	<b>Debit</b>	<b>Credit</b>
Deferred Capital Grants Revenue	2,000	
Cash		2,000

FPP C.001 *Accounting for Uncollectable Accounts* (APS 27) provides accounting guidance and entries for disposition of uncollectable loans or other debts owed to state agencies.

Section 403.031(c), Government Code reads as follows:

*The Comptroller, in consultation with the state auditor and the attorney general, may develop standards and criteria to account for or to reclassify receivables determined to be uncollectable. The standards and criteria developed by the Comptroller must comply with generally accepted accounting principles as prescribed or modified by the Governmental Accounting Standards Board or its successors and must provide proper accounting controls to protect state finances. The state auditor and the attorney general shall review and approve the standards and criteria for classification of receivables. Receivables may be reclassified as collectable or uncollectable according to the process approved by the state auditor or on a case-by-case basis as determined or approved by that office. The classification of receivables as uncollectable under this subsection does not constitute forgiveness of the debt and any person indebted to the state remains subject to Section 403.055.*

In addition, Section 2107.004, Government Code provides that:

*Not later than the 120th day after the date an obligation becomes delinquent or past due or the 30th day after the Comptroller determines that its efforts to collect an obligation owed the agency have failed, the agency shall report the uncollected and delinquent obligation to the attorney general for further collection efforts.*

## **Recognition of Accounts Receivable and Revenue**

The following chart illustrates four types of transactions that require different recognition of accounts receivable and revenues under the modified vs. full accrual basis. In all four types, transactions are assumed measurable and probable of collection.

<b>Type of A/R</b>	<b>Available</b>	<b>Earned</b>	<b>Modified Accrual</b>	<b>Full Accrual</b>	<b>Asset Recognition</b>
I	Yes	Yes	Revenue	Revenue	A/R, Cash
II	No	Yes	Deferred Revenue	Revenue	A//R
III	Yes	No	Deferred Revenue	Deferred Revenue	A/R, Cash
IV	No	No	Deferred Revenue	Deferred Revenue	A/R

Under the modified or full accrual basis, the same amount of receivables should be recognized. The difference of the two bases is in the recognition of revenues.

- Modified Accrual: Revenues are not recognized if they are not available. Revenues that are earned but not available should be reported as deferred revenue.
- Full Accrual: Revenues are recognized as soon as they are earned.

## Disaggregation of Receivable Balances

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Balances of receivables reported on the statement of net assets and balance sheet may be aggregations of different components. GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, paragraph 13, requires that governments provide details in the notes to the financial statements when significant components have been obscured by aggregation. It further requires that significant receivable balances not expected to be collected within one year of the date of the financial statements be disclosed.

See Note 25 in **Chapter 7 – Requirements for Notes to the Financial Statements** for the specific requirement for significant receivables and Note 25 in **Chapter 9 – Sample Agency Financial Report** for an example of the note disclosure.

## Disposition of Uncollectable Accounts

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Agencies and institutions must take all appropriate and cost-effective actions to aggressively collect accounts receivables. The Office of the Attorney General (OAG), the primary agency responsible for the provision of legal services, promulgates the necessary policies and procedures pertaining to the collection and litigation of past-due accounts. Agencies must adhere to the provisions of the OAG's collection procedures found in the Texas Administrative Code, Title 1 Administration, Part 3 Office of the Attorney General, § 59.2 *Collections Process: Uniform Guidelines and Referral of Delinquent Collections*.

## Accounting for Receivables Deemed Uncollectable

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In determining whether a receivable is deemed uncollectable and may be written off an agency's financial accounting records, first follow the OAG's collection procedures referenced above in an attempt to collect any past due accounts owed the agency. Only after your agency and the OAG have followed these procedures without success may a debt be classified as uncollectable and be written off on the agency's financial accounting records. Per FPP C.001 *Accounting for Uncollectable Accounts (APS 027)* at <<https://fm.xcpa.state.tx.us/fm/pubs.aps/27/index.php>>, a debt is considered uncollectable if it meets any of the following criteria:

- The OAG determines that the debt is uncollectable.
- The OAG determines that further measures to collect the debt are inappropriate.
- Agency management determines that the debt is uncollectable and the debt does not meet the agency tolerances approved by the OAG established pursuant to 1 TAC § 59.2(b)(8), below which an obligation is not referred to the OAG for collection.

The Comptroller requires the reasons for writing off an account and compliance with the agency's write-off policy must be adequately documented and such documentation must be readily available for audit.

Nothing in FPP C.001 (APS 27) shall be construed to exempt or except an agency in any way from the debt collection procedures established by the OAG.

## Write-Off of Revenue Receivables

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The revenue-generating activities of an agency frequently result in receivables being recorded on the agency's accounting records. If your agency arrives at the conclusion that any of the amounts so established would not be collected, it is appropriate to decrease the revenue receivable by reclassifying to a contra revenue.

An agency may not eliminate a revenue receivable by writing it off as an expenditure because, according to GAAP, it does not represent an expenditure of current financial resources during the period.

Uncollectible revenue receivables are shown as a reduction of revenue receivable.



## Write-Off of Nonrevenue Receivables

Receivables that originate from nonrevenue transactions are amounts owed to agencies and institutions from individuals or organizations other than agencies and institutions. An example would be a receivable resulting from an overpayment to a vendor.

**Attention:** Petty cash and travel advances made from petty cash or travel advance accounts are not considered receivables for reporting purposes since these are imprest balances. Write-off of petty, imprest and travel cash GL amounts can be made by a cash reimbursement transaction as described in FPP A.044 *Travel Advance Account and Petty Cash Account (APS 010)* after all the write-off steps with the proper documentation, including State Auditor approval, have been completed.

Nonrevenue receivables are typically expenditures or items that can be justified as expenditures that reduce appropriations; thus, decreasing nonrevenue receivables by reclassifying to expenditures is appropriate.

**Bad debt expense** is shown as an operating expense for nonrevenue receivables such as student loan receivables.

## Write-Off of Proprietary Fund Receivables

For proprietary funds, any type of receivable can be directly written off.

## Reporting for Medicare Part D Payments from the Federal Government

The GASB issued the Technical Bulletin, No. 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*. The bulletin is effective for financial statements issued after June 30, 2006, except for portions of answers pertaining specifically to measurement, recognition, or required supplementary information requirements of GASB 43 and 45. Those provisions should be applied simultaneously with the implementation of GASB 43 and 45. The bulletin addresses the following:

- The part of the bulletin to be implemented in fiscal 2006 requires Medicare Part D reimbursements received from the federal government in relation to prescription drug benefits to be reported as *federal revenue*. Recoveries must *not* be netted against the expenditures.
- A Medicare Part D payment from the federal government to the employer is a *voluntary non-exchange transaction* between the federal government and the employer, as discussed in paragraph 7 of GASB 33. The employer should recognize an asset and revenue for the payment received following the applicable recognition requirements.
- The payment is a separate transaction from the exchange of services for salaries and benefits between employer and employees, for which the accounting is addressed in GASB 45. Therefore, a sole or agent employer should apply the measurement of GASB 45 to determine the actuarial accrued liabilities, the annual required contribution of the employer (ARC) and the annual OPEB cost *without reduction* for Medicare Part D payments.
- The payment transaction does not affect accounting for employer contributions or the financial reporting presentation by a defined benefit OPEB plan in which an employer participates. An OPEB plan should apply the measurement requirements of GASB 43 to determine the actuarial accrued liabilities, the ARC and the annual OPEB cost *without reduction* for Medicare Part D payments.

For the reporting of the Medicare Part D reimbursements on the federal schedule, refer to chapter 8.

## USAS Transaction Entries

### Revenues

#### Review Current Appropriated Revenues

Revenues should be recorded to the correct appropriation, appropriated fund and with the correct comptroller object. If revenue reclassifications are necessary to correct one of these elements (for example, if Pass-through revenues were not recorded with object code 3725 for state grants or object code 3971 for federal grants) use T-Codes 405/406 before August 31, 20CY. If the fiscal year has ended, then T-Codes 465/466 accrued revenue reclassifications must be used with a 08/31/CY effective date (or 08/32/CY if entered into USAS after 09/30/CY). The 465/466 accrued revenue transfer T-Codes generate a reversal and an actual movement of cash with T-Codes 469/470. The system will post the accrual using a 08/31/CY effective date (or 08/32/CY if entered into USAS after 09/30/CY), but will substitute the current system management date for the system-generated reversal and actual movement of cash that would be in fiscal year 20FY. Revenue object codes should be allowable to the appropriations in which they are recorded. The Appropriation/Object Detail Inquiry (49A) screen shows revenues by object and appropriation on a cash basis. For more details regarding Pass-through Revenues, see the **Interfund Activity** section.

#### Revenue Accruals

Use the following transaction codes to establish receivables based on whether or not the receivable will be liquidated at a document level:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL*
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	------	-----------

#### To Establish Receivables Which Will Need To Be Manually Liquidated At A Document Level

(1)	2 or 5	U	0831CY	XXX	103	XX	99999	3XXX	\$ XX.XX		XXXXX	XXXX	N/A
-----	--------	---	--------	-----	-----	----	-------	------	----------	--	-------	------	-----

**WARNING:** A reference document is required for any future adjustment to a receivable established with T-Code 103.

#### To Establish Receivables Which Will Automatically Reverse

(2)	2 or 5	U	0831CY	XXX	121	XX	99999	3XXX	\$ XX.XX		XXXXX	XXXX	N/A
-----	--------	---	--------	-----	-----	----	-------	------	----------	--	-------	------	-----

#### To Establish Receivables Which Will Automatically Reverse And Allows Input Of A Specific Receivable GL Account

(3)	2 or 5	U	0831CY	XXX	135	XX	99999	3XXX	\$ XX.XX		XXXXX	XXXX	XXXX
-----	--------	---	--------	-----	-----	----	-------	------	----------	--	-------	------	------

\* The allowable GL accounts are located on the 28B Transaction Description Profile screen.

Accounting Effect of above entry:

	Debit	Credit
(1) To Establish Receivables Which Will Need To Be Manually Liquidated At A Document Level		
0230 Accounts Receivable – Billed	\$ XX.XX	
5001 Revenue Control – Accrued		\$ XX.XX

This transaction applies to receipts deposited into the State Treasury only. T-Code 193 records the automated liquidation of the revenue receivable and cash revenue deposits into the State Treasury for this billed account receivable.

<b>(2) To Establish Receivables Which Will Automatically Reverse</b>		
<b>0231</b> Accounts Receivable – Unbilled	\$ XX.XX	
<b>5001</b> Revenue Control – Accrued		\$ XX.XX

USAS reverses this entry at the beginning of the next accounting period with T-Code 122. The system posts the accrual using 08/31/CY effective date (or 08/32/CY if entered into USAS after 09/30/CY), but substitutes the current system management date for the system-generated reversal entry that would be in fiscal 20FY.

<b>(3) To Establish Receivables Which Will Automatically Reverse And Allows Input Of A Specific Receivable GL Account</b>		
<b>XXXX</b> Input GL	\$ XX.XX	
<b>5001</b> Revenue Control – Accrued		\$ XX.XX

USAS reverses this entry at the beginning of the next accounting period with T-Code 136. The system posts the accrual using 08/31/CY effective date (or 08/32/CY if entered into USAS after 09/30/CY), but substitutes the current system management date for the system-generated reversal entry that would be in fiscal 20FY.

If accruing revenues for AFR purposes only, a comptroller object that rolls up to the correct GAAP source/object level (D08) at both the FFS level and the GWFS level is acceptable. In other words, a single comptroller object code (COBJ) which looks up Licenses, Fees and Permits (at FFS level) may be used for all COBJ's which are described as Licenses, Fees and Permits.

Unappropriated General Revenue

Unappropriated revenue is money that an agency collects or receives and has no appropriation authority to spend. The Comptroller's office sweeps this account on a regular basis and is responsible for reporting this information.

The following are some examples of unappropriated revenue:

- State sales tax
- The general revenue portion of professional fees
- Other fees collected on behalf of the General Revenue Fund
- Voided warrants.

In preparation for a statewide automated sweep of agency unappropriated receipts, the PCA 99906, Appropriation Number 99906 and GAAP fund 1000 must be used.

Following is an example of how a GAAP agency fund should be set up for unappropriated General Revenue:

	<b>Unappropriated General Revenue</b>	<b>Higher Ed. Unappropriated General Revenue</b>
D23 Fund	Fund 1000 recommended but not required	Fund 1000 recommended but not required
Appropriated Fund	0001	0001
GAAP Fund	1000	1000
GAAP Fund Type	09	05

Initial Deposit into State Treasury

When an agency receives unappropriated receipts, the following transaction code is used to deposit the receipts into the State Treasury:

T-Code 188                   (Debit) 0045-Cash in State Treasury  
    (Debit) 5100-GAAP Revenue Offset  
    (Credit) 5000-Revenue Control - Cash  
    (Credit) 1149-Funds Held for Others

Comptroller objects: 3003-3771 – State Taxes  
                                  3011-3887 – Licenses, Fees and Permits

Refund of Revenue

For an agency to make a refund of taxes or fees paid, the following transaction code should be used:

T-Code 229                   (Debit) 1149-Funds Held for Others  
    (Debit) 5001-Revenue Control-Accrued  
    (Credit) 1009-Voucher Payable  
    (Credit) 5100-GAAP Revenue Offset

Comptroller objects: 3003-3771 – State Taxes  
                                  3011-3887 – Licenses, Fees and Permits

T-Code 229 generates T-Code 383 which liquidates the accrual and issues a warrant.

**USAS Tip**

The DAFR7480 Appropriation Activity Summary lists Revenues by Appropriation

Local Fund Revenues

The following transaction code must be used to record revenues collected in funds held outside the State Treasury. The proper revenue code must be entered on the transaction and a D23 agency fund that infers appropriated fund 9999.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	------	----------

**To Record Revenues Collected In Local Funds**

(1)	5	U	0832CY	XXX	643	XX	99999	3XXX	\$ XX.XX		N/A	XXXX	N/A
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-----	------	-----

Accounting Effect of above entry:

	Debit	Credit
<b>(1) To Record Revenues Collected in Local Funds</b>		
9999 System Clearing	\$ XX.XX	
5100 GAAP Revenue Offset		\$ XX.XX

Other Adjustments To Revenues

The following transaction codes may be used to adjust revenues for AFR purposes only. The following T-Codes do not post balance types and will not impact ABEST.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL*
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	------	-----------

**To Record A Decrease In Revenues**

(1)	5	U	0832CY	XXX	630	XX	99999	3XXX	\$ XX.XX		N/A	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-----	------	------

**To Record An Increase In Revenues**

(2)	5	U	0832CY	XXX	631	XX	99999	3XXX	\$ XX.XX		N/A	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-----	------	------

\* The allowable GL accounts for the T-Code can be found on the 28B screen.

Accounting Effect of above entry:

	Debit	Credit
<b>(1) To Record A Decrease In Revenues</b>		
5100 GAAP Revenue Offset	\$ XX.XX	
XXXX Input GL		\$ XX.XX
<b>(2) To Record An Increase In Revenues</b>		
XXXX Input GL	\$ XX.XX	
5100 GAAP Revenue Offset		\$ XX.XX

**WARNING:** System clearing must not have a balance after all transactions have been entered. The transaction codes needed from the above selection are dependent upon the type of correction being made.

Corrections involving *Cash in State Treasury* cannot be backdated. Therefore, accruals must be entered. See the **Revenue Accruals** section for details.

## Estimation of Accounts Payable/Accrued Expenditures

Accounts payable for AFR reporting purposes is defined as a short term liability account reflecting amounts owed under a modified accrual or accrual basis to private persons or organizations for goods and services received by a government but for which the agency has not made payments. Encumbrances are defined as amounts contractually obligated for goods or services as defined in FPP A.019 *Encumbrance Report and Lapsing of Appropriations (APS 018)* at <https://fm.xcpa.state.tx.us/fm/pubs/aps/18/index.php>. Encumbrances differ from payables in that encumbrances are commitments for goods or services made before the end of the reporting period where those goods or services are not received by the end of the reporting period.

For the AFR, the modified accrual or accrual basis of accounting, as appropriate, should be utilized in measuring financial position and operating results. The *Modified Accrual Basis* recognizes expenditures when the fund liability is incurred except for (1) inventories of materials and supplies and (2) prepaid insurance and similar items. The *Accrual Basis* recognizes expenditures in the accounting period in which those transactions, events or circumstances occur and become measurable.

- Governmental fund expenditures should be recognized on the Modified Accrual Basis. Expenditures (except for unmatured interest on general long-term debt) should be recognized in the accounting period in which the fund liability is incurred, if measurable. Unmatured interest on general long-term debt should be recognized when due.
- Proprietary fund expenditures should be recognized on the accrual basis. Expenditures should be recognized in the period incurred, if measurable.
- Fiduciary fund expenditures should be recognized on a full accrual basis.

Determination of accounts payable by state agencies is often related to determining actual expenditures paid after the fiscal year-end. This often results in delaying the preparation of financial statements for financial reporting. Also, accounts payable based on subsequent payments through the FPP A.019 reporting deadline may not be complete for financial reporting purposes.

Generally Accepted Accounting Principles recognize that current liabilities include known obligations, amounts which can only be determined approximately and amounts where specific payee information cannot yet be determined. It is both acceptable and realistic to report accrued expenditures that are estimated.

One of the basic accounting principles accepts and recognizes that strict adherence to principles is not required when the financial report is not materially affected. Use the following guidance to help estimate accounts payable, at fiscal year-end, which will be materially accurate. This process will not be dependent on the subsequent payments made and therefore will not delay report preparation.

Essentially, the agency must determine routine fixed payments and estimate amounts that may fluctuate. Fixed amounts, where applicable, include:

- The August salary payroll and related payroll costs (reported as Other Payables, not Accounts Payable)
- Building space rental
- Equipment rentals
- Maintenance agreements
- Other amounts where the costs are considered consistent from month to month

Other amounts would be estimated. Some of these estimates can be based on trend expectations.

For example, phone usage would normally not fluctuate significantly from month to month. By reviewing phone expenditures paid for the most recent twelve months and determining an average monthly charge, a materially accurate number would become available. This amount would be multiplied times the number of months service was unpaid. This method could be used for any recurring expenditure that would not significantly fluctuate monthly. Some examples include:

- Travel
- Contracted professional fees
- Materials and supplies
- Electricity, gas and water
- Telephone
- Printing and reproduction
- Public assistance payments

Expenditures may have seasonal fluctuations. The agency must determine whether significant expenditures fall or rise at fiscal year-end. Increasing or decreasing the amount accordingly may modify the above estimate. For example, if monthly travel expenditures for the past few years dropped 50% in August, the estimated August payable would be 50% less than the monthly average.

Some agencies may have large dollar amounts that are related to projects or grant programs. The services or goods being supplied may not have a consistent pattern of disbursement. Obtain information directly from those overseeing the projects or programs. Because of the nature and size of these programs, a materially accurate prediction should be available at year-end. Include this estimate in accounts payable.

The Cash Management Improvement Act (CMIA) may result in some agencies having an interest liability or receivable with a federal agency. Make an estimate of the amount and include it as a reportable amount in the financial statements.

In addition to the above, the agency should review its requisitions for capital purchases and other significant goods or services contracted which should be reported as payables. Even though the amount to be paid may differ from the amount of the original requisition, the requisitions in most cases will produce materially accurate results.

Upon completing the analysis, add the elements to determine the full accounts payable reported.

## **Disaggregation of Payable Balances**

Balances of payables reported on the statement of net assets and balance sheet may be aggregations of different components. GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, paragraph 13, requires that governments provide details in the notes to the financial statements when significant components have been obscured by aggregation.

See Note 25 in **Chapter 7 – Requirements for Notes to Financial Statements** for the specific requirement for significant payables and Note 25 in **Chapter 9 – Sample Agency Financial Report** for examples of the note disclosure.

## **USAS Transaction Entries**

### **Expenditures**

#### Appropriated Expenditure Accruals (October 30)

Accrued Expenditures are amounts owed for goods or services actually rendered or received by the agency as of 08/31 for which payments have not been made.

The T-Codes used to record the accounts payable, as detailed in this section, are different from the T-Codes used to record encumbrances per FPP A.019.

Accrued Expenditures should be entered for each appropriation using a PCA that points to the appropriate strategy in USAS. They should be entered with the correct appropriation year and the correct comptroller object. These amounts will be included in the ABEST/USAS Reconciliation for all valid strategies.

**WARNING:** The following entries may be potential ABEST entries. Verify that the PCA points to the appropriate strategy and appropriation. Also see FPP A.013 *Correcting Bookkeeping and Cost Allocation Entries (APS 021)* at <https://fm.xcpa.state.tx.us/fm/pubs/aps/21/index.php>.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL
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**To Record Accrued Expenditures Impacting ABEST at a Document Level**

(1)	4 or 7	1,2,3, 9,T	0831CY	XXX	225	XX	XXXXX	XXXX	\$XX.XX		XXXXX	XXXX	N/A
-----	--------	------------	--------	-----	-----	----	-------	------	---------	--	-------	------	-----

**To Record Accrued Expenditures Impacting ABEST at a Summary Level**

(2)	5,4	U	0831CY	XXX	420	XX	XXXXX	XXXX	\$XX.XX		XXXXX	XXXX	N/A
-----	-----	---	--------	-----	-----	----	-------	------	---------	--	-------	------	-----

Accounting Effect of above entry:

	Debit	Credit
<b>(1) To Record Accrued Expenditures Impacting ABEST at a Document Level</b>		
5501 Expenditure Control – Accrued	\$ XX.XX	
1009 Vouchers Payable		\$ XX.XX

The payment processing system will liquidate this transaction with T-Code 380 and produce the warrant for the vendor. The system will post the payable using an 08/31/CY effective date, but will substitute the current system management date for the cash liquidation that would be in fiscal year 20FY.

	Debit	Credit
<b>(2) To Record Accrued Expenditures Impacting ABEST at a Summary Level</b>		
5501 Expenditure Control – Accrued	\$ XX.XX	
1010 Accounts Payable		\$ XX.XX

USAS will reverse this entry with T-Code 421. The system will post the payable using an 08/31/CY (or 08/32/CY) effective date, but will substitute the current system management date for the system generated reversal entry that would be in fiscal 20FY.

**Recording Payables Using Cost Pools**

Agencies using the *cost pool method* to record expenditures must determine which fund will be used to record a payable prior to the actual recording of it. Payables may be recorded directly in the fund in which the expenditure ultimately belongs, that is, allocated manually. Or they could be recorded in a cost pool as an account payable with an interfund payable recorded in the fund in which the expenditure belongs and an interfund receivable recorded in the fund where the original payable was recorded.

**Review Current Appropriated Expenditures (October 30)**

Record expenditures to the correct appropriation and appropriated fund and with the correct comptroller object. If expenditure reclassifications are necessary to correct one of these elements (e.g., if Pass-through expenditures were not recorded with object code 7614 for state grants or object code 7971 for federal grants) use T-Codes 407/408 before August 31, 20CY.



If the fiscal year has ended, then use T-Codes 467/468 accrued expenditure transfers with a 08/31/CY effective date (or 08/32/CY if entered into USAS after 09/30/CY). The 467/468 accrued expenditure transfer T-Codes generate a reversal and an actual movement of cash with T-Codes 471/472. The system will post the payable using a 08/31/CY effective date (or 08/32/CY date if entered into USAS after 09/30/CY), but will substitute the current system management date for the system-generated reversal and actual movement of cash that would be in fiscal 20FY. Ensure that cash and budget are available for the generated transaction. The 49B screen Appropriation/Object Detail Inquiry will show expenditures by object and appropriation on a cash basis.

For more details regarding Pass-through Expenditures, see the **Interfund Activity** section.

**Using Cost Pools To Record Expenditures**

If you record expenditures in an operating fund during the fiscal year, make reclassifications to the correct GAAP and Appropriated Fund for financial reporting purposes. For example, if you have used one of your appropriated funds to pay expenses which need to be moved to another appropriated fund, you must enter an expenditure transfer at the summarized comptroller object level to move the appropriate expenditures to the new fund.

If you anticipate completing this process before August 31, 20CY, then you may use a transaction code 303/304 to move the cash expenditures. If the fiscal year has ended, then a 366/367 accrued expenditure transfer must be entered with a 08/31/CY effective date (or 08/32/CY if entered into USAS after 09/30/CY). The 366/367 accrued expenditure transfer T-Codes generate a reversal and an actual movement of cash with T-Codes 372/373. Ensure that cash and budget are available for the generated transaction.

**USAS Tip**

The DAFR8700 lists expenditures by PCA for appropriated funds in the State Treasury. It includes the Program Code, Appropriated Fund, Appropriation and Appropriation Year. Many users order this report to review their cash and accrued expenditures.

**Local Fund Expenditures**

Local fund (funds held outside the State Treasury) expenditures can be entered using the following transaction code. The proper expenditure code must be entered on the transaction and a D23 fund that infers appropriated fund 9999.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL
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**To Record Expenditures Paid Out Of Local Funds**

(1)	5,4	U	0832CY	XXX	642	XX	99999	7XXX	\$ XX.XX		XXXXX	XXXX	N/A
-----	-----	---	--------	-----	-----	----	-------	------	----------	--	-------	------	-----

Accounting Effect of above entry:

	Debit	Credit
<b>(1) To Record Expenditures Paid Out Of Local Funds</b>		
5600 GAAP Expenditure Offset	\$ XX.XX	
9999 System Clearing		\$ XX.XX

**Binding Encumbrances (October 30)**

Encumbrances are commitments for services or goods made by 08/31, but where the good or service has **NOT** yet been received. Encumbrances should also be established for actual contracts awarded. Anticipated contracts or contracts under negotiation are not legal commitments and should not be reported as encumbrances. For example, funds dedicated for construction, but not yet specifically awarded as a contract would not be reported as an encumbrance. A reservation of fund balance would be appropriate in this example.

Enter encumbrances with a 08/31/CY effective date (or 08/32/CY if entered into USAS after 09/30/CY). Encumbrances posted to indirect or administrative strategies numbered 3900, 3901, 3903–3905 must be manually allocated to the Direct strategies before USAS data is transferred to ABEST. For additional information, see FPP A.019 *Encumbrance Report and Lapsing of Appropriations (APS 018)* at <<https://fm.xcpa.state.tx.us/fm/pubslaps/18/index.php>>.

**Other Adjustments To Expenditures**

The following transaction codes may be used to adjust expenditures for AFR purposes only. The following T-Codes do not post balance types and will not impact appropriation balances. Any amounts needed for ABEST purposes would require special mapping. Also see FPP A.013 *Correcting Bookkeeping and Cost Allocation Entries (APS 021)* at <<https://fm.xcpa.state.tx.us/fm/pubslaps/21/index.php>>.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL*
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	------	-----------

**To Record An Increase In Expenditures**

(1)	5	U	0832CY	XXX	632	XX	99999	7XXX	\$XX.XX		N/A	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	---------	--	-----	------	------

**To Record A Decrease In Expenditures**

(2)	5	U	0832CY	XXX	633	XX	99999	7XXX	\$XX.XX		N/A	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	---------	--	-----	------	------

\* The allowable GL accounts for the T-Code can be found on the 28B screen.

Accounting Effect of above entry:

	Debit	Credit
<b>(1) To Record An Increase In Expenditures</b>		
5600 GAAP Expenditure Offset	\$ XX.XX	
XXXX Input GL		\$ XX.XX
<b>(2) To Record A Decrease In Expenditures</b>		
XXXX Input GL	\$ XX.XX	
5600 GAAP Expenditure Offset		\$ XX.XX

**WARNING:** System clearing must not have a balance after all transactions have been entered.

Corrections involving Cash in State Treasury cannot be backdated; therefore, accruals must be entered. See **Accrual** section for details.

## Cash in State Treasury – Criteria for AFR

### AFR Cash in State Treasury

It is important that an accurate cash position be presented for the state. The following criteria applies to Cash in State Treasury (CIST):

- The controlling agency for the fund must show the 08/31 USAS balance on the hard copy AFR. The controlling agency is the *report route agency* listed on the USAS Appropriated Fund Profile (D22). The balance to be presented on the controlling agency's report is the 08/31 USAS balance on the Cash Control Summary Inquiry (57) screen rather than general ledger account 0045 on the the General Ledger Summary Inquiry (56) screen. General ledger account 0045 under the controlling agency does not reflect cash activity of non-controlling agencies.
- Non-controlling agencies must not show CIST even if the agency collects money on behalf of the controlling agency. The Cash Control Summary Inquiry (57) screen is not maintained by agency number except for certain funds allowing posting by agency. An example would be the agency funds in listed in Category I (see **Categories of Common Statewide Agency Funds** topic later in this chapter). The non-controlling agencies' cash balance reported should net to zero and equal the total of the balances in General Ledger Accounts 0045, *Cash in State Treasury*, and/or 0047, *Shared Cash*, and/or 0048, *Legislative Cash* (GL 0048 should only be used in Appropriated fund 001).
- Incorrectly reported balances will be considered in noncompliance with the reporting requirements.
- On a monthly basis, reconcile the USAS Cash Control Summary Inquiry (57) screen to the total in USAS GL Accounts 0045, 0047 and 0048. Also identify potential shared cash entries and coordinate between the controlling agency and the non-controlling agency, as needed, for these types of entries.

### Cash Presentation for Fund Types Other than Fund Type 09 (Agency Fund Type)

#### Balance Sheet

- **General Revenue Fund 0001:** Agencies must not show CIST for Appropriated Fund 0001. Instead, agencies with a positive cash balance in fund 0001 must include this amount in Legislative Appropriations. Agency 902 is the controlling agency for fund 0001 and will record the entire 08/31 cash balance as CIST. Agencies should continue to show CIST for consolidated dedicated accounts. For more information, see **Chapter 4 – General Revenue Requirements for Annual Financial Reports** under the topic *Amount as Adjusted – Column M* for the line *Net Change in Cash*.
- **For Shared Funds:** Positive cash balances for the non-controlling agency as well as accrued liabilities must be shown as **Due From Other Agencies**. The controlling agency will show the entire cash balance and a **Due To Other Agencies** to match the **Due From Other Agencies** shown by the non-controlling agency. *The amount of the Due-To/From must be coordinated by the controlling and non-controlling agencies and is subject to the Interfund Activities deadline.* See **Shared Funds** later in this chapter.

#### Operating Statement

- On the AFR, record revenue recognition for actual collections that support agency operations by the collecting agency regardless of the fund in which the collections were made. For example, agencies receiving federal funds directly from the federal government and depositing the money into fund 0001 must recognize federal revenue on their AFR even if they are not the controlling agency. The controlling agency will not recognize the revenue.

- For shared funds, the non-controlling agency must show a **Transfer In** equal to cash expenditures and accruals. The controlling agency must show a **Transfer Out** for the same amount. **These amounts must be coordinated by the controlling and non-controlling agencies and are subject to the Interfund Activities deadline. No exceptions will be made to this rule.** See the “Shared Funds” topic in this chapter.
- Agencies that have committed fund 0001 (i.e., an appropriation for general revenue not supported by agency collections) will show the following on separate lines:
  - Original Legislative Appropriations calculated as committed revenue less rider reductions
  - Additional appropriations to cover fringe benefits funded by an oversight agency

### **Timing of Increases/Decreases to Cash**

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- For agencies not using USAS as their internal accounting system of record for reporting purposes, there may be timing differences from the amount in USAS for *Cash in State Treasury*. The amounts attributable to timing differences should be reported as either receivables or payables on their annual financial report.
- Reductions to cash are recognized according to the warrant date posted to USAS. If an agency has submitted a voucher for payment, but the warrant has not yet been posted to USAS, that disbursement should be shown as a payable.
- Increases to cash are recognized according to the effective date of the deposit into the Treasury. Cash on hand or accounts receivable should be shown if cash is not reported as deposited.
- Agencies **are required to** reconcile their USAS Cash in State Treasury to their internal accounting system **monthly**. The DAFR 8660 Fund Cash History by Agency Including Shared Funds reports USAS cash transactions to agencies that control the appropriated fund. The reconciliation starts with the DAFR 8660 ending balance, adds deposits in transit, subtracts vouchers in transit to reconcile to the internal system balance.

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**Attention:** These procedures do not affect the recognition of revenues and expenditures. These continue to be recognized at the time goods or services are received or given.

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# Shared Funds

## Introduction

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A number of state funds are appropriated for use by more than one agency. These funds are called *shared funds*. These procedures ensure Cash in State Treasury is not double-counted and all shared fund activity is reported by the appropriate agency.

## Definitions

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### Controlling Agency

The controlling agency is the agency required to reconcile the entire cash activity for the fund and report the Cash in State Treasury balance on the Annual Financial Report. The amount reported should also be reconciled to the Texas Annual Cash Report.

To determine the controlling agency for a shared fund, refer to the *Comptroller's Manual of Accounts* or the *report route agency* listed on the USAS Appropriated Fund Profile (D22) screen.

### Non-Controlling Agency

A Non-Controlling Agency is any other state agency authorized to spend money from a shared fund but is not the controlling agency. The agency should not report the shared Cash in State Treasury balance on the Annual Financial Report.

## Requirements

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### Controlling Agency Requirements

All amounts in this section must be coordinated by the controlling and non-controlling agencies and are subject to the Interfund Activities deadline.

#### Statement of Revenues and Expenditures

The controlling agency should account for the non-controlling agencies' activities by reporting them as Other Financing Uses, *Transfers-Out* to Non-Controlling Agencies. This amount equals the Cash in State Treasury activity less any cash transfers already recorded and any year-end accruals recorded by the Non-Controlling Agency. However, some agencies will report the non-controlling agencies' activities as state pass-throughs or other operating revenue.

#### Balance Sheet

The controlling agency is the agency responsible for reporting the entire 08/31 (USAS) Cash in State Treasury balance. The total to be presented on the report is the 08/31 USAS balance on the USAS Cash Control Summary Inquiry (57) screen. See **Cash in State Treasury** in this chapter. Other balance sheet accounts should only reflect the accounts of the controlling agency. Do not attempt to account for any balance sheet accounts of non-controlling agencies.

The controlling agency accounts for the year-end accruals recorded by the non-controlling agency by reporting them as a Due-To.

## Non-Controlling Agency Requirements

All amounts in this section must be coordinated by the controlling and non-controlling agencies and are subject to the Interfund Activities deadline.

### Statement of Revenues and Expenditures

The non-controlling agencies report activities out of shared funds as actual revenues and expenditures. The actual revenues and expenditures should reflect year-end accruals and deferrals (i.e. receivables, deferred revenues and payables must be reported).

Transfers-In must be reported in the amount of cash and accrued transactions incurred by the agency. The Transfer-In should equal the amount reported as a Transfer-Out by the controlling agency, (see “Controlling Agency Requirements”). However, depending on the comptroller object used, the amount could be an operating transfer, a state pass-through or other operating revenue.

### Balance Sheet

There should not be cash balances reported since the controlling agency is reporting the entire cash balance for the fund. Any cash balance should be reclassified with a shared cash adjustment (see example below). The non-controlling agency will account for the year-end accruals reported as payables by offsetting them with a Due-From. Encumbrances of the non-controlling agency should continue to be reported as a reservation of fund balance within governmental fund types.

### Example: Shared Cash Adjustment

For Exhibit I, there should be no fund cash balances after the shared cash and transfer out adjustment. A receivable must offset any remaining accounts payable. This requires the accrual of a Due-From. The Due-From must match the Due-To amount reported by the controlling agency.

For example, during the year the non-controlling agency received a cash transfer in of \$45,000, had cash expenditures of \$40,000 and, at year-end, accrued expenditures of \$10,000.

	Before AJE	AJE for Cash Activity <sup>1</sup>	AJE for Accruals <sup>2</sup>	AFR Balances
Cash in State Treasury	5,000			5,000
Shared Cash	0	(5,000)		(5,000)
Total Cash	5,000	(5,000)		0
Due-From	0		10,000	10,000
Total Assets	5,000	(5,000)	10,000	10,000
Accounts Payable	10,000			10,000
Fund Balance	(5,000)	(5,000)	10,000	0
Total Liab. & FB	5,000	(5,000)	10,000	10,000
<b>Statement of Rev/Exp.</b>				
Revenues	0			0
Expenditures	(50,000)			(50,000)
Revenues over Expenditures	(50,000)			(50,000)
Transfers In	45,000		10,000	55,000
Transfers Out	0	(5,000)		(5,000)
Fund Balance	(5,000)	(5,000)	10,000	0

- 1 The agency had a positive cash balance of \$5,000 after expenditures at the end of the year. The agency should record a transfer out of \$5,000 from the non-controlling agency to the controlling agency and offset the transfer out with shared cash.
- 2 The agency recorded accruals for expenditures of \$10,000 at year-end. A transfer in and a Due-From of \$10,000 from the controlling agency to the non-controlling agency should be made.

**Attention:** If the agency had not received cash transfers greater than actual cash expenditures, the Cash in State Treasury balance before adjustment would have been negative. With a negative balance, the adjustment for cash activity would have been to record a transfer in and an increase to shared cash.

### Agency Coordination

The recording of transfers and Due-To/From are required to be coordinated between the controlling agency and each of the non-controlling agencies and are subject to the Interfund Activities deadline so that Transfers-In are equal to Transfers-Out and Due-To /Due-From accounts are equal. This includes the accrual for expenditures. The coordination for recording purposes may be done on a regular basis as determined by the controlling agency but must be coordinated at least annually during the preparation of the Annual Financial Report.

### Determining the Appropriated Cash Balance of a Shared Fund

Shared Cash adjustments are used so that the controlling or administering agency accurately reports the total appropriated fund Cash in the State Treasury. The controlling agency reports the entire balance in the appropriated fund and a non-controlling agency reports a zero balance.

General ledger account 0045 Cash in State Treasury cannot be adjusted for fiscal 20CY after 08/31/CY. Therefore, the shared cash general ledger account of 0047 is used for adjustments to Cash in the State Treasury. Adding Shared Cash and Cash in State Treasury achieves the desired results. Shared Cash may be either a positive or negative amount.

The Cash in State Treasury balance in the appropriated fund can be found by inquiring on the Cash Control Summary Inquiry (57) screen. The Fund Cash Bal is the amount to be reported by the controlling agency. Inquire as shown below to obtain the balance. The Agency field must be left blank. The AY field should be left blank to recall the balance for all AY's and the Inq Year field should have the last two digits of the current year. The Available Cash Balance has been reduced by Cash Reserved for Payroll, but these funds are still in the Treasury and should be reported. The inquiry month of 08 is August or the calendar month. The DAFR8660 Fund Cash History by Agency Including Shared Funds Report can be requested to provide complete detail of the activity in a fund for the Controlling Agency. Refer to the *USAS User's Manual* or the *USAS Reports Guide* for detailed instructions on this report.

TEXAS S057	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 03:19 PM			
LINK TO:	CASH CONTROL SUMMARY INQUIRY	PROD			
<b>AGENCY:</b>	<b>APPR FUND: 0200 FUND:</b>	<b>AY:</b>			
INQ TYPE: CB	(MA, PA, YA, CB, PY, PP)				
INQ YEAR: CY	INQ MONTH: 08	AVAIL CASH BAL: 4,112,061.50			
		FUND CASH BAL: 4,140,192.22			
BT	TITLE	AMOUNT	BT	TITLE	AMOUNT
12	CASH REVENUES	26,878,860.94			
15	CASH EXPEND	22,737,906.79			
16	CASH RSRVD - PAYR	28,130.72			
21	CASH TRNSFR OUT	761.93			

The General Ledger Summary Inquiry (56) screen represents the amount for Cash in State Treasury associated with a particular agency's general ledger. This amount may also be obtained from the DAFR8920 Trial Balance report. Determine these general ledger balances in order to enter year-end shared cash adjustments to USAS. You may inquire on the shared cash general ledger account 0047 similarly. The two following screen prints are for the same appropriated fund. The first is for the controlling agency and the second is for Agency 902. Note that there are blanks in the Fund field, therefore reflecting the balance for all D23 Funds in the appropriated fund.

TEXAS S056		UNIFORM STATEWIDE ACCOUNTING SYSTEM		MM/DD/YY 03:31 PM	
LINK TO:		GENERAL LEDGER SUMMARY INQUIRY		PROD	
AGY: 700 FY: CY APPD FUND: 0200 FUND:		COMP/AGY GL: 0045			
GL TITLE: CASH IN STATE TREASURY					
COMP/AGY OBJ:		AY:	APPN:	NAC SUBFUND:	
	DEBIT		CREDIT		ENDING BALANCE
PY BAL					7,069,426.93
SEP	2,778,523.10		3,282,160.74-		6,565,789.29
OCT	16,399.65		75,883.98-		6,506,304.96
NOV	495,502.80		469,055.23-		6,532,752.53
DEC	872,456.88		0.00		7,405,209.41
JAN	793,439.32		0.00		8,198,648.73
FEB	132,618.70		0.00		8,331,267.43
MAR	267,070.51		3,469,195.72-		5,129,142.22
APR	207,708.36		0.00		5,336,850.58
MAY	226,329.65		1,087,468.57-		4,478,711.66
JUN	88,033.23		0.00		4,566,744.89
JUL	24,367.31		0.00		4,591,112.20
AUG	3,013,953.89		2,973,514.71-		4,631,551.38
ADJ	0.00		0.00		<u>4,631,551.38</u>

TEXAS S056		UNIFORM STATEWIDE ACCOUNTING SYSTEM		MM/DD/YY 03:33 PM	
LINK TO:		GENERAL LEDGER SUMMARY INQUIRY		PROD	
AGY: 902 FY: CY APPD FUND: 0200 FUND:		COMP/AGY GL: 0045			
GL TITLE: CASH IN STATE TREASURY					
COMP/AGY OBJ:		AY:	APPN:	NAC SUBFUND:	
	DEBIT		CREDIT		ENDING BALANCE
PY BAL					367,159.16-
SEP	0.00		0.00		367,159.16-
OCT	0.00		124,200.00-		491,359.16-
NOV	0.00		0.00		491,359.16-
DEC	134.68		0.00		491,224.48-
JAN	18,499.63		0.00		472,724.85-
FEB	763.71		0.00		471,961.14-
MAR	00.00		0.00		471,961.14-
APR	8,908.34		0.00		463,052.80-
MAY	0.00		0.00		463,052.80-
JUN	0.00		28,306.36-		491,359.16-
JUL	0.00		0.00		491,359.16-
AUG	0.00		0.00		491,359.16-
ADJ	0.00		0.00		<u>491,359.16-</u>

The amount reflected in agency 700's general ledger, as shown on the General Ledger Summary Inquiry (56) screen for agency 700, for appropriated fund 0200 equals \$4,631,551.38. Agency 902 USAS General Ledger Summary Inquiry (56) screen shows a balance for miscellaneous claims, judgments or other payments of (\$491,359.16) in this fund. This reconciles to the preceding Cash Control Summary Inquiry (57) screen amount as follows:

Agency 700	4,631,551.38	
Agency 902 (Comptroller)	<u>(491,359.16)</u>	
Net Activity for all agencies	<u>4,140,192.22</u>	agrees to 57 screen on previous page
	=====	

The DAFR8660 is available to agencies and reflects the same activity on a monthly basis at the document level.



## USAS Tip

The General Ledger Summary Inquiry (56) screen is not updated when a transaction is entered to USAS in edit mode 2. This screen is only updated during the batch overnight cycle.

### Determining Shared Cash Entries

There are a variety of ways that shared cash can be reported. Agencies vary in their reporting on the AFR and in USAS. The reason for the various methods is due to legislative requirements, daily operations and internal policy at a particular agency. This section is not designed to address all shared cash scenarios; however, this section is designed to give agencies an idea of the most common shared cash entries made in the state.

There are scenarios in which an agency cannot enter a shared cash transaction to USAS because the entry uses a balancing T-Code and is between two agencies. These entries should be written up and submitted to the agency's financial reporting analyst before the Interfund Activities deadline. Submit the entries to the Comptroller's office allowing time so the analyst can enter the transaction and the agency can rerun reports to ensure the entry had the desired effect. If an agency has a question about the reporting of their fund, contact your financial reporting analyst.

The following scenarios are typical for shared cash:

- 1** The non-controlling agency spends money out of a shared fund and does not collect any revenue. The non-controlling agency would need to report a Due From and a Transfer In for the amount of the expenditures (cash and accrued). The same amount is recorded by the controlling agency as a Due To and a Transfer Out. The USAS accounting event can be performed by using the RTI process with T-Codes 475 and 476.
- 2** Non-controlling agency spends money out of a shared fund and collects revenue for all of their expenditures. The non-controlling agency recognizes revenue for the collections and applicable expenditures. Cash in State Treasury showing on the General Ledger Summary Inquiry (56) screen for the non-controlling agency is offset with shared cash in USAS and replaced with a Due From the controlling agency. The controlling agency records Shared Cash to increase their Cash in State Treasury to equal the General Ledger Summary Inquiry (56) screen and offset it with a Due To the non-controlling agency. The T-Codes for these entries are 662/663 to record the Due To/Due From transaction and the T-Codes 646/647 to record the shared cash offsets. These entries will have to be entered centrally since they cross agencies. Please write up the entry and submit it to your financial reporting analyst by September 20.
- 3** Non-controlling agency spends money out of a shared fund and only collects a portion of the revenue for their expenditures. For the portion collected, the scenario in item 2 is followed and for the portion not collected, item 1 is followed.

Depository Interest Default Funds

Appropriated funds in the State Treasury which are interest bearing have an agency level fund (D23) numbered in the 8000 series associated with them. The sum of the D23 level funds will equal the correct balance in the Treasury. The two GL Summary Inquiry screens shown below are reflective of the D23 Fund balances for Fund 0200 and 8200, respectively.

TEXAS S056		UNIFORM STATEWIDE ACCOUNTING SYSTEM		MM/DD/YY 03:59 PM
LINK TO:		GENERAL LEDGER SUMMARY INQUIRY		PROD
AGY: 700 FY: CY APPD FUND: 0200 FUND: 0200		COMP/AGY GL: 0045		
GL TITLE: CASH IN STATE TREASURY				
COMP/AGY OBJ:		AY:	APPN:	NAC SUBFUND:
	DEBIT		CREDIT	ENDING BALANCE
PY BAL				6,245,163.74
SEP	2,750,846.73		3,282,160.74-	6,245,163.74
OCT	0.00		75,883.98-	6,169,279.76
NOV	469,055.23		469,055.23-	6,169,279.76
DEC	846,020.86		0.00	7,015,300.62
JAN	765,050.68		0.00	7,780,351.30
FEB	99,783.56		0.00	7,880,134.86
MAR	234,451.68		3,469,195.72-	4,645,390.82
APR	207,708.36		0.00	4,853,099.18
MAY	183,519.27		1,087,468.57-	3,949,149.88
JUN	68,833.58		0.00	4,017,983.46
JUL	4,248.95		0.00	4,022,232.41
AUG	2,993,761.25		2,973,514.71-	4,042,478.95
ADJ	0.00		0.00	4,042,478.95

TEXAS S056		UNIFORM STATEWIDE ACCOUNTING SYSTEM		MM/DD/YY 04:05 PM
LINK TO:		GENERAL LEDGER SUMMARY INQUIRY		PROD
AGY: 700 FY: CY APPD FUND: 0200 FUND: 8200		COMP/AGY GL: 0045		
GL TITLE: CASH IN STATE TREASURY				
COMP/AGY OBJ:		AY:	APPN:	NAC SUBFUND:
	DEBIT		CREDIT	ENDING BALANCE
PY BAL				292,9849.18
SEP	27,676.37		0.00	320,625.55
OCT	16,399.65		0.00	337,025.20
NOV	26,114.57		0.00	363,472.77
DEC	26,436.02		0.00	389,908.79
JAN	28,388.64		0.00	418,297.43
FEB	32,835.14		0.00	451,132.57
MAR	32,618.83		0.00	483,751.40
APR	0.00		0.00	483,751.40
MAY	45,810.38		0.00	529,561.78
JUN	19,199.65		0.00	548,761.43
JUL	20,118.36		0.00	568,879.79
AUG	20,192.64		0.00	589,072.43
ADJ	0.00		0.00	589,072.43

The sum of the above General Ledger Summary Inquiry screens agrees with the screen print (two pages previous) for agency 700 that reflects the balance in the fund at the Appropriated Fund level.

D23 Fund 0200, Appropriated Fund 0200	4,042,478.95
D23 Fund 8200, Appropriated Fund 0200	<u>589,072.43</u>
Appropriated Fund 0200 Total Cash	<u>4,631,551.38</u>

Cash is held, vouchers are paid and interest is earned in the State Treasury at the Appropriated Fund level; therefore, agencies are not required to transfer balances from the 8000 series D23 fund to the 0200 series fund. However, the Comptroller's office **recommends** that an agency maintain the balances in the same D23 fund.

# Agency Funds

## Definition and Purpose

Agency funds are used to account for the assets held for distribution by the State as an agent for another entity, for which the government has custodial responsibility and account for the flow of assets. Agency funds are custodial in nature and do not involve measurement of operations and provide the most appropriate mechanism for accounting for assets and liabilities.

Per GASB 34, paragraph 111;

*“when an agency fund is used as a clearing account, any assets that are held in the agency fund at the reporting date pending distribution to other funds should not be reported as an agency fund.”*

Accordingly, assets held for other funds or agencies should not be reported in fiduciary funds, but rather in governmental or proprietary funds, as appropriate.

The Comptroller’s office was unable to convert the Suspense Fund 0900 to a separate fund type for operational reasons related to the automated systems in place between the agencies and the Treasury Operations. **This requires agencies to clean out the cash balances in their suspense fund throughout the year and especially at the end of the year.** If agencies do not clear out these balances before fiscal year-end, the amounts must be reversed out of fund type 09 and recorded to the other appropriate fund type (most often fund type 01).

Universities must set up their GAAP agency funds as fund type 05 in USAS because all of their funds are considered enterprise funds.

## Distinguishing Characteristics

### Basis of Accounting

In a GAAP agency fund, assets equal liabilities. There are no revenues, expenses or fund balances because the assets do not belong to the reporting entity. GAAP agency funds are reported under GAAP fund type 09. **Revenue /Expenses must be zero at the GAAP source/object level** in order to facilitate upload into year-end processes.

The basis of accounting is the accrual basis on the fund financial statements. Therefore, receivables and liabilities must be recognized.

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**Attention:** A GAAP agency fund is reported or profiled as fund type 09 – agency funds. This is not to be confused with the USAS D23 Fund, sometimes referred to as “agency fund”, which can be profiled to any fund type.

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### Statement Preparation

Agencies are required to submit the Combined Statement of Fiduciary Net Assets – Fiduciary Funds (**Exhibit VI**) and the Combining Statement of Changes in Assets and Liabilities – Agency Funds (see **Exhibit J-1** in chapter 9).

If there are other fiduciary funds such as pension and other employee benefit trust, private-purpose trust or external investment trust, include them on the Combined Statement of Fiduciary Net Assets – Fiduciary Funds and the Combined Statement of Changes in Fiduciary Net Assets Fiduciary Funds for all fiduciary fund types (see Exhibit VI and VII). In all cases, identify each GAAP fund shown as a GAAP agency fund by GAAP fund name and fund number.

## Categories of Common Statewide Agency Funds

You may use the following categories to determine the proper reporting of agency funds.

**Category I** – The first category should be included in an agency’s AFR, because cash is controlled at the agency D23 fund level. Cash balances can be obtained on the General Ledger Summary Inquiry (56) screen and the Agency/Fund Summary Inquiry (58) screen. Cash in the State Treasury and all other GL accounts should be reported for these funds. Category I includes:

Appropriated Fund Number	Fund Name
0900*	Departmental Suspense
0901	US Savings Bond Account
0942**	TexaSaver Hold – Transmit 401k
0980**	Direct Deposit Correction Account

*\*If fund (0900), the Departmental Suspense Fund is used as a clearing account to distribute financial resources to other funds of the government, the portion of the clearing account balance that pertains to other funds should not be reported in agency funds. If material, the amounts will need to be reclassified out of the fund type 09 and recorded in the appropriate fund type. Funds being held for an outside entity will remain as an agency fund.*

*\*\*If the only assets are Account Receivable and the only liabilities are Funds Held for Others in Funds 0942 and 0980, these accounts must be eliminated in USAS and the funds not reported in the AFR.*

If there is Cash in State Treasury balance (GL 0045), this amount must be reported in the AFR.

**Category II** – The second category is where the controlling agency reports the Cash in State Treasury (GL 0045). Therefore, any CIST (Cash in State Treasury) balances on the non-controlling agency’s books should be eliminated at year-end along with the corresponding balances in Funds Held for Others. If the agency has any additional accrual entries, the agency will need to coordinate this activity with Agency 902. Agencies should not report any activity for these funds. Material accrued balances for these funds will need to be reported by Agency 902 as accounts receivable or accounts payable and revenue or expense. Category II includes:

Appropriated Fund Number	Controlling Agency
0001	902
0882	902

**For Appropriated Fund 0001 receipts collected on behalf of the state (Agency 902), it is important that the D23 fund where the receipts reside infers GAAP fund 1000, Appropriated Fund 0001, FT09. The appropriation number must be 99906. Collections in this coding block will be electronically swept from the collecting agency to Agency 902 on 08/31. Agency 902 will recognize revenue in its Annual Financial Report.**

**Note:** When the money is swept, the balances will be eliminated for the non-controlling agency in USAS and allow Agency 902, the controlling agency for Appropriated Fund 0001, to report the cash and revenue.

**For Appropriated Fund 0882, it is important that the GAAP fund be 0882, FT09, appropriation number 99907. Collections in this coding block will also be electronically swept to Agency 902 on 08/31.**

**Category III** – The third category is controlled and reported exclusively by the Comptroller’s office. No activity for these funds should be reported by the individual agencies at year-end. All balances should be eliminated, including Cash in State Treasury and Payables/Receivables. Category III includes:

Appropriated Fund Number	Fund Name
0979	Direct Deposit Hold – Transmit Acct – Payrolls
9010	Direct Deposit Hold – Supplemental Payrolls
9011	Direct Deposit Hold – Non-IRS Deductions
9012	Direct Deposit Hold – IRS Deductions

**All Other Agency Funds**

All other funds under agency control and not specifically mentioned above should also be identified by GAAP fund name and number in a separate column.

Securities held by the agency, or the Treasury, for third parties (e.g. used as collateral, or bonding arrangements) should be reported as “Other Assets.” The offsetting liability will be included with “Funds Held for Others.” These amounts should not be reported in the Deposit and Investment Note.

The Treasury provides banking or trust services for many agencies. In most cases, however, the agency should report the assets held. Exercise of control and administration decisions regarding these assets should be the primary considerations for delegating reporting responsibility. Reporting of these assets by the state must be assured.

**Common USAS Entries for Agency Funds**

**Eliminating Revenues and Expenses in GAAP Fund Type 09**

Eliminate revenues and expenses at the **GAAP source/object level** for GAAP agency funds (fund type 09). According to GAAP, it is inappropriate to report GAAP agency fund types (fund type 09) with net operating statement activity. Often the wrong T-Code is used during the deposit of cash. This will require cleanup of USAS since the operating statement impact should not be reported in the AFR.

In order to determine which funds have revenue and expense activity for the year, the DAFR8585 may be ordered and reviewed. If you need further assistance in identifying the proper COBJs to use, please contact your financial reporting analyst.

All operating statement activity must be eliminated at the GAAP Source Object with the following generic T-Codes:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	COBJ **	PCA	Amount	R	Appn No	Fund	Input GL *
--------	------------	----------	----------	---------	----	----	---------	-----	--------	---	---------	------	------------

**To Reverse Operating Statement Activity**

(1)	5	U	0832CY	XXX	630 to 633	XX	XXXX	99999	\$ XX.XX		N/A	XXXX	XXXX
-----	---	---	--------	-----	------------	----	------	-------	----------	--	-----	------	------

**To Correct the Balance Sheet**

(2)	5	U	0832CY	XXX	644 to 645	XX	N/A	99999	\$ XX.XX		N/A	XXXX	XXXX ***
-----	---	---	--------	-----	------------	----	-----	-------	----------	--	-----	------	----------

\* Analyze the 28A screen to determine which T-Code to input, depending on which GL needs to be debited or credited.

\*\* Agencies can use the CR-122 query or PCU 139 query to identify the COBJ to use.

\*\*\* Input the most appropriate general ledger account. This is usually Funds Held for Others (1149).

The Accounting Effect of the above entries depends on the T-Codes and comptroller objects selected. However, System Clearing must not have a balance after all transactions have been entered. The transaction codes needed from the above selection depend on the type of correction being made.

### Accrue Assets and Funds Held for Others Balances

If an agency has accruals to set up, the agency should use the reversing T-Code 109 or reversing generic T-Codes 646 and 647. Due to/from T-Codes and descriptions can be found in chapter 5.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL *
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	------	------------

#### To Record An Asset In A GAAP Agency Fund

(1)	5	U	0832CY	XXX	109**	XX	XXXXX	N/A	\$ XX.XX		XXXXX	XXXX	XXXX
-----	---	---	--------	-----	-------	----	-------	-----	----------	--	-------	------	------

\* The allowable GL accounts for this T-Code can be found on the 28B screen.

\*\* USAS automatically reverses T-Code 109 with T-Code 110 using the current system management date.

Accounting Effect of above entries:

	Debit	Credit
<b>(1) To Record An Asset In A GAAP Agency Fund</b>		
XXXX Input GL	\$ XX.XX	
1149 Funds Held For Others		\$ XX.XX

### Eliminating Accounts Receivable and Funds Held for Others in an Agency Fund

If a fund falls into one of the categories that should not be reported, the activity must be eliminated for the balance sheet. It is possible that the balance sheet activity must be eliminated with reversing generic T-Codes. For instance, the activity that is produced by USPS will automatically reverse in the current year. Thus, the reversing generic T-Codes 646/647 are the most appropriate.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC **	AY	PCA	Amount	R	Appn No	Fund	Input GL *
--------	------------	----------	----------	---------	-------	----	-----	--------	---	---------	------	------------

#### To Reverse Agency Fund Balance that is a Credit

(1)	5	U	0832CY	XXX	646	XX	99999	\$ XX.XX		N/A	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	----------	--	-----	------	------

#### To Reverse Agency Fund Balance that is a Debit

(2)	5	U	0832CY	XXX	647	XX	99999	\$ XX.XX		N/A	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	----------	--	-----	------	------

\* The allowable GL accounts for this T-Code can be found on the 28B screen.

\*\* Both T-Codes 646 & 647 will reverse in the following accounting period.

Accounting Effect of above entries:

	Debit	Credit
<b>(1) To Reverse Agency Fund Balance that is a Credit</b>		
XXXX Input GL	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(2) To Reverse Agency Fund Balance that is a Debit</b>		
9999 System Clearing	\$ XX.XX	
XXXX Input GL		\$ XX.XX

**Eliminating Activity in GAAP Fund 1000 on the Agency AFR and Reporting the Activity on 902’s AFR**

Agencies cannot report Cash in the State Treasury for the Sweep account in FT09 because Agency 902 should report the amounts in FT01 (see **Categories of Common Statewide Agency Fund; Category II** previously in this chapter). Agency 902, will set up a D23 fund that points to GAAP fund 1000, Appropriated fund 0001, FT01. When agencies do not use the appropriation number 99906 when depositing cash, the August 31 sweep does not eliminate this cash. For any cash balance in this fund, the agency will need to coordinate with Agency 902 in order to agree upon the amount of cash to be eliminated and the appropriate revenue comptroller object code (COBJ) to be used by Agency 902. Agencies will reverse their cash and funds held for others balance to zero and Agency 902 will report this activity in their fund type 01 with the appropriate revenue object code.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	Amount	R	COBJ	Fund	Input GL *
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**Agency’s Entry:**

To record decrease in Shared Cash in FT09

(1)	5	U	0832CY	XXX	647	XX	99999	\$ XX.XX		N/A	XXXX	0047
-----	---	---	--------	-----	-----	----	-------	----------	--	-----	------	------

To record decrease in Funds Held for Others in FT09

(2)	5	U	0832CY	XXX	646	XX	99999	\$ XX.XX		N/A	XXXX	1149
-----	---	---	--------	-----	-----	----	-------	----------	--	-----	------	------

\* The allowable GL accounts for this T-Code can be found on the 28B screen.

**Agency 902 will do the following entries:**

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	Amount	R	COBJ	Fund	Input GL *
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To record increase in Shared Cash in FT01

(3)	5	U	0832CY	902	646	XX	99999	\$ XX.XX		N/A	XXXX	0047
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To record GAAP Revenue

(4)	5	U	0832CY	902	658	XX	99999	\$ XX.XX		XXXX	XXXX	9999
-----	---	---	--------	-----	-----	----	-------	----------	--	------	------	------

\* The allowable GL accounts for this T-Code can be found on the 28B screen.

Accounting Effect of above entries:

Agency’s Entry	Debit	Credit
<b>(1) To record a decrease in Cash in FT09</b>		
9999 System Clearing	\$ XX.XX	
0047 Shared Cash		\$ XX.XX
<b>(2) To record a decrease in Funds Held for Others in FT09</b>		
1149 Funds Held for Others	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>Agency 902</b>		
<b>(3) To record Shared Cash</b>		
0047 Shared Cash	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(4) To record GAAP Revenue</b>		
9999 System Clearing	\$ XX.XX	
5100 GAAP Revenue Offset		\$ XX.XX

### Reclassing Material Cash Balances that remain in Suspense Fund FT09 at Fiscal Year-End

In USAS, the GAAP fund 0900 in Agency fund type 09 is usually the suspense fund. This suspense fund FT09 is used as a clearing account to distribute financial resources to other funds of the agency as well as other entities. Per GASB 34, paragraph 111; and GASB 34 Implementation Guide, question 225, the suspense fund FT09 has a “pooled” asset account for the financial resources that belong to other funds of the agency. As such, the material assets (cash) in the suspense fund FT09 that belong to other funds of the agency should be reported as assets in the appropriate fund type.

Because USAS has a hard cash close, any cash balance remaining in the suspense fund FT09 at current fiscal year-end will be moved during the following fiscal year. In accordance with GASB 34, material asset balances in suspense fund FT09 represent resources of other funds.

Agencies are required to report those **material** balances in the most appropriate fund type (usually fund type 01). In order to comply with this requirement, agencies need to:

- 1) Set up a USAS D23 fund that points to GAAP/Appropriated Fund 0900, FT01, or whatever fund type is appropriate (suspense fund that is not FT09).
- 2) Enter the following transactions using reversing generic T-Codes to suspense fund FT09. This will negate the Cash in State Treasury (CIST) and Funds Held for Others.
- 3) Enter the following transactions using reversing generic T-Codes to suspense fund FT01 (or most appropriate fund type). This will report Shared Cash and the most appropriate revenue comptroller object code in the suspense fund that is not FT09.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	Amount	R	Cobj	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	--------	---	------	------	----------

**To record decrease in Shared Cash in FT09**

(1)	5	U	0832CY	XXX	647	XX	99999	\$ XX.XX		N/A	0900	0047
-----	---	---	--------	-----	-----	----	-------	----------	--	-----	------	------

**To record decrease in Funds Held for Others in FT09**

(2)	5	U	0832CY	XXX	646	XX	99999	\$ XX.XX		N/A	0900	1149
-----	---	---	--------	-----	-----	----	-------	----------	--	-----	------	------

**To report the increase in Shared Cash in FT01 (or most appropriate fund type)**

(3)	5	U	0832CY	XXX	646	XX	99999	\$ XX.XX		N/A	XXXX*	0047
-----	---	---	--------	-----	-----	----	-------	----------	--	-----	-------	------

**To report the GAAP Revenue Offset**

(4)	5	U	0832CY	XXX	658	XX	99999	\$ XX.XX		XXXX	XXXX*	9999
-----	---	---	--------	-----	-----	----	-------	----------	--	------	-------	------

\* This will be the fund number established to point to GAAP fund 0900 in other than a fund type 09. T-Codes 646, 647 and 658 reverse in 20FY.

Accounting Effect of above entries:

	<u>Debit</u>	<u>Credit</u>
<b>(1) To record a decrease in Cash in FT09</b>		
9999 System Clearing	\$ XX.XX	
0047 Shared Cash		\$ XX.XX
<b>(2) To record a decrease in Funds Held for Others in FT09</b>		
1149 Funds Held for Others	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(3) To report Shared Cash with appropriate fund type</b>		
0047 Shared Cash	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(4) To report Revenue with appropriate fund type and COBJ</b>		
9999 System Clearing	\$ XX.XX	
5100 GAAP Revenue Offset		\$ XX.XX

**WARNING:** System clearing must not have a balance after all transactions have been entered. The transaction codes needed from the above selection are dependent upon the type of correction being made.



Once the **material** balance of assets is in the appropriate suspense fund that is not FT09, agencies must consider in which column of their AFR the revenue is reported. Agencies can either:

- 1) leave the **revenue** in this suspense fund that is not FT09, or
- 2) move the **revenue** to the fund into which the cash will be moved during the following fiscal year. If the agency decides to move the revenue, it needs to record a Due To/ From between the suspense fund that is not FT09 and the fund into which the cash will be moved to during the following fiscal year using reversing generic T-Codes.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	Amount	R	Cobj	Fund	Input GL
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**To remove the Revenue from the suspense fund that is not FT09**

(1)	5	U	0832CY	XXX	658	XX	99999	\$ XX.XX	R	XXXX	XXXX*	999
-----	---	---	--------	-----	-----	----	-------	----------	---	------	-------	-----

**To report the Due To in the suspense fund that is not FT09**

(2)	5	U	0832CY	XXX	663	XX	99999	\$ XX.XX		XXXX	XXXX*	1053
-----	---	---	--------	-----	-----	----	-------	----------	--	------	-------	------

**To report the Revenue in the fund into which the cash will be moved during the following fiscal year**

(3)	5	U	0832CY	XXX	658	XX	99999	\$ XX.XX		XXXX	XXXX	9999
-----	---	---	--------	-----	-----	----	-------	----------	--	------	------	------

**To report the Due From in the fund into which the cash will be moved during the following fiscal year**

(4)	5	U	0832CY	XXX	662	XX	99999	\$ XX.XX		XXXX	XXXX	0283
-----	---	---	--------	-----	-----	----	-------	----------	--	------	------	------

\* This will be the fund number established to point to GAAP fund 0900 in other than a fund type 09. T-Codes 646, 647 and 658 reverse in 20FY.

Accounting Effect of above entries:

	Debit	Credit
<b>(1) To remove the Revenue from the suspense fund that is not FT09</b>		
5100 GAAP Revenue Offset	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(2) To report the Due To in the suspense fund that is not FT09</b>		
9999 System Clearing	\$ XX.XX	
1053 Due To Other Funds		\$ XX.XX
<b>(3) To report the Revenue in the fund into which the cash will be moved during the following fiscal year</b>		
9999 System Clearing	\$ XX.XX	
5100 GAAP Revenue Offset		\$ XX.XX
<b>(4) To report the Due From in the fund into which the cash will be moved during the following fiscal year</b>		
0283 Due From Other Funds	\$ XX.XX	
9999 System Clearing		\$ XX.XX

**WARNING:** System clearing must not have a balance after all transactions have been entered. The transaction codes needed from the above selection are dependent upon the type of correction being made.

## Inventories

Agencies must use the consumption method to record their change in inventories. In this method, agencies initially report the inventories they purchase as an asset and defer the recognition of an expenditure until the period in which the inventories are consumed.

### Net Change in Inventories Using the Consumption Method

Traditionally, as required under the consumption method for inventories, agencies should record an asset and a reservation of fund balance at the time of purchase. However, the use of a comptroller object code is a requirement in USAS when there is an outlay of cash. Therefore, agencies actually record an expenditure, at the time of purchase, using a comptroller object code that rolls up to Materials and Supplies (GAAP source/object 0240). As a result of this expenditure being recorded in USAS, agencies must adjust this expenditure at fiscal year-end in order to record only the amount of inventories consumed during the year. The T-Code used to adjust the expenditure also adjusts the inventory asset balance. Agencies must then adjust the reservation of fund balance for the change in the inventory asset balance.

The following T-Codes should be used at fiscal year-end to adjust the Materials and Supplies expenditure and the inventory asset balance (Consumable Inventories – GL 0285 or Merchandise Inventories – GL 0290). See the **Allocation of Fund Balance** section to adjust the reservation of fund balance.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agcy	TC	AY	PCA	COBJ*	Amount	R	Appn No	Fund	Input GL **
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#### To Record Increase In Fiscal Year-End Inventory Balance

(1)	5	U	0832CY	XXX	633	XX	XXXXX	XXXX	\$ XX.XX		N/A	XXXX	XXXX
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#### To Record a Decrease In Fiscal Year-End Inventory Balance

(2)	5	U	0832CY	XXX	632	XX	XXXXX	XXXX	\$ XX.XX		N/A	XXXX	XXXX
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\* Use the same comptroller object code used to record the purchase of materials and supplies.

\*\* Use GL accounts 0285 or 0290.

Accounting Effect of above entries:

	Debit	Credit
<b>(1) To Record Increase In Fiscal Year-End Inventory Balance</b>		
XXXX Input GL	\$ XX.XX	
5600 GAAP Expenditure Offset		\$ XX.XX
<b>(2) To Record Decrease In Fiscal Year-End Inventory Balance</b>		
5600 GAAP Expenditure Offset	\$ XX.XX	
XXXX Input GL		\$ XX.XX

If the inventory GL account is still incorrect after an adjusting entry has been made, T-Code 644/645 should be used to increase/decrease the account balance. Since a system clearing balance will be created when the T-Code 644/645 is used, it is assumed that another GL account requires an adjustment or that a system clearing balance already exists. For more information, see the **Fund Balance Restatement and System Clearing Adjustment** section.

# Reporting of Leases – Capital Leases, Operating Leases and Master Lease Purchase Program

## Capital Leases

Many agencies make capital purchases on a capital lease plan. Essentially, the agency makes installment payments with an interest cost associated with the payments. After the final payment, the asset belongs to the agency.

For governmental funds, in the first year, the transaction is recorded on the fund financial statements as an Expenditure (Capital Outlay) and an Other Financing Source (Increase in Obligations Under Capital Leases). The present value of the lease payments are recorded on the Government-wide Financial Statements as capital assets and capital lease obligations.

In subsequent years, only expenditures are shown. Identify interest and principal payments separately on the fund financial statements. Capital Assets are no longer affected after the first year except for depreciation which will be adjusted in the Capital Asset adjustment column. The liability in the Long-Term Liabilities column declines each year to show only the remaining principal balance and the entries needed to reverse out the expenditures on the fund financial statements.

The accounts used to report capital leases for governmental funds are:

### **Fund Financial Statements (FFS) (Statement of Revenues, Expenditures and Changes in Fund Balances only)**

#### Expenditures

- Capital Outlay (debt)
- Debt Service – Principal – Capital Leases (debt)
- Debt Service – Interest (debt)

#### Other Financing Sources

- Increase in Obligations Under Capital Leases (credit)

### **Government-wide Financial Statements**

#### Capital Assets Adjustment (Fund Type 11)

##### **Statement of Net Assets**

- Capital Assets
- Accumulated Depreciation
- Net Assets – Invested in Capital Assets Net of Related Debt

##### **Statement of Activities**

- Reverse – Capital Outlay (credit to reverse FFS debit entry)
- Depreciation Expense (debt to record expense for the year)

#### Long-Term Liabilities Adjustment (Fund Type 12)

##### **Statement of Net Assets**

- Capital Lease Obligations, Current\* and Noncurrent Portion
- Net Assets Invested in Capital Assets Net of Related Debt

##### **Statement of Activities**

- Increase in Obligations Under Capital Leases (debt to reverse FFS credit entry)

\* Current portion includes the amount of principal due within one year only. Interest is not included in the "current" portion.

## Illustrative Amortization Schedule:

	Principal	Interest	Total	Remaining Principal Balance
Total Principal				\$80,000
First Payment	\$17,000	\$8,000	\$25,000	63,000
Second Payment	19,000	6,000	25,000	44,000
Third Payment	21,000	4,000	25,000	23,000
Final Payment	23,000	2,000	25,000	0
<b>Totals</b>	<b>\$ 80,000</b>	<b>\$ 20,000</b>	<b>\$ 100,000</b>	<b>\$ 0</b>

## Report Presentation:

Fund Financial Statements	First Year	Second Year	Third Year	Final Year
<b>Operating Statement:</b>				
<b>Expenditures:</b>				
Capital Outlay	\$80,000			
Debt Service – Principal – Capital Leases	17,000	\$19,000	\$21,000	\$23,000
Debt Service – Interest	8,000	6,000	4,000	2,000
<b>Other Financing Sources</b>				
Increase in Obligations Under Capital Leases	\$80,000			

Government-wide Financial Statements (Schedule 4)				
<b>Statement of Net Assets:</b>				
<b>Long-Term Liabilities Adjustment (Fund Type 12)</b>				
Net Assets Invested in Capital Assets Net of Related Debt	\$63,000	\$44,000	\$23,000	\$0
Capital Lease Obligation	63,000	44,000	23,000	0
<b>Capital Assets Adjustment (Fund Type 11)</b>				
Capital Assets	\$80,000	\$80,000	\$80,000	\$80,000
Net Assets Invested in Capital Assets Net of Related Debt	80,000	80,000	80,000	80,000

**Attention:** Agencies may use Object Code 7802, Interest – Other, to record interest on capital leases.

**Capital Leases should be reported in Note 5, Long Term Liability and Note 6, Capital Leases.**

- Note 5:  
Capital Lease Obligations should be shown in Note 5 with the beginning balance, additions, reductions, ending balance and amounts due within one year.
- Note 6:  
The Present Value of Net Minimum Lease Payments should tie directly to Exhibit I – Capital Lease Obligation under the Long-Term Liability Adjustments.

## **Operating Leases**

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If a lease satisfies any one of the following capitalization criteria, do not classify the agreement as an operating lease.

- The lease transfers ownership of property by the end of the term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75% or more of the estimated life of the property.
- The present value of the lease payments equal at least 90% of the fair value of the property.

Operating leases are similar to rental expenditures which are recognized as they become payable. In Note 7 show the expenditures reported in the financial statement and show the future minimum lease rental payments under non-cancelable operating leases for each of the five subsequent years and in five-year increments thereafter.

## **Master Lease Purchase Program (MLPP)**

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The following guidance for the Master Lease Purchase Program is provided to meet statewide financial reporting objectives. Agencies who have entered into a contractual agreement with Texas Public Finance Authority (TPFA) to finance capital projects will be required to record the asset acquired and the related depreciation. The related liability and interest will be recorded by TPFA. The decision to record the asset and related liability in two separate and distinct entities is based on the fact the CAFR combines all the state agencies and colleges and universities and thus matches the assets and related liabilities on a statewide basis.

Each agency will be accountable for the assets subject to MLPP. This will require the normal inventory and accounting controls exercised for all agency assets.

**Do Not** include the Master Lease Payments in Note 6, Capital Leases or in Note 7, Operating Leases.

Report Presentation for Master Lease Purchase Program (MLPP):

**Fund Financial Statements**

TPFA		Governmental Activities	Business-Type Activities	Explanation of Entries	
Entry #				Entry #	
1	Cash Bond Proceeds	No entry	No entry	1	TPFA receives bond proceeds
2	Capital Outlay Expense Cash	No entry	No entry	2	TPFA spends the bond proceeds on capital asset
3	Transfer Out Capital Outlay Expense	Capital Outlay Expense Transfer In	Capital Assets Transfer In	3	Annual entry needed in Governmental Activities FFS to transfer Capital Outlay Expense from TPFA to the agencies who have entered into a MLPP. Annual entry needed in Business-Type Activities FFS to transfer Capital Outlay Expense from TPFA and record the capital assets to the agencies that have entered into a MLPP.
4	Cash Transfer In	Transfer Out Cash	Transfer Out Cash	4	Asset Agency pays TPFA quarterly and TPFA will payoff the corresponding bonds. Transactions recorded as transfers in/out (T-code 448/449) with comptroller objects 3964/7964.
5	Debt Service Payment-Principal Debt Service Payment-Interest Cash	No entry	No entry	5	TPFA makes the bond payments

**Year-end Entry on Fund Financial Statements**

6			Depreciation Expense Accumulated Depreciation	6	Proprietary funds report depreciation expense on fund financials
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**Government-wide Financial Statements**

7	Bond Proceeds Interest on Long-term Debt Bonds Payable-Non-current Portion Bonds Payable-Current Portion Debt Service Payment-Principal Debt Service Payment-Interest	Asset Depreciation Expense Accumulated Depreciation Capital Outlay Expense	No entry	7	TPFA records the liability and annual payment. Governmental Activities records the capital assets and depreciation expense.
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## Long-term Debt Comptroller Objects

Since the implementation of GASB 34, there has been a slight conflict for financial reporting purposes for two object codes: 7801 and 7802. On the Government-wide Statement of Activities (SOA) for Governmental fund types, this interest is presented on a separate line – not by function. On the SOA for Business Type Activities (Proprietary fund types), it is presented by function. With Governmental and Proprietary fund types using the same object codes and sharing the GWFS roll-up structure, this distinction has not been possible. The Texas Comptroller of Public Accounts has modified two existing COBJ's and added two new ones. Codes 7801 and 7802 have been modified to ensure proper reporting of interest for Governmental and Fiduciary fund types. Codes 7814 and 7815 have been added to correctly report the Proprietary funds interest expense on long-term debt on the Government-wide Financial Statements.

The following chart illustrates the purpose as well as the fund financial statement and the Government-wide Financial Statement roll ups.

COBJ	COBJ Title	Purpose	Govt GSO	Govt GSO Title	Prop GSO	Prop GSO Title	CNA GSO	CNA GSO title	GWFS GSO	GWFS GSO title
7801	Interest on Gov'tl and Fiduciary Long-Term Debt	To record the payment of Indirect Interest Expense related to Long Term Debt. This includes interest expense not associated with a particular program on the GWFS.	0410	Interest -All Long Term Debt (shown on separate line)	1999	Back Out Not Applicable Expenditures	2680	Interest Expense	3585	Indirect Interest Expense on LTD (shown on separate line)
7802	Interest Other	To record the payment of other interest expense not related to Long Term Debt. In other words, related to current year accruals and not accrued in the previous year. For ex: interest paid on claims awarded in the current year.	0340	Other Expenditures (shown by function)	1230	Interest Expenditures and Fiscal Charges	2680	Interest Expense	3510	Interest Expense – Other (shown by function)
7814	Interest on Proprietary Long-Term Debt – Operating	To record interest expense on Long Term Debt associated with specific programs involving "program loans" that are made to individuals as defined by GASB 9. This COBJ is limited to Agencies 305, 332 and 580 via an 8C edit. For use by Proprietary funds only.	0910	Back Out Not Applicable Expenditures	1190	Interest Expenditures – Operating	2910	Back Out Not Applicable Expenditures	3580	Direct Interest Expense on LTD (shown by function)
7815	Interest on Proprietary Long Term Debt- Non-Operating	To record interest expense on Long Term Debt that is not defined as a program loan per GASB 9 for Proprietary funds. This object should also be used by Gov'tl funds when the borrowing is essential to the creation or continued existence of a program. Per GASB 34 para 46, this type of interest expense should be classified as "Direct" for the GWFS.	0410	Interest– All Long Term Debt (shown on separate line)	1230	Interest Expenditures and Fiscal Charges	2910	Back Out Not Applicable Expenditure	3580	Direct Interest Expense on LTD (shown by function)

## Reporting of Loan Programs

Since several state agencies/universities operate loan programs and current accounting standards do not provide specific reporting requirements, use the following guidelines to ensure consistent statewide reporting. Classify loan programs as either fund type 01 (General), fund type 02 (Special Revenue), or fund type 05 (Enterprise Fund). Occasionally it is difficult to easily categorize loan programs into one of these fund types. Consequently, in an effort to assist agencies/universities in determining the appropriate fund type classification, the subsequent guidance is provided.

### Social or Economic Objective

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Programs created by the legislature or management may be considered social or economic. Social programs are often seen as serving traditional functions of government, such as providing financial support for basic services such as public safety and education. Economic programs are often used to create or improve a specific or general economic environment.

Social programs do not necessarily match the level of services provided to the amount of support provided. Governmental fund types (01) or (02) are typically used for reporting these programs. Economic programs, however, usually attempt to recover costs in an exchange relationship between the government entity and the “consumer.” They are considered business-type activities and are appropriately reported in the Enterprise Fund (05).

A clear distinction between the two may be difficult to establish. For example, some economic programs may not be entirely self-supporting, receiving partial appropriations. Or, the loan program may be only one department among many. As a result, other factors may need to be considered in deciding the proper fund type for financial reporting.

### Objective of Accountability

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Examine the degree to which you expect the program to be self-supporting. One intention of business-type activities is that operations generate sufficient funds to meet operating and debt service needs. Legislation for many loan programs does not allow support from the general revenues of the state. The use of the Enterprise fund type is best for assuring that the full costs of the service are being fully recovered by the program.

### Outside Report Needs

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Many agencies have specific reporting needs required for loan programs. For example, cash flow reporting may be necessary for some bond financed loan programs. The use of a particular fund type may be helpful in preparing other reports. Cash flow statements required for Proprietary fund types might provide similar information required elsewhere. Different report formats, however, may make financial reporting irrelevant for other uses and would not necessarily be used to justify one fund type.

### Cash Flow Information Needs

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Categorizing program loans as enterprise funds requires the preparation of a cash flow statement, which provides information on cash receipts and cash payments. Loan processing procedures dictate the appropriate administrative module, accounts payable or billing and receivable, that must track and report the loan for purposes of the direct method statement of cash flows.



## Accounting for the Loan Transaction

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Regardless of the fund type used, **do not report** loans as expenditures. Likewise, **do not report** the repayment of loans as revenues. Instead, both should be reported as balance sheet transactions. If an objective were to present information on loans provided and principal recovered, then a proprietary fund type would be desirable because of the Cash Flow Statement.

## Debt Service Funds

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Debt service funds should not be used to account for loans outstanding. Loans outstanding should be reported only in a general, special, or proprietary fund type.

If bonds have been issued for the loan program, debt service funds are not necessarily required. For proprietary fund reporting, both the bond liability on the balance sheet and the debt service payments on the operating statement will be presented within the proprietary fund. Debt service payments may be shown in a general or special revenue fund with the bond liability presented in the Long-Term Liabilities Adjustment column for governmental activities.

A debt service fund may be used to show resources used and payment of debt service for bonds associated with the loan program for governmental activities. Debt service funds are required only if legally mandated or resources are being accumulated for future debt service payments. If used, the debt service funds will not present the loans outstanding. Resources obtained from the loan repayments for debt service payments will be presented as transfers from the general or special revenue fund to the debt service fund.

## Full Cost Recovery

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If the Enterprise fund is selected for financial reporting of the loan program, a question arises as to whether all costs, directly or indirectly associated with the program, should be reported within the fund. For example, should administrative expenses that apply to both governmental and enterprise operations be allocated between the two fund types? Or, should depreciation expense be recorded in the proprietary fund for equipment used for both general government and enterprise purposes?

GASB does not require that all costs be allocated; however, the preferred treatment is that all costs be allocated, including depreciation. If a proprietary fund is used to measure costs on a full accrual basis, then such costs should be allocated.

Often additional expenses that would be allocated to the Enterprise fund are difficult to identify, such as expenses shared between a governmental and proprietary operation (e.g. rental space, utilities). In order to allocate these costs, a reasonable method of estimation may be used to distribute the total costs among the object classes and between the fund types.

## Evaluation and Decision

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Analysis of the above factors should be used by the agency to justify the financial reporting method for the loan program. No single factor may be sufficient to make a decision.

- Use of the Enterprise funds appears to provide the greatest financial information, especially for those programs intended to be self-sufficient. Enterprise funds are also more appropriate for economic programs.
- General or special revenue funds may be judged appropriate when the program serves social objectives, state support supplements the loan repayments and cash flow information is not considered critical.

## Reporting of Issuance of Long-Term Debt – Governmental Funds

### Issuance of Long-Term Debt

The issuance of long-term debt should be treated as an *other financing source* rather than as revenue. The amount so reported should equal the *face value* of the debt.

### Bond Issuance Premium/Discount

- If the debt is issued at a premium (i.e., because the stated rate of interest on the debt is higher than the comparable market rate of interest at the time of the debt is issued), the proceeds received will be more than face value, the premium should be reported as a *separate other financing source*, i.e., **Bond Issuance Premium**. This other financing source should **not** be netted against the other financing uses reported for either the debt itself or for debt-related discounts.
- If the debt is issued at a discount (i.e., because the stated rate of interest on the debt is lower than the comparable market rate of interest at the time of the debt is issued), the proceeds received will be less than face value. The discount should be reported as a *separate other financing use*, i.e., **Bond Issuance Discount**. This other financing use should **not** be netted against the other financing sources reported for either the debt itself or for debt-related premiums.

### Issuance Costs

A portion of the proceeds of long-term debt may be withheld for issuance costs (i.e., underwriter's fees) due in connection with the debt issuance. Such issuance costs should **not** be netted against the other financial source reported to record the debt issuance. Instead, discounts resulting from the withholding of underwriter's fees should be reported as **expenditures**.

### Example

Assume that an agency issues bonds with a face value of \$10,000. The agency received \$9,600 in proceeds from the sale. The balance of \$400 represents the amount withheld for underwriter's fees (\$350) and a discount resulting from a disparity between the market rate of interest and the stated rate of interest on the debt (\$50). Below is the appropriate journal entry to record the receipt of the debt proceeds in these circumstances:

	DR	CR
(Debit) Cash	\$9,600	
(Debit) Expenditures – Issuance Costs	350	
(Debit) Other Financing Use – Bond Issuance Discount	50	
(Credit) Other Financing Source – Bond Issuance		\$10,000

## Fund Balance/Net Assets

The following accounts must not have negative amounts:

- **Designations** – It is not appropriate to report designations in excess of available resources, i.e., unreserved fund balance. Designations of fund balance are intended to represent accumulations of resources. Therefore, negative Unreserved Undesignated Fund Balances must not be reported with a positive designated fund balance.
- **Restrictions** – No category of restricted net assets can be negative. If liabilities that relate to restricted assets exceed those assets, no balance should be reported. The negative amount must be reported as a reduction of unrestricted net assets. See Appendix 4, Exercise 3 of the *Guide to Implementation of GASB Statement 34 on Basic Financial Statements—and Managements Discussion and Analysis—for State and Local Governments*.

## Governmental Funds

(For entry into USAS, use the GL accounts with the same titles.)

### General Funds

Following are the **only** fund balance accounts allowed for General Revenue Funds:

Reserved for Imprest Accounts – Includes reserves for petty, travel and imprest cash in amounts equal to the assets. (GL 2065)

Reserved for Encumbrances – Amounts obligated for goods or services through contractual obligations that are not included in payables. (GL 2040, 2050, 2051)

Reserved for Non-Current Interfund Receivables – Must equal the amount of “Non-Current Interfund Receivables” in the asset section of the balance sheet. (GL 2085)

Reserved for Inventory – Must equal the amount of “Consumable and Merchandise Inventory” in the asset section of the balance sheet. (GL 2075, 2080)

Reserved for Loans and Contracts – Represents the fund balance reserved for the asset balance of loans and contracts receivable that are not available for use. (GL 2143)

Reserved for Other – Represents the fund balance that is restricted to expenditures for specified purposes. This GL account should only be used for a general fund which is set up for specified purposes but which does not require separate reporting as would be done in a special revenue fund. (GL 2145)

Unreserved/Undesignated – Represents the fund balance not included in the above reserve accounts. (GL 2240)

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**Attention:** For Financial Reporting purposes, amounts appropriated for future years (Unexpended Balances/UB) will **not** be reported as a reserve account. In accordance with The National Council of Governmental Accounting Statement 1 (NCGA 1), reserves should be limited to the fund balance not subject to future appropriations. Therefore, UB amounts must be included in Unreserved/Undesignated.

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### Special Revenue Funds

Following are the **only** fund balance accounts allowed for Special Revenue Funds:

Reserved for Imprest Accounts – Includes reserves for petty, travel and imprest cash in amounts equal to the assets. (GL 2065)

Reserved for Encumbrances – Amounts obligated for goods or services through contractual obligations that are not included in Payables. (GL 2040, 2050, 2051)

Reserved for Non-Current Interfund Receivables – Must equal the amount of “Non-Current Interfund Receivables” in the asset section of the balance sheet. (GL 2085)

Reserved for Inventory – Must equal the amount of “Consumable and Merchandise Inventory” in the asset section of the balance sheet. (GL 2075, 2080)

Reserved for Loans and Contracts – Represents the fund balance reserved for loans and contracts receivable that are not available for use. (GL 2143)

Unreserved/Designated – The “State Fund Group” on the D22 screen will be used for determining designated funds. The groups were established in accordance with legislative acts, special regulations, restrictions or limitations. The following are the only applicable “State Fund Groups” that may be designated. (GL 2150)

- 02 – Constitutional Funds expended for specific purposes
- 04 – Pledged Funds
- 05 – Constitutional Nonexpendable Funds
- 08 – Trust
- 10 – All Local Fund

The designation purpose will be identified for the CAFR by using the GAAP function as coded on the D02 Agency Profile in USAS. The GAAP functions are listed on the D71 GAAP Function Profile screen.

### **Debt Service Funds**

The only fund balance account allowed for Debt Service Funds is:

Reserved for Debt Service – The entire fund balance is shown in this category. No other fund balance account should be used. (GL 2151)

### **Capital Project Funds**

Following are the **only** fund balance accounts allowed for Capital Projects:

Reserved for Encumbrances – Amounts obligated for goods or services through contractual obligations that are not included in Payables. (GL 2040, 2050, 2051)

Reserved for Inventory – This must equal the amount of “Consumable and Merchandise Inventory” in the asset section of the balance sheet. (GL 2075, 2080)

Unreserved/Designated – The “State Fund Group” on the D22 screen will be used for determining designated funds. These groups were established in accordance with legislative acts, special regulations, restrictions, or limitations. The following are the only applicable “State Fund Groups” that may be designated. (GL 2150)

- 02 – Constitutional Funds expended for specific purposes
- 04 – Pledged Funds
- 05 – Constitutional Non-Expendable Funds
- 10 – All Local Funds

Reserved for Capital Projects – Used for designation of bond fund balances that are set aside for capital projects. (GL 2115)

Unreserved/Undesignated – Any amounts that do not fall into the above categories should be reported in this account. This amount must not be negative if the negative amount results from a positive designation account. (GL 2240)

### **Permanent Funds**

Following are the **only** fund balance accounts allowed for Permanent Funds:

Reserved for Imprest Accounts – Includes reserves for petty, travel and imprest cash in amounts equal to the assets. (GL 2065)

Reserved for Encumbrances – Amounts obligated for goods or services through contractual obligations that are not included in payables. (GL 2040, 2050, 2051)

Reserved for Non-Current Interfund Receivables— Must equal the amount of “Non-Current Interfund Receivables” in the asset section of the balance sheet. (GL 2085)

Reserved for Inventory – Must equal the amount of “Consumable and Merchandise Inventory” in the asset section of the balance sheet. (GL 2075, 2080)

Reserved for Public School Support – Use only for the Permanent School Fund to designate the specific balance. (GL 2130)

Reserved for Loans and Contracts – Represents the fund balance reserved for loans and contracts receivable that are not available for use. (GL 2143)

Reserved for Other – This is for actual commitments, i.e. the portion of the fund that cannot be spent for general purposes. (GL 2145)

Unreserved/Designated for Permanent Health Fund – Use only for funds received from the tobacco settlement fund that are designated for the Permanent Health Fund. (GL 2147)

Unreserved/Undesignated – Represents the fund balance not included in the above reserve accounts. (GL 2240)

### **Government-wide Statement of Net Assets Basis Conversion GL's**

The following basis conversion GL's are used to record the components of net assets for Governmental Funds.

Net Assets, Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other related debt pertaining to those assets. The portion of the debt attributable to the unspent proceeds should not be included in the calculation of invested in capital assets, net of related debt. That portion of the debt should be included in the same net assets component as the unspent proceeds. (GL 3505)

Restricted Net Assets – Net assets should be reported as restricted when constraints placed on net assets are either:

Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments

— OR —

Imposed by law through enabling legislation.

#### Restricted Net Assets

- 3700 Basis Conversion Net Assets Restricted for Debt Retirement
- 3705 Basis Conversion Net Assets Restricted for Capital Projects
- 3710 Basis Conversion Net Assets Restricted for Education
- 3715 Basis Conversion Net Assets Restricted for Transportation
- 3795 Basis Conversion Net Assets Restricted for Other

#### Nonexpendable:

- 3800 Basis Conversion Nonexpendable Net Assets Restricted for Permanent School Fund
- 3840 Basis Conversion Nonexpendable Net Assets Restricted for Endowment Funds
- 3845 Basis Conversion Nonexpendable Net Assets Restricted for Permanent Funds

#### Expendable:

- 3890 Basis Conversion Expendable Net Assets Restricted for Endowment Funds
- 3895 Basis Conversion Expendable Net Assets Restricted for Permanent Funds

Unrestricted Net Assets – Unrestricted net assets consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

- 3900 Basis Conversion Net Assets Unrestricted – Permanent Health Fund
- 3950 Basis Conversion Unrestricted Net Assets

## Proprietary Funds

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### Enterprise Funds/Internal Service Funds

For Enterprise and Internal Service Funds, the following accounts should be used to report Net Assets (For entry into USAS, use the GL accounts with the same titles.)

Net Assets, Invested in Capital Assets, Net of Related Debt – The component of the difference between assets and liabilities of proprietary funds that consists of capital assets less both accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of those assets.(GL 2505)

Restricted Net Assets – The component of the differences between assets and liabilities of proprietary funds that consists of assets with constraints placed on their use by either external parties or through constitutional provisions or enabling legislation.

Restricted Net Assets:

- 2550 Net Assets Restricted for Veteran/Land Housing Programs
- 2555 Net Assets Restricted for Unemployment Trust Fund
- 2700 Net Assets Restricted for Debt Retirement
- 2705 Net Assets Restricted for Capital Projects
- 2715 Net Assets Restricted for Transportation
- 2795 Net Assets Restricted for Other

Nonexpendable:

- 2805 Nonexpendable Net Assets Restricted for Permanent Univ. Fund
- 2840 Nonexpendable Net Assets Restricted for Endowment Funds

Expendable:

- 2890 Expendable Net Assets Restricted for Endowment Funds

Unrestricted Net Assets – The difference between the assets and liabilities of proprietary funds that is not reported as Net Assets, Invested in Capital Assets, Net of Related Debt or Restricted Net Assets. (GL 2950)

- 2900 Net Assets Unrestricted for Permanent Health Fund

## Fiduciary Fund Types

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### Pension and Other Employee Benefit Trust Funds, Investment Trust Funds and Private-Purpose Trust Funds

The following accounts should be used to report Net Assets. For entry into USAS use the GL accounts with the same titles.

Fiduciary Net Assets Held in Trust – The difference between the assets and liabilities of fiduciary funds. (GL 2400)

## Component Units

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For Component Units the classification of fund balance is dependent upon the fund type. For Fund Balance/Net Assets categories refer to **Governmental** and **Proprietary** sections as shown above.

## Beginning Fund Balance/Net Assets

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Current year beginning fund balances presented on the operating statements must equal the prior year's audited ending fund balances. Verifying this equality is one of the first reviews of an agency's financial report. **The audited ending fund balances for each agency are presented in Chapter 13 – List of Beginning Balances.** The listing shows fund balances by agency, fund type and individual fund.

If your agency discovers errors in its prior year financial statements, independent of Comptroller or Auditor action, you must state the amounts from chapter 13 as beginning fund balances. The *Restatement* account would then be used to adjust the beginning balance for the effects of errors.

The following section contains the USAS instructions necessary to restate the beginning fund balance, to correct system clearing adjustments, to demonstrate the closing process for fund balance and to allocate Fund Balance or Net Assets.

## Fund Balance Restatement and System Clearing Adjustment

Per policy, agencies must formally document a reconciliation of the fiscal 20CY hard copy AFR to USAS financial reports. In addition, the system clearing general ledger account (GL 9999) and basis conversion system clearing general ledger account (GL 9992) must equal zero at the USAS agency fund (D23) level. These balances occur as a result of using specific T-Codes which hit GL Account 9999 or 9992 and for which the debits and credits to GL 9999 or 9992 do not balance. Based on this, you must assume that the USAS balance sheet accounts do not balance for a particular D23 fund, which has a system clearing balance. Therefore, a reconciliation must be made to tie D23 fund totals. Make adjustments in USAS for any reconciling items so that the USAS operating statement and balance sheet reflect the audited hard copy AFR.

Agencies can use the following step-by-step approach when the prior year hard copy AFR does not tie to the prior year audited USAS balances. These steps help agencies to determine whether a restatement of beginning fund balance in the current fiscal year is needed and how to adjust System Clearing Balances to zero.

- 1 Order a General Ledger Fund Detail Trial Balance (DAFR8920) or balance sheet (DAFR8580) for the prior fiscal year. Since you will be required to zero out any system clearing balance that was created in the current fiscal year and make AFR entries at the D23 fund level, set up your report request at fund level 4 . The same information is available on the General Ledger Summary Inquiry (56) screen.
- 2 Create a spreadsheet, if necessary, at the D23 agency fund level with columns for appropriated fund total and compare this column to the column representing audited prior year AFR amounts to adjust the current year beginning balance.

### Example:

	A	B	C
GL Account	D23 Fund 0001 Total –GAAP FT01 (USAS)	Fund 0001 Total (AFR)	Adjustment Amount
Source	56 screen for Prior Year	Audited AFR for Prior Year	B-C Dr. <Cr.>
2143 – FB Reserved for Loans and Contracts	\$ < 4,000.00>	\$ < 4,000.00>	\$ 0.00
2050 – FB Reserved for Encumbrances	< 11,000.00>	< 11,000.00>	0.00
2065 – FB Reserved for Imprest Accounts	< 1,000.00>	< 1,000.00>	0.00
2075 – FB Reserved for Consumable Inventories	< 2,500.00>	< 2,500.00>	0.00
2240 – FB Unreserved-Undesignated-Other	< 5,500.00>	0.00	5,500.00

Based on the above example where the USAS fund balance is greater than the audited fund balance, the agency must restate its beginning fund balance in USAS by \$5,500.00 using T-Code 454R and object code 3891. If the USAS fund balance is less than the audited fund balance, the restatement would be made using T-Code 454 with the same object code 3891. T-Code 454/454R requires that a balance sheet GL account, other than fund balance accounts, be entered. T-Code 454/454R automatically credits/debits GL 6075, Restatements, which closes into fund balance during the GL close process.

Any restatement indicates that either an asset balance or a liability balance (or a combination of both) on the prior year hard copy AFR did not tie to the prior year asset and/or liability balance(s).

In order to determine which balance sheet GL account should be restated, further analysis is needed (see below).

GL Account	A	B	C
	D23 Fund 0001 Total – GAAP FT01 (USAS)	Fund 0001 Total (AFR)	Adjustment Amount
Source	56 screen for Prior Year	Audited AFR for Prior Year	B-A Dr. <Cr.>
0045 – Cash in State Treasury	<250,000.00>		
0048 – Legislative Cash	261,100.00		
Subtotal – Cash in State Treasury	11,100.00	0.00	<11,100.00>
9000 – Legislative Appropriations	80,000.00	82,100.00	2,100.00
0285 – Consumable Inventories	2,000.00	2,500.00	500.00
0385 – Other Current Assets	<750.00>	0.00	750.00
9999 – System Clearing	< 2,250.00>	0.00	2,250.00

Based on this additional analysis, the restatement adjustment noted above would be made to GL 0048 since a difference exists in this GL to cover the \$5,500.00 restatement needed. The following entries would be needed to restate the fund balance and to zero system clearing.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL
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**To Restate Fund Balance**

(1)	5	U	0832CY	XXX	454	XX	99999	3891	\$5,500.00	R	N/A	0001	0048
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**To Correct Cash In State Treasury**

(2)	5	U	0832CY	XXX	645	XX	99999	N/A	\$5,600.00		N/A	0001	0048
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**To Correct Legislative Appropriations**

(3)	5	U	0832CY	XXX	644	XX	99999	N/A	\$2,100.00		N/A	0001	9000
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**To Correct Consumable Inventories**

(4)	5	U	0832CY	XXX	644	XX	99999	N/A	\$ 500.00		N/A	0001	0285
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**To Correct Other Current Assets**

(5)	5	U	0832CY	XXX	644	XX	99999	N/A	\$ 750.00		N/A	0001	0385
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Accounting Effect of these entries:

	<b>Debit</b>	<b>Credit</b>
<b>(1) To Restate Fund Balance</b>		
<b>6075</b> Restatements	\$ 5,500.00	
<b>0048</b> Legislative Cash		\$ 5,500.00
<b>(2) To Correct Cash In State Treasury</b>		
<b>9999</b> System Clearing	\$ 5,600.00	
<b>0048</b> Legislative Cash		\$ 5,600.00
<b>(3) To Correct Legislative Appropriations</b>		
<b>9000</b> Legislative Appropriations (Balance Sheet)	\$ 2,100.00	
<b>9999</b> System Clearing		\$ 2,100.00
<b>(4) To Correct Consumable Inventories</b>		
<b>0285</b> Consumable Inventories	\$ 500.00	
<b>9999</b> System Clearing		\$ 500.00
<b>(5) To Correct Other Current Assets</b>		
<b>0385</b> Other Current Assets	\$ 750.00	
<b>9999</b> System Clearing		\$ 750.00

**RECAP: Effect on System Clearing Balance**

Beginning Balance		<2,250.00>
Adjustments: (2)		5,600.00
(3)		<2,100.00>
(4)		<500.00>
(5)		<750.00>
Ending Balance		<u>0.00</u>

## How GL Accounts Close for Specific GAAP Fund Groups

The ending fund balance/net assets on the operating statement should agree with the total fund balance/net assets reported on the balance sheet. During the USAS GL close process, the net activity on the operating statement is closed into fund balance or net assets based on the GAAP fund type of a D23 Fund. Take this into consideration when allocating fund balance or net assets to other fund equity accounts. See the **Allocation of Fund Balance or Net Assets** section.

GAAP Fund Type	Description	GAAP Fund Group	Closes To GL Account		T-Codes for Allocation
			Num.	Name	
01	General	Governmental	2240	Fd Bal <a href="#">Unreserved-Undesignated</a>	648/648R
02	Special Revenue	Governmental	2150	Fd Bal <a href="#">Unreserved-Designated for other</a>	646/647
03	Debt Service	Governmental	2151	Fd Bal <a href="#">Reserved for Debt Service</a>	646/647
04	Capital Projects	Governmental	2240	Fd Bal <a href="#">Unreserved-Undesignated</a>	648/648R
05	Enterprise (includes Colleges & Universities)	Proprietary	2950	Unrestricted Net Assets	669/669R
06	Internal Service	Proprietary	2950	Unrestricted Net Assets	669/669R
09*	Agency Funds	Fiduciary	2400	Fiduciary Net Assets Held in Trust	*
10	Pension Funds	Fiduciary	2400	Fiduciary Net Assets Held in Trust	646/647
11	Capital Assets BC Adjustments	Governmental	3505	BC Capital Assets, Net of Related Debt	N/A
12	Long-Term Liabilities BC Adjustments	Governmental	3950	BC Unrestricted Net Assets	522/522R
14	Component Units- Governmental	Discrete Component Units	2240	<a href="#">Fd Bal Unreserved-Undesignated</a>	648/648R
15	Component Units- Proprietary	Discrete Component Units	2950	Unrestricted Net Assets	669/669R
18	External Investment Pool Fund	Fiduciary	2400	Fiduciary Net Assets Held in Trust	646/647
19	Permanent Funds – Governmental	Governmental	2240	<a href="#">Fd Bal Unreserved-Undesignated</a>	648/648R
20	Private Purpose Trust Funds	Fiduciary	2400	Fiduciary Net Assets Held in Trust	646/647
21	Other Basis Conversion Adjustment	Governmental	3950	BC Unrestricted Net Assets	522/522R

\* Please note that for GAAP fund type 09 above, the closing entry is posted to GL 2400. However, since a GAAP fund type 09 fund must not have a fund balance, the closing entry should net to zero. Any operating activity for a GAAP fund type 09 fund should be analyzed using the DAFR 8585 or DAFR 8920 to ensure the activity nets to zero so that no fund balance is created during the GL close.

## Other Closing Entry Issues

Do not change fund look-up information during the year or between years. **Do not change the references on the D23 for an agency level fund once entries have been posted.** Unnecessary problems result when a D23 profile is changed with balances under that structure. The solution is to establish a new D23 fund, transfer balances to the new fund and inactivate the old fund. One exception to this is the GAAP Fund or the GAAP Fund Type field. In some cases, changing these fields is acceptable. For example, if the Fund Type is 02 and should be 01, a change could be made. This is because the GAAP Fund and the GAAP Fund Type information is looked up at the time of report generation. It is only posted to the General Ledger Extract file but not the financial tables. However, if the Fund Type is 05 and should be 01, a change cannot be made to the D23 because 05 closes to net assets and 01 closes to fund balance. Therefore, if GAAP Fund Type changes in this case, general ledger accounts must be corrected. This could be accomplished by using generic T-Codes if accounts are analyzed and documentation to support these changes is retained.

## Allocation of Fund Balance or Net Assets

Allocation of Fund Balance/Net Assets may be necessary because of the USAS GL close process. During the close process, the nominal general ledger accounts (GAAP GL Account Category 55) are closed to the fund balance/net asset GL account referenced in the table on the previous page. Therefore, if the agency's AFR reports fund balance(s) other than unreserved/undesignated or Net Assets, then the USAS fund balance should also be allocated.

**Attention:** If an agency is unsure as to which fund balance accounts should be used, refer to the table in a previous section titled **How GL Accounts Close for Specific GAAP Fund Groups**.

### Fund Balances – USAS Transaction Entries

After the allocation of GL 2240 or 2950 to other fund balance/ Net Assets, the balance in GL 2240 or 2950 net of the total for GAAP GL Account Category 55 should equal the Fund Balance Unreserved/Undesignated or Unrestricted Net Assets per the agency's AFR. Refer to the table in a previous section titled **How GL Accounts Close for Specific GAAP Fund Groups** for more information on all GAAP fund type allocation methodology including GL Accounts and T-Codes to be used for each GAAP fund type.

Following are the entries associated with GAAP fund types where allocations are made through GL 2240.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL *
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#### To Allocate Fund Balance from 2240

(1)	5	U	0832CY	XXX	648 **	XX	99999	N/A	\$ XX.XX		N/A	XXXX	XXXX
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#### To Allocate Fund Balance to 2240

(2)	5	U	0832CY	XXX	648 **	XX	99999	N/A	\$ XX.XX	R	N/A	XXXX	XXXX
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\* The allowable GL accounts for this T-Code can be found on the 28B screen.

\*\* T-Code 648/648R automatically reverse in USAS at the beginning of the next accounting period with T-Code 651/651R. T-Code 651/651R can also be used to allocate fund balance, but they do not reverse automatically. Therefore, the balance will remain in the specific fund balance account into the next year. As a result, when allocating fund balance in the future, only the difference between the beginning and ending balance in specific fund balance accounts should be allocated.

Accounting Effect of T-Codes 648 and 651:

	Debit	Credit
<b>(1) To Allocate Fund Balance from 2240</b>		
<b>2240</b> FB – Unreserved/Undesignated	\$ XX.XX	
<b>XXXX</b> Input Specific FB Account		\$ XX.XX
<b>(2) To Allocate Fund Balance to 2240</b>		
<b>XXXX</b> Input Specific FB Account	\$ XX.XX	
<b>2240</b> FB – Unreserved/Undesignated		\$ XX.XX

EXAMPLE: Allocation of Fund Balance

GL Account	Fiscal 20PY Ending Fund Balance After GL Close (Allocated Using T-Code 648) Debit <Credit>	Fiscal 20CY Beginning Fund Balance After Reversal of T-Code 648 With T-Code 651 Debit <Credit>
<b>2050</b> FB – Reserved for Encumbrance	< 4,000.00 >	0.00
<b>2085</b> FB – Reserved for Non-Current Interfund Receivable	< 11,000.00 >	0.00
<b>2065</b> FB – Reserved for Imprest Accounts	< 1,000.00 >	0.00
<b>2075</b> FB – Reserved for Consumable Inventory	< 2,500.00 >	0.00
<b>2240</b> FB – Unreserved/Undesignated	0.00	< 18,500.00 >
<b>Total Fund Balance</b>	< 18,500.00 >	< 18,500.00 >

**Assumption:** Total Fund Balance between the operating statement and the balance sheet reconciles and the following amounts are reported on the 20CY balance sheet.

GL Account	Fiscal 20CY Ending Fund Balance Reported on the Balance Sheet Fund Equity Section Debit <Credit>
<b>2050</b> FB – Reserved for Encumbrance	< 9,000.00 >
<b>2085</b> FB – Reserved for Non-Current Interfund Receivables	< 18,000.00 >
<b>2065</b> FB – Reserved for Imprest Accounts	< 1,000.00 >
<b>2075</b> FB – Reserved for Consumable Inventory	< 4,500.00 >
<b>2240</b> FB – Unreserved/Undesignated	0.00
<b>Total Fund Balance To Be Allocated</b>	< 32,500.00 >

Perform 20CY Fund Balance Allocation:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL *
<b>To Allocate Fund Balance To GL 2050</b>													
(1)	5	U	0832CY	XXX	648 **	CY	99999	N/A	\$ 9,000.00		N/A	XXXX	2050
<b>To Allocate Fund Balance To GL 2085</b>													
(2)	5	U	0832CY	XXX	648 **	CY	99999	N/A	\$18,000.00		N/A	XXXX	2085
<b>To Allocate Fund Balance To GL 2065</b>													
(3)	5	U	0832CY	XXX	648 **	CY	99999	N/A	\$ 1,000.00		N/A	XXXX	2065
<b>To Allocate Fund Balance To GL 2075</b>													
(4)	5	U	0832CY	XXX	648 **	CY	99999	N/A	\$ 4,500.00		N/A	XXXX	2075

\* The allowable GL accounts for this T-Code can be found on the 28B screen.

\*\* T-Code 648/648R automatically reverses in USAS at the beginning of the next accounting period with T-Code 651/651R.

Accounting Effect of above entries:

	Debit	Credit
<b>(1) To Allocate Fund Balance To GL 2050</b>		
2240 FB – Unreserved/Undesignated	\$ 9,000.00	
2050 FB – Reserved for Encumbrance		\$ 9,000.00
<b>(2) To Allocate Fund Balance To GL 2085</b>		
2240 FB – Unreserved/Undesignated	\$18,000.00	
2085 FB – Reserved for Advances		\$18,000.00
<b>(3) To Allocate Fund Balance To GL 2065</b>		
2240 FB – Unreserved/Undesignated	\$ 1,000.00	
2065 FB – Reserved for Imprest Accts		\$ 1,000.00
<b>(4) To Allocate Fund Balance To GL 2075</b>		
2240 FB – Unreserved/Undesignated	\$ 4,500.00	
2075 FB – Reserved for Consumable Inventory		\$ 4,500.00

Effect of Allocation on GL 2240:

Fiscal 20CY Beginning Balance	<18,500.00>
Fiscal 20CY Allocation	32,500.00
GL 2240 After Allocation but prior to GL close	<b>14,000.00</b>

20CY Operating Statement:

Account	Fiscal 20CY Operating Statement Calculation of Net Operating Activity Debit <Credit>
Total Revenues	< 100,000.00 >
Total Expenditures	82,000.00
Net Other <Sources> Uses	< 5,000.00 >
Other Changes to Fund Balance:	
Net Increase in Inventories	< 2,000.00 >
Lapsed Appropriations	11,000.00
<b>Net Operating Activity</b>	<b>&lt; 14,000.00&gt;</b>

Effect of GL Close on GL 2240:

GL 2240 After Allocation but prior to GL close	14,000.00
Fiscal 20CY Net Operating Activity Closing into GL 2240	< 14,000.00>
GL 2240 After GL close	0.00

**Net Assets – USAS Transaction Entries**

Net Assets can be allocated similar to the fund balance example above, except that T-Code 669/669R is used which automatically reverses in USAS at the beginning of the next accounting period with T-Code 672/672R. If T-Code 672/672R is used to allocate net assets, no reversal occurs and the balance will remain in the specific net assets account. As a result, when allocating net assets in the future, only the difference between the beginning and ending balance in specific net assets accounts should be allocated.



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## **Chapter 4 – General Revenue Requirements for Annual Financial Reports**

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## General Revenue (GR) Verification (Due Sept. 28/Nov. 1)

At the end of the fiscal year, a calculation is necessary to determine the amount of budget an agency has been given by the General Appropriations Act (GAA), Riders, other special legislation (BRP, OASI, etc.) and some additional payroll expenditures. This calculation will also determine the amounts used for the operating statement impact and the balance sheet asset amount for the remaining appropriation authority available to be spent in future years. This calculation is determined by extracting balances for various entries made into USAS throughout the year. Due to the nature of this calculation, reports are made available to agencies to help determine accurate amounts to be used on the agencies' AFR. On a statewide basis, the accuracy of this number is critical in order to reconcile Fund 0001 for the CAFR.

Your agency **must submit** the General Revenue Certification and the reconciliation of Legislative Appropriation worksheet **via the Internet** on or before November 1, 2007. Those agencies participating in the simplified reporting process **must submit** their General Revenue Certification and reconciliation **via the Internet** on or before September 28, 2007.

### Instructions

State agencies are required to reconcile and certify their GR reconciliation through the Comptroller's Web application for fiscal 2007 on or before **November 1, 2007**. If your agency completes the AFR before this date, incorporate those amounts into your AFR. You can find the application on the Web at <http://txcpa.cpa.state.tx.us/gr/login.html>.

Most fields in the worksheet will be automatically populated with USAS amounts. This will save time for your agency. The system also provides a standardized reporting format to be used by all agencies and institutions of higher education. The system collects the information in a central database to be used for Comprehensive Annual Financial Report (CAFR) analysis.

### Overview

Your agency is required to prepare the GR reconciliation if it has any activity on the USAS General Ledger Summary Inquiry (56) screen for Cash in State Treasury (GL 0045) in the current fiscal year for Appropriated Fund 0001. Below is a screen print of the 56 screen that shows activity. This agency would be required to prepare the GR reconciliation. If the debit and credit columns were all zeroes, then a GR reconciliation may not be required. You should review the Web site to determine whether the information on the Web site agrees with amounts you plan to report in your AFR.

TEXAS S056		UNIFORM STATEWIDE ACCOUNTING SYSTEM		06:22 PM
LINK TO:		GENERAL LEDGER SUMMARY INQUIRY		PROD
AGY: XXX FY: CY APPD FUND: 0001		FUND:	COMP/AGY GL: 0045	
GL TITLE: CASH IN STATE TREASURY				
COMP/AGY OBJ:	AY:	APPN:	NAC SUBFUND:	
	DEBIT	CREDIT		ENDING BALANCE
PY BAL				175,190,386.13-
SEP	48,927.10	999,445.35-		176,140,904.38-
OCT	34,007.83	1,087,748.56-		177,194,645.11-
NOV	20,441.46	1,340,338.17-		178,514,541.82-
DEC	5,259,164.42	1,198,986.39-		174,454,363.79-
JAN	10,769,294.54	1,364,050.09-		165,049,119.34-
FEB	93,123,733.42	1,220,808.09-		73,146,194.01-
MAR	14,077,201.88	2,262,327.59-		61,331,319.72-
APR	15,594.02	1,293,551.05-		62,609,276.75-
MAY	10,812,327.89	12,007,794.67-		63,804,743.53-
JUN	122,181.84	1,360,765.69-		65,043,327.38-
JUL	82,156.13	1,625,539.91-		66,586,711.16-
AUG	100,573.48	1,880,275.07-		68,366,412.75-
ADJ	0.00	0.00		68,366,412.75-
F1-HELP F3-END F4-INTERRUPT				

## Annual Financial Report Impact

As a result of ACR5888, the financial statement impact to Legislative Appropriations for budgetary T-Codes 001 – 043 is automatically generated in USAS when Appropriated Fund 0001 is involved, using the AFR-generated TC Field shown on the Transaction Code Decision (28A) Profile. Please ensure the accuracy of the generated transactions and record adjustments, if necessary. The generated transactions (T-Codes in the 400 and 600 range) should not be confused with the actual budgetary T-Codes 001 to 043 that move or establish budget. **When instructed to do AFR adjustments, only use T-Codes that post a financial reporting impact to Legislative Appropriations and do not move or undo any budgetary activity that was posted during the year.** The GR Reconciliation database is populated with cash and budgetary activity, so making these AFR adjustments using T-Codes that do not post budget or balance types will not change the database amounts. Instead, the AFR adjustments will change the amounts on the operating statement and/or balance sheet.

An adjustment will still be required at year-end for the net change in cash (T-Code 463), which is typically the Legislative Appropriations used. Payroll related costs may also require manual adjustments; however, if excess budget for OASI, BRP, etc. is returned prior to the USAS AFR reconciliation and backdated to the appropriate fiscal year, manual adjustments should not be necessary. The return of the excess with the appropriate budgetary T-Codes will generate transactions that should reduce Legislative Revenue so that it equals expenditures as it should. The generated object codes used for recording AFR transactions are in the range of 9400 through 9599.

## Appropriation Record Inquiry (62) Screen

The Appropriation Record Inquiry (62) screen is the primary screen used to determine funding edits in USAS. Agencies use this screen to determine how much remaining budget they can spend by appropriation number. Use the budgetary activity within this screen to derive the ad hoc report balances (GR 201A, 202, 203, etc.) and to derive the Internet balances to complete the GR reconciliation.

The Legislative Appropriations asset balance at 08/31 is composed of committed budget and collected cash for strategy appropriations plus or minus adjustments for payroll related cost appropriations. The Appropriation Cash Available on the Appropriation Record Inquiry (62) screen reflects the balance remaining on a cash basis in an appropriation for the committed budget plus any collected cash amounts. The 62 screen can be inquired upon as shown below:

TEXAS S062	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 12:14 PM
LINK TO:	APPROPRIATION RECORD INQUIRY	PROD
AGY: XXX APPN YEAR: 07 APPN #: 13001	STRATEGY APPROPRIATION	
APPR FUND: 0001 FUND:	COMP SRCE/GRP: LBB/COMP OBJ:	
PRG CD: LVL:	ORG CD: LVL:	
INQ TYPE: CB INQ YEAR: 07 INQ MONTH: 13	NET CASH ACT:	98,131,339.55-
REM CASH BASIS BUDG:	3,307,903.83	<b>APPN CASH AVAIL:</b> 629,334.75
REM ACCR BASIS BUDG:	3,296,602.00	APPN ACCR CSH AVAIL: 618,032.92
REM ENC BASIS BUDG:	3,296,602.00	APPN ENC CASH AVAIL: 618,032.92
BT TITLE AMOUNT	BT TITLE AMOUNT	
01 APPN ORIG BUDG	116,377,594.00	
02 APPN REVISIONS	30,715,627.59	
03 APPN TRNFRS OUT	9,399,163.00	
04 APPN TRNFRS IN	4,154,751.30	
11 EST COL REVENUE	43,088,135.59	
12 CASH REVENUES	40,409,566.51	
15 CASH EXPEND	138,366,991.18	
<b>16 CASH RSRVD - PR</b>	<b>173,914.88</b>	
17 ACCRUED EXPEND	11,301.83	
18 ENC OUTSTAND	.00	
F1-HELP F3-END F4-INTERRUPT		



The asset amount for the balance sheet at 08/31 for any strategy appropriation is the Appropriation Cash Available with balance type (BT) 16 added back. (See calculation below.) Balance type 16 is *Cash Reserved for Payroll*. The Treasury retains the *Cash Reserved for Payroll*. The payable does not liquidate until September 1st. This balance type is only used as a safeguard to reserve the cash to ensure that payrolls clear. The balance type 16 amount should be reflected as payroll payable and still be reported in the asset balance on the balance sheet, since the cash is really still in the appropriation. It is only set aside for payroll. In order to tie from the 62 screen to the 201A Report, column 8 amount, balance type 16 must be added back to the Appropriation Cash Available amount.

For a strategy appropriation:

Appn Cash Available (per 62 screen)	629,334.75	
BT 16 Cash Rsvd – PR	<u>173,914.88</u>	
Legislative Appns for Balance Sheet (Rpt. 201A)	<u>803,249.63</u>	(cash basis appn. bal.)

## GR Internet Design and Layout

### Web Site Address

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<http://txcpa.cpa.state.tx.us/gr/login.html>

### Links

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Navigation links are designed to assist the user in navigating through the screens easier. They can be found on the top and bottom of each screen and are usually underlined.

The **back button should not be used** — it does not navigate to the prior screen that was just updated. The only time the back button may be used is after a download has been performed.

### Columns

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A column is associated with each category of Legislative Appropriations to assist with identification. Each column has its own Internet page. For instance, Direct Strategy category is column B.

### Detail Column

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The detail column contains certain line numbers that have the word “detail.” This is a link which provides the user with additional USAS information such as the agency general ledger account, appropriation number and amount. To view, click the *detail* link.

### Comments Column

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The comments column allows you to input pertinent information about the line number (e.g., if an agency wants to write notes to support an amount from an agency input line). To input a comment, click the *add* link, input comments, click *submit comments* button. Comments are limited to 255 characters. The message *comments accepted* appears. Choose a link button to navigate to the desired location.

To edit comments, click the *edit* link, select the *edit comments* button, input comments, then select *submit comments* button. The message *comments accepted* appears. Choose a link button to navigate to the desired location. Links are denoted with underlines.

### Rows

---

Each row has a specific six digit line number. For instance, Budget Revisions are found on line number 300100. Each row must be verified for accuracy. If you find the amounts are not correct, analyze the GR queries and the USAS Appropriation Record Inquiry (62) screen. Make any necessary budget adjustments in USAS. There are **five sources** of information for the Web application.

- 1 Prior Year CAFR Balances:** These balances are input to the system through a spreadsheet prepared by FRS. The ending PY balances have been verified against CAFR balances. If you have a question about this information for your agency, contact your financial reporting analyst. In the Layout, the rows that are updated by this spreadsheet are denoted with the “CAFR” abbreviation.
- 2 USAS Data:** USAS updates approximately 56 fields. In the Layout, the rows that are updated by USAS are denoted with the *U-Report #* abbreviation. If the number that is populated does not appear to be correct, see the detail with the report number. In addition, the USAS Appropriation Record Inquiry (62) screen provides the same data. See Step 3 for more details regarding USAS data.

- 3 Agency Input Fields:** These fields may require you to input amounts in order to balance. In the Layout, the rows that need to be updated by the agency are denoted with an **A** abbreviation. See Step 6 for more details regarding use of these fields.
- 4 Financial Reporting Input Fields:** There is one row in Calculation I (line 590000) and one row in Calculation II (line 900000) for Financial Reporting Input. These should be used only when there are exceptions to the norm and there is no possible way to balance the column without the use of this row. You should enter comments to explain the situation causing the exception. There are two cells in Calculation I (line 400200 column F and line 400300 column J) for Financial Reporting Input. These rows and cells are for use by financial reporting analysts only and require a security agency of **000** on the Titles (D53) profile for Table ID of **GRSC** in order to make entries on this row. Line 400200, column F – Insurance, Calculation I, will be entered with data received from ERS. In the Layout, a financial reporting analyst may only update these rows and cells that are denoted with a **F** abbreviation.
- 5 Calculated Fields:** These fields are not stored on the database but are calculated and viewed when using the application. When a download is performed, these rows have built in formulas that are passed to the spreadsheet. In the Layout, the rows that are calculated fields are denoted with a **C** abbreviation.

## Steps to Reconcile

The following table summarizes the basic steps and sequence necessary to complete the GR Reconciliation via the Internet. Refer to the following pages of this document for detailed instructions on each of the steps summarized below.

<b>Step 1</b>	<b>Establish GR Security</b> – Both Comptroller mainframe access and D53 Titles profile under Table ID of “GRSC” must exist to obtain access to the system.	
<b>Step 2</b>	<b>Gather Information</b> – Gather payroll and appropriation information from internal records.	
<b>Step 3</b>	<b>Enter USAS Information</b> – All budget and accrual entries must be made into USAS in order to update USAS populated fields. Information Technology staff updates USAS populated fields manually with the information from the nightly cycle; therefore, allow time for overnight processing. Refer to Step 3 on the following pages for detail.	
<b>Step 4</b>	<b>Log in Process</b>	
<b>Step 5</b>	<b>Agency Selection Menu</b>	
Depending on your agency, the steps below may vary:		
	<b>SIMPLE RECONCILIATIONS</b>	<b>COMPLEX RECONCILIATIONS</b>
<b>Step 6</b>	<b>Optional step</b>	<b>Download Spreadsheet</b> – (Working Copy, refer to Step 10 for detailed download instructions). Use Excel formulas and complete reconciliation as in prior years.
<b>Step 7</b>	<b>Enter Agency Input Fields</b>	<b>Enter Agency Input Fields</b> – Once agency input amounts are calculated in Step 6, enter amounts in spreadsheet and online into the Internet system.
<b>Step 8</b>	<b>Reconcile and Verify Data</b> – Perform this step online for simple reconciliations.	<b>Reconcile and Verify Data</b> – Perform this step off-line in order to view all columns simultaneously, then enter adjustments and review online. Prior to Certification, you must complete all USAS entries, agency input fields and adjustments.
Steps 2 through 8 should be repeated as necessary until all information is accurate. Then follow steps 9 and 10.		
<b>Step 9</b>	<b>Certify</b> – Confirm that all columns have a difference of zero and other Certification criteria is met.	
<b>Step 10</b>	<b>Download Spreadsheet</b> – Final Version for agency files only. Do not send a copy to the Comptroller’s office, FRS section. The Internet database will be used for GR Certification and CAFR preparation.	

## Step 1 – Establish General Revenue Security

You need two components to obtain security access to the GR Reconciliation database.

- 1 You must have the Comptroller's mainframe security access to access the Web application. This type of security access is called Resource Access Control Facility (RACF) access. Contact your agency's security coordinator to request RACF access for each employee working on the GR Internet.
- 2 A USAS Titles Profile (D53) under Table ID of **GRSC** for *GR security* must exist with your user ID. The D53 profile controls which agencies' users are granted access.

Use the USAS Titles profile (D53) to determine which agencies you may access. On the D53 enter **R** in the Action field. Enter **GRSC** in the Table ID field and enter the user identification number in the Key field. The key is comprised of your identification number in the first 7 digits followed by your agency number in the last 3. To verify security authority this way, you must have access to USAS. If you do not have USAS access, contact your financial reporting analyst to verify security.

Financial reporting employees' key consists of **000** after their user identification number to allow access to all agencies. This security key also enables the use of the FRS only field.

**Once the security area in the Comptroller's office has set up a User ID on the D53 screen, it will require one overnight cycle to run before the user can use the GR Internet system. The user should ensure that the proper security exists as early in the process as possible.**

TEXAS SD53	UNIFORM STATEWIDE ACCOUNTING SYSTEM	08:49 AM
LINK TO:	TITLES PROFILE	PROD
ACTION: R	(A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)	
TABLE ID: GRSC		
KEY: JSMI413111		
TITLE: JOE SMITH		
<b>Note: The 'key' above enables User ID 'JSMI413' to access Agency '111'.</b>		
EFF START DATE: 07202000	EFF END DATE:	STATUS CODE: A
Z26 RECORD NOT FOUND – NEXT RECORD RECALLED	LAST PROC DATE: 07202000	
PLEASE ENTER FUNCTION		
F1-HELP	F3-END	F4-INTERRUPT F6-PROCESS

## Step 2 – Gather Information

Enter the fields to the Web application that are applicable to that agency. You will need the following information:

- Supplemental payroll information
- Fiscal Policies and Procedures (FPP) at <https://fmx.cpa.state.tx.us/mt/fmx/poliprocl/index.php>
- Expenditures for the salary increase, see detailed instructions for line number 200700.
- Retirement contribution, see detailed instructions line number 400100
- Group insurance contribution, for verification purposes only for line number 400200
- Unemployment contribution, for verification purposes only for line number 400300
- BRP adjustment, see detailed instructions line number 700600
- Salary increase adjustment, see detailed instructions line number 700800
- Benefits Proportional adjustments should be considered, if they are going to be backdated and included on the AFR (see FPP A.010 *Benefits Proportional by Fund* [APS 011])

The following fields are available for adjusting entries:

- Payroll Related Costs paid on behalf of the agency, lines 400100-400300
- Higher Education Assistance Fund Distribution, line 500000

- Committed Budget Transfers In, line 500300
- Committed Budget Transfers Out, line 500400
- Unappropriated Net Change in Cash (appropriation number 00000, 99906, 99907, 99908 and 60000), line 600300
- Earned Federal Funds Net Change in Cash (appropriation 70000), line 600400
- Other Net Change in Cash, line 600500
- Unappropriated Net Change in Cash adjustment (appropriation number 00000, 99906, 99907 and 99908) line 701000
- Earned Federal Fund adjustment (appropriation 70000), line 701100
- Other Net Change in Cash adjustment, line 701200

### Step 3 – Enter USAS Transactions

Enter USAS budget and accrual transactions to change amounts populated by USAS. There are potentially **fifty-six** fields that USAS automatically populates. As in past years, statewide GR query reports will be transmitted to agencies in mid September. These reports will contain the detail of USAS data to back up the values on the screens.

For a successful GR reconciliation, agencies must ensure that they comply with the following *Fiscal Policies and Procedures*:

- FPP A.021 *Sources of Revenue Required to Pay Benefit Cost* (APS 001)
- FPP A.035 *Reimbursements for Unemployment Compensation Payments* (APS 003)
- FPP A.010 *Benefits Proportional by Fund* (APS 011)
- FPP A.019 *Encumbrance Report and Lapsing of Appropriations* (APS 018)
- FPP A.042 *Salary Benefit Appropriation Allocations* (APS 019)
- FPP A.017 *Earned Federal Funds and Indirect Cost Reimbursements to the General Revenue Fund* (APS 023)
- FPP A.022 *General Revenue Reimbursement for Statewide Allocated Costs*
- FPP A.009 *Appropriations for the Salary Increase for Certain State Employees for Fiscal 2006–2007*

The text for the *Fiscal Policies and Procedures* (FPP) is available at <<https://fmx.cpa.state.tx.us/mt/fmx/poliprocl/index.php>>.

You must make all entries related to the *Fiscal Policies and Procedures* above into USAS before the reconciliation process can be completed. Also ensure that all supplemental payrolls have been processed before completing the reconciliation. On October 31st, agencies will not be able to backdate any budget T-Codes into fiscal 2007. If you must make an adjustment after the deadline, contact your financial reporting analyst. USAS updates the GR Web application nightly; therefore, a USAS transaction will not be reflected on the Web application until the day after the transaction is entered.

---

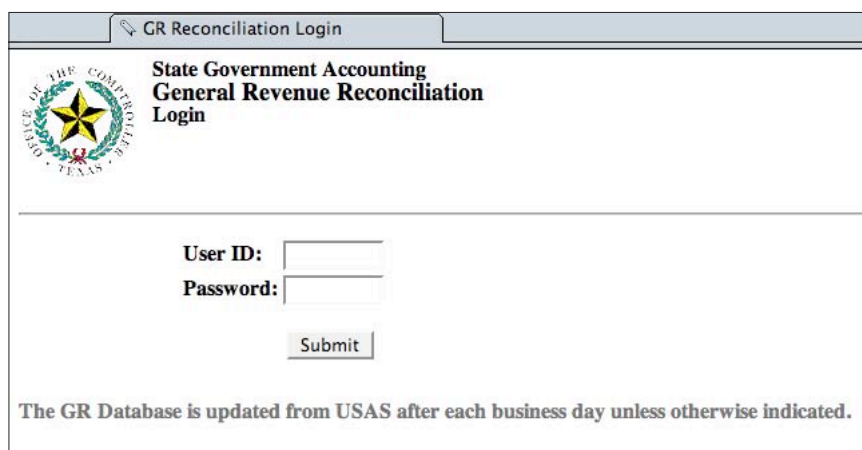
**Benefits Proportional Note:** Report benefits proportional entries made in accordance to FPP A.010 on the AFR as they are done in USAS. This is an issue, particularly for Higher Ed, when the AFR is prepared before proportionality entries may be calculated. On or before November 20th, you must demonstrate proportionality and make any entries that may be necessary to the respective appropriation year (AY) in USAS. The decision to backdate those entries to the prior fiscal year (FY) is optional, depending upon what is reflected on the AFR. As long as the treatment is the same between USAS and the AFR, the accounting period to which the entries are posted is at the agency's discretion.

---

### Step 4 – Log In Process

Access the database on the Internet at <<http://txcpa.cpa.state.tx.us/gr/login.html>>.

- 1 Input USER ID (same as Comptroller's mainframe User ID)
- 2 Input password (same as Comptroller's mainframe password). If your password has expired, you must go to a mainframe application to enter a new one. If your mainframe (RACF) security is suspended, call the Help desk at 463-4991 to request a reset of your password.
- 3 Click **Submit** button



### Step 5 – Agency Selection Menu

The agency selection menu allows you to navigate to the different columns within the system, download and certify. A column is associated for each category to assist with identification. For instance, Direct Strategy category is column B.

- 1 Input your agency number.
- 2 Input the appropriate GAAP fund type. For GAAP fund type **I**, you must enter the leading zero and input **0I**.

---


**Note for FT 09:** Complete separate reconciliations for each fund type. If your agency has cash activity in fund type **09**, you must complete a reconciliation for fund type **09**. Adjust any activity in the adjustment column and include it on the fund type **0I** reconciliation if appropriate. Certification will not be allowed if all fund types are not reconciled.

---

- 3 Move cursor to the circle for the selected column and click on the circle.
- 4 Click the **Review/Edit by Column** button at the bottom of the page.

If you select an agency for which you do not have security access, the error message **Error – Invalid agency number** will appear. If you select an inappropriate GAAP fund type for the agency, the message **No data found** appears.

General Revenue Reconciliation ...



**State Government Accounting  
General Revenue Reconciliation  
Main Menu**

[Main Menu](#)
[Logout](#)

System is currently read-only for outside agencies

Agency:  GAAP fund type:

**Column** (B)  Direct Strategies

(C)  OASI 91142

(D)  ERS/TRS Retirement 90327, 94327

(E)  ORP (Article III only) 97646

(F)  ERS Insurance 98327, 99327 (HE - not self-insured)

(G)  GIP (Self-insured HE only) 95002

(H)  BRP (Agency only) 23102

(I)  Salary/Longevity Increase 29317

(J)  Other

(K)  Calculated per Source

(L)  Adjustments

(M)  Amount as Adjusted

[Review/Edit by Column](#)
[Download GAAP Fund Type](#)
[Certify](#)
[Uncertify](#)
[View Certification List](#)

[View Statewide Summary](#)
[Download GR Macro](#)

### Step 6 – Download Spreadsheet (Working Copy)

This step is optional for agencies with simple reconciliations. For agencies with complex reconciliations, refer to **Step 10** for detailed instructions regarding the download process. Agencies with complex reconciliations may prefer to work off-line using the downloaded file in spreadsheet format. This will allow viewing of more columns simultaneously. For agencies needing adjustments in column L, this may also be helpful.

### Step 7 – Enter Agency Input Fields

Enter fields that are applicable to your agency to the Web application. You must ensure that supplemental payroll information and the required FPP document entries have been entered in USAS. You will need the following information:

- Salary increase, line number 200700,
- Retirement contribution, line number 400100,
- BRP adjustments, line number 700600
- Salary increase adjustment, line number 700800

The following fields are available for adjusting entries:

- Higher Education Assistance Fund Distribution, line 500000
- Committed Budget Transfers In, line 500300
- Committed Budget Transfers Out, line 500400
- Unappropriated Net Change in Cash (appropriation number 00000, 60000, 99906, 99907 and 99908), line 600300
- Earned Federal Funds Net Change in Cash (appropriation 70000), line 600400
- Other Net Change in Cash, line 600500
- Unappropriated Net Change in Cash adjustment (appropriation number 00000, 60000, 99906, 99907 and 99908), line 701000
- Earned Federal Fund adjustment (appropriation 70000), line 701100
- Other Net Change in Cash adjustment, line 701200

### Entry Instructions

Clear the field before inputting an amount by pressing the backspace key. Input the amount and click **Update Amount**. If the input is successful, the **Update accepted** screen appears. Move the cursor to the **Return to Previous Page** link and click. The program takes the user back to the column.

---

**Note:** Do not use the **Back** button on your browser. Using the **Back** button causes the screen to not be refreshed and the numbers that appear will not reflect the update that was just done.

---

You can eliminate an amount by inputting a zero to replace the previously input amount. If you do not input a zero, the error message *Invalid amount entered* displays. Agency amounts are retained in the Web application and do not change during the nightly USAS cycle when USAS amounts are refreshed. Agency entered amounts are updated online in real time and update calculations immediately.

## **Step 8 – Reconcile and Verify Data**

### Direct Strategy – Column B

The amounts reflected in the Direct Strategy column on line numbers 100300-700100 will be extracted from USAS. These amounts should match the GR query titled Strategy Appropriations Activity Appropriated Fund 0001, Report 201A. Since this query should foot across, the amounts in this column should not require any agency adjustments.

### **Budget Type Indicator**

Column B is limited to appropriations with a Budget Type Indicator of **A** on the Appropriations (20) Profile. If this indicator is incorrect on the 20 screen, the report will not reflect accurate numbers. If your agency has an appropriation with the incorrect Budget Type Indicator, contact your appropriations control officer (ACO) to correct this error. Generally, an appropriation should have an **A** for appropriated if the appropriation is a direct strategy and any remaining budget should be included in fund balance. All appropriations with a Budget Type Indicator of **A** appear on the Report 201A. An appropriation should have a Budget Type Indicator of **N** for “non budgeted” or **U** for “unappropriated” if the budget in that appropriation is available only to the extent of expenditures (i.e. payroll related costs appropriations) or if any remaining budget in the appropriation is NOT available for the agency to keep and spend (i.e. budget reduction accounts, unappropriated, etc.). All appropriations with a Budget Type Indicator of **N** or **U** appear on the Report 201N.

### **Line Numbers**

**Legislative Appropriations (PY Ending Asset Balance), line 100100** This is the Direct Strategy from the 20PY Report 201A, column 8. This number should be the same as the first column on Report 201A, column 1 for 20CY. If it is not the same, contact your financial reporting analyst.

**Committed Legislative Appropriation Revenue, line 100300** This contains the amounts used with the original budget transaction codes (T-Codes) 001 and 003. T-Code 001 establishes appropriation budget and appropriation cash. T-Code 003 reduces appropriation cash. Therefore, the net of T-Codes 001 and 003 is the amount of appropriation cash that the agency does not have to collect in order to have spending authority. This amount should match the original budget found in the General Appropriations Act (GAA), which is shown as “General Revenue Fund” in an agency’s Method of Finance.

The amount on this line should have been automatically recorded in USAS with the following T-Code for AFR purposes:

T-Code 462

9000 Legislative Appropriations

6013 Legislative Revenue/Legislative Transfers In



**Riders Increasing Budget, line 100400** This is unique to certain agencies depending on the GAA. If the USAS Appropriation Number (20) profile Budget Type Indicator is coded as *A* and the appropriated fund is *0001*, then an agency may have an amount in this field. If the agency received any additional original budget (T-Codes 001 and 003) through rider appropriations, it should appear on this line.

**Budget Revisions, line 300100** This is unique to certain agencies depending on the GAA. The net of T-Codes 006 and 009 appears on this line. Click the **detail** button to view the detail of this line item by agency general ledger account and appropriation number.

**Unexpended Balance Forward, line 300200** This is the net of T-Codes 040 through 043. Agencies use these T-Codes when they have authority to move budget balances into the next AY. If the entries are done correctly, this amount should generally be zero. An amount other than zero in this field indicates that *UB* T-Codes did not net to zero and possibly crossed funds or agencies. Click the **detail** button to view the detail of this line item by agency general ledger account and appropriation number.

**Higher Education Assistance fund distribution, line 500000** Some institutions of Higher Education participate in this constitutional appropriation. Money is transferred in from agency 902 with a T-Code 018.

**BRP transfers within the agency, line 500100** Column B is the net amount that was transferred into the direct strategy appropriations from the receiving account appropriation 23102 for BRP. There will be offsetting amounts in column B and in column H for BRP. This line should net to zero in column K provided the agency has used the proper T-Codes. If funds have been returned correctly to the receiving account using T-Code 012R and 018R rather than 012 and 018, this row will net to zero. If proper T-Codes have not been used, this row will not net to zero. The agency will need to eliminate the balances in Legislative Financing Sources and Legislative Financing Uses automatically generated from the transfer of BRP between Appropriation 23102 and their strategies. Generic T-Codes that post general ledger accounts and not budget will need to be used. BRP appropriation revenue has already been automatically input in column H, line 200600, to the extent of expenditures.

**Salary increase transfers within the agency, line 500200** Column B is the net amount that was transferred into the strategy appropriations from the receiving account appropriation. There will be offsetting amounts in column B and in column I. This line should net to zero in column K provided the agency has used the proper T-Codes. If funds have been returned correctly to the receiving account using T-Code 012R and 018R rather than 012 and 018, this row will net to zero. If proper T-Codes have not been used, this row will not net to zero. The agency will need to eliminate the balances in Legislative Financing Sources and Legislative Financing Uses automatically generated from the transfer of the Salary Increase between the receiving account and their strategies. Generic T-Codes that post general ledger accounts and not budget will need to be used.

**Committed Budget transfers in, line 500300** The net of transactions using T-Codes 018 and 021 appear on this line if the Budget Type Indicator for the appropriation number is *A* and the amount is not included on lines 500100 or 500200. Click the **detail** button to view the detail of this line item by general ledger account and appropriation number.

**Committed Budget transfers out, line 500400** The net of transactions using T-Codes 012 and 015 will appear in this line if the Budget Type Indicator for the appropriation number is *A*. Click the **detail** button to view the detail of this line item by agency general ledger account and appropriation number.

**Other Line Adjustments (FRS entry only), line 590000** For FRS entry only.

**Committed Appropriations Lapsed, line 600100** This line will include all committed lapses processed during the fiscal year with a T-Code 036 for appropriations with a Budget Type Indicator of *A*. Generally, lapses should not be backdated to the previous fiscal year. The Legislative Appropriation balance on the balance sheet should reflect the authority available as of midnight on 08/31 and unobligated balances are not technically subject to lapse until 09/01. However, if there is a known lapse at 08/31, the agency may choose to either enter that lapse prior to 08/31 or backdate the entry to the previous fiscal year as long as the entry is done before the GR reconciliation is completed.

The amount on this line should be automatically recorded in USAS as follows:

T-Code 464  
6087 Lapsed Appropriations  
9000 Legislative Appropriations

**Appropriated Net Change in Cash, line 600200** This is the net of Fund 0001 activity posting to GL 0045, Cash in State Treasury, for any appropriation with Budget Type Indicator of *A*. Report 204 provides the detail by AY and appropriation number.

**Computed Legislative Appropriations for current year ending asset balance (8/31/CY)**  
This is a calculated field for the Calculation I section. It is the sum of the prior year balance plus or minus net activity for the year. This represents the remaining direct strategy appropriation authority for an agency. This number should agree to column 8 on Report 201A.

**Legislative Appropriation Balance at 08/31, line 700100** This represents the remaining direct strategy appropriation authority that will be reflected on an agency's balance sheet. This number should agree to column 8 on Report 201A.

**Other Line Adjustments (FRS entry only), line 900000** For FRS entry only.

**Computed Legislative Appropriation for current year ending asset balance (08/31/CY)**  
This is a calculated field for the Calculation II section. This represents the remaining direct strategy appropriation authority for an agency.

**Difference between Calculation I and Calculation II** This is a calculated field for the column and this amount must be zero in order to certify. If the amount is not zero, analyze USAS transactions and determine any necessary adjustments. For column B, if this difference is not zero, it could indicate a beginning balance problem, or it could also indicate an incorrect budget type indicator on the Appropriation (20) profile. Compare Report 201A, column 8 for the prior year to the Report 201A, column 1 for the current year.

You can link to the other columns by selecting another column link at the bottom or in the title section. If USAS contains data for line numbers 300100, 300200, 500300, or 500400, you can view the information from the detail column by clicking on that link.

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#### OASI – Column C – Appropriations 91142

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**Note for Health Related Agencies Only (Agency 529, 530, 537, 538 and 539):** This column also includes Appropriation 81142.

**Legislative Appropriations (PY Ending Asset Balance), line 100100** This is the remaining spending authority for the agency at 08/31/PY kept to cover prior year payables. This amount is made up of balance types 16 and 17 on the 62 screen when using an inquiry type of *PY* and an inquiry year of *07*.

**OASI Appropriation, line 200100** Legislative Revenue for OASI is only recognized to the extent of expenditures. Cash Expenditures (GL 5500, BT 15), Accrued Expenditures (GL 5501, BT 17) and Payroll Accrued Expenditures (GL 5505, BT 16) are included in this amount for all AY's.

The amount transferred from Agency 902 should be automatically recorded in USAS as follows:

T-Code 462  
9000 Legislative Appropriations  
6013 Legislative Revenue/Legislative Transfers In

**AFR Generated T-Codes, ACR 5888 Note:** Legislative Appropriation Revenue is posted to USAS through the AFR generated T-Code 462. The budget T-Codes between the agency and 902 generate T-Code 462. If budget is due back to Agency 902, the budget transfer, using T-Code 018R, should be posted to fiscal year 20CY. T-Code 018R will generate a T-Code 462R and automatically record a reduction to the Additional Appropriation Revenue GAAP source/object. After these entries are posted, the OASI Additional Appropriation Revenue in USAS should match the amount on Line 200100. Ideally, the budgetary T-Codes should generate transactions to reflect the correct Legislative Revenue amount for the AFR. However, if agencies have substantial activity in prior AY's such as extensive supplemental payrolls, or if FPP A.021 entries have not been made on a cash basis, then generic adjustments may still be required.

**FPP A.021 – (Other MOF – Fed Funds, etc), line 200800** If your agency pays salaries from Methods of Finance other than General Revenue in Fund 0001, an adjustment may be required in USAS according to FPP A.021. This field reflects the net of Cash Revenue (GL 5000, BT 12), Accrued Revenue (GL 5001, BT 14) and cash transfer (GL 6010, BT20) entries that have been made to the benefit appropriation at 08/31 for all AY's. If there are questions regarding required FPP A.021 entries, contact your appropriation control officer.

**Other Line Adjustments (FRS entry only), line 590000** For FRS entry only.

**Appropriated Net Change in Cash, line 600200** This is the net of Fund 0001 activity in GL 0045, Cash in State Treasury, for any OASI appropriation for all AY's. Report 204 provides more detail for this line.

**Computed Legislative Appropriation for current year ending asset balance (08/31/CY)** This is a calculated field for the Calculation I section. This represents the OASI portion of an agency's remaining appropriation authority.

**OASI Payable, line 700200** This is for amounts in balance types 16 and 17 for all AY's for appropriations 91142 at 08/31/CY.

**FPP A.021 Adjustments, line 700900** This is for amounts in Accrued Revenue (GL 5001, BT 14) at 08/31 for all AY's. Any Fund 0001 reimbursements that are not made on a cash basis before August 31, 20CY should be made on an accrual basis according to FPP A.021 using a T-Code that posts balance type 14. FPP A.021 reimbursements should be reviewed to ensure they are in proportion to the agency's non-GR funding sources.

**Other Line Adjustments (FRS entry only), line 900000** For FRS entry only.

**Computed Legislative Appropriation for current year ending asset balance (08/31/CY)** This is a calculated field for Calculation II. This represents the OASI portion of the remaining appropriation authority balance. Agencies are allowed to retain enough budget to cover their Payroll Related Costs payable.

**Difference Between Calculation I and Calculation II** This field is a calculated field for the column and this amount must be zero in order to certify. If the amount is not zero, analyze USAS transactions and determine any necessary adjustments.

An agency can link to the other columns by selecting another column link or selecting the links in the title section.

#### Retirement – Column D – Appropriations 90327 and 94327

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**Note for Health Related Agencies Only (Agency 529, 530, 537, 538 and 539):** This column also includes Appropriation 80327.

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**Legislative Appropriations (PY Ending Asset Balance), line 100100** This is the remaining spending authority for the agency at 08/31/PY kept to cover prior year payables. This amount is made up of balance types 16 and 17 on the 62 screen when using an inquiry type of **PY** and an inquiry year of **07**.

**Retirement Appropriation, line 200200** Legislative Revenue for Retirement is only recognized to the extent of expenditures. Cash Expenditures (GL 5500, BT 15), Accrued Expenditures (GL 5501, BT 17) and Payroll Accrued Expenditures (GL 5505, BT 16) are included in this amount for all AY's. This line is for agencies receiving a transfer in of appropriations from Agency 327 for Retirement and then making expenditures through the payroll process, similar to OASI.

The amount transferred from Agency 327 should have been automatically recorded in USAS with the following T-Code.

T-Code 462

9000 Legislative Appropriations

6013 Legislative Revenue/Legislative Transfers In

**AFR Generated T-Codes, ACR 5888 Note:** Legislative Appropriation Revenue is posted to USAS through the AFR generated T-Code 462. The budget T-Codes between the retirement systems and the agency generate the T-Code 462. If budget is due back to Agency 327, the budget transfer, using T-Code 018R, should be posted to FY 20CY. T-Code 018R will generate a T-Code 462R and automatically record a reduction to the Additional Appropriation Revenue GAAP source/object. After these entries are posted, the Retirement Additional Appropriation Revenue in USAS should match the amount on Line 200200. Ideally, the budgetary T-Codes should generate transactions to reflect the correct Legislative Revenue amount for the AFR. However, if agencies have substantial activity in prior AY's such as extensive supplemental payrolls, or if FPP A.021 entries have not been made on a cash basis, then generic adjustments may still be required.

Agencies that do not receive a transfer-in from Agency 327 will continue reporting Legislative Appropriations as they have in the past by obtaining the amounts from Employees Retirement System (ERS) reports and entering that amount in the spreadsheet on line 400100. See instructions below.

**FPP A.021 – (Other MOF – Fed Funds, etc), line 200800** If agencies pay salaries from Methods of Finance other than General Revenue in Fund 0001, an adjustment may be required in USAS according to FPP A.021. This field reflects the net of Cash Revenue (GL 5000, BT 12), Accrued Revenue (GL 5001, BT 14) and Cash Transfer (GL 6010, BT 20) entries that have been made to the benefit appropriation at 08/31 for all AY's. If there are questions regarding FPP A.021 entries that need to be made, contact your appropriation control officer.

**Retirement Contribution, line 400100** Report amounts paid on your agency's behalf on this line. Agency inputs this field. After inputting the amount, click **Update Amount**. If the input is successful, then the message **Update accepted** appears. Move the cursor to and click on **Return to Previous Page**. The program takes the user back to the column.

This line applies primarily to the agencies that do not receive a transfer in from Agency 327 and to other agencies that may have amounts for retirees and service fees. The amount is taken directly from ERS' report. If agencies have collected revenue (e.g., federal funds) to support ERS' retirement payments, an adjustment may be required in USAS according to FPP A.021. See instructions above for line 200800. The collected portion would be shown by the collecting agency as the actual source of revenue rather than Legislative Appropriations. The actual source of revenue is included in Net Change in Cash, line 600200.

**Payments Paid on behalf of agency, line 400900** This is a total for lines 400100 through 400300 multiplied by "-1." Lines 400100 to 400300 are the revenue recognition amounts and line 400900 is the payroll expenditure amount that is subtracted back out. Since these lines (400100 to 400900) represent payments made on behalf of the reporting agency, there should be a net effect of zero on the current year ending asset balance.

**Other Line Adjustments (FRS entry only), line 590000** For FRS entry only.

**Appropriated Net Change in Cash, line 600200** This is the net of Fund 0001 activity in GL 0045, Cash in State Treasury, for any Retirement appropriation for all AY's.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)**

This is a calculated field for Calculation I. This represents the Retirement portion of the remaining appropriation authority balance. Agencies are allowed to retain enough budget to cover their Payroll Related Costs payable at year-end.

**Retirement Payable, line 700300** This is for amounts in balance types 16 and 17 for all Retirement appropriations for all AY's at 08/31/CY.

**FPP A.021 Adjustments, line 700900** This is for amounts in Accrued Revenue (GL 5001, BT 14) at 08/31/CY for all AY's. Any Fund 0001 reimbursements that are not made on a cash basis before August 31, 20CY should be made on an accrual basis according to FPP A.021 using a T-Code that posts balance type 14. FPP A.021 reimbursements should be reviewed to ensure they are in proportion to the agency's non-GR funding sources.

**Other Line Adjustments (FRS entry only), line 900000** For FRS entry only.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)**

This is a calculated field for the Calculation II section. This represents the Retirement portion of the remaining appropriation authority balance. Agencies are allowed to retain enough budget to cover their Payroll Related Costs payable at year-end.

**Difference between Calculation I and Calculation II** This is a calculated field for the column and this amount must be zero in order to certify. If amount is not zero, analyze USAS transactions and determine any necessary adjustments.

An agency can link to the other columns by selecting another column link or selecting the links in the title section.

**ORP – Column E – Appropriation 97646 – Article III Agencies Only**

**Legislative Appropriations (PY Ending Asset Balance), line 100100** This is the remaining spending authority for the agency at 08/31/PY kept to cover prior year payables. This amount is made up of balance types 16 and 17 on the 62 screen when using an inquiry type of **PY** and an inquiry year of **07**.

**ORP Appropriation, line 200300** Legislative Revenue for ORP is only recognized to the extent of expenditures. Cash Expenditures (GL 5500, BT 15), Accrued Expenditures (GL 5501, BT 17) and Payroll Accrued Expenditures (GL 5505, BT 16) are included in this amount for all AY's.

The amount transferred from Agency 902 should have been automatically recorded in USAS with the following T-Code.

T-Code 462

9000 Legislative Appropriations

6013 Legislative Revenue/Legislative Transfers In

**AFR Generated T-Codes, ACR 5888 Note:** Legislative Appropriation Revenue is posted to USAS through the AFR generated T-Code 462. The budget T-Codes between the agency and 902 generate the T-Code 462. If budget is due back to Agency 902, the budget transfer, using T-Code 018R, should be posted to FY 20CY. T-Code 018R will generate a T-Code 462R and automatically record a reduction to the Additional Appropriation Revenue GAAP source/object. After these entries are posted, the ORP Additional Appropriation Revenue in USAS should match the amount on Line 200300. Ideally, the budgetary T-Codes should generate transactions to reflect the correct Legislative Revenue amount for the AFR. However, if agencies have substantial activity in prior AY's such as extensive supplemental payrolls, or if FPP A.021 entries have not been made on a cash basis, then generic adjustments may still be required.

**Other Line Adjustments (FRS entry only), line 590000** For FRS entry only.

**Appropriated Net Change in Cash, line 600200** This is the net of Fund 0001 activity in GL 0045, Cash in State Treasury, for appropriation 97646 for all AY's.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)**

This is a calculated field for the Calculation I section. It represents the ORP portion of the remaining appropriation authority balance. Agencies may retain enough budget to cover their Payroll Related Costs payable at year-end.

**ORP Payable, line 700700** This is for amounts in balance types 16 and 17 for appropriation 97646 for all appropriation years at 08/31/CY.

**FPP A.021 Adjustments, line 700900** This is for amounts in Accrued Revenue (GL 5001, BT 14) at 08/31/CY for all AY's. Any Fund 0001 reimbursements that are not made on a cash basis before 08/31/CY should be made on an accrual basis according to FPP A.021 using a T-Code that posts balance type 14.

**Other Line Adjustments (FRS entry only), line 900000** For FRS entry only.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)**

This is a calculated field for Calculation II. It represents the ORP portion of the remaining appropriation authority balance. Agencies are allowed to retain enough budget to cover their Payroll Related Costs payable at year-end.

**Difference between Calculation I and Calculation II** This is a calculated field for the column and the amount must be zero in order to certify. If amount is not zero, analyze USAS transactions and determine any necessary adjustments.

An agency can link to the other columns by selecting another column link or selecting the links in the title section.

Insurance – Column F – Appropriations 99327 and 98327 (Agency and Higher Ed non self-insured only)

**Note for Health Related Agencies Only (Agency 529, 530, 537, 538 and 539):** This column also includes Appropriation 89327.

**Legislative Appropriations (PY Ending Asset Balance), line 100100** This is the remaining spending authority for the agency at 08/31/PY kept to cover prior year payables. The amount is made up of balance types 16 and 17 on the 62 screen when using an inquiry type of *PY* and an inquiry year of *07*.

**Insurance Appropriation, line 200400** Legislative Revenue for Insurance and SKIP is only recognized to the extent of expenditures. Cash Expenditures (GL 5500, BT 15), Accrued Expenditures (GL 5501, BT 17) and Payroll Accrued Expenditures (GL 5505, BT 16) are included in this amount for all AY's. It is for agencies receiving a transfer in of appropriations from Agency 327 for Insurance and SKIP and then making expenditures through the payroll process, similar to OASI.

The amount transferred from Agency 327 should have been automatically recorded in USAS with the following T-Code:

T-Code 462

9000 Legislative Appropriations

6013 Legislative Revenue/Legislative Transfers In

**AFR Generated T-Codes, ACR 5888 Note:** Legislative Appropriation Revenue is posted to USAS through the AFR generated T-Code 462. The budget T-Codes between the agency and 327 generate the T-Code 462. If budget is due back to Agency 327, the budget transfer, using T-Code 018R, should be posted to FY 20CY. T-Code 018R generates a T-Code 462R and automatically records a reduction to the Additional Appropriation Revenue GAAP source/object. After these entries are posted, the Insurance Additional Appropriation Revenue in USAS should match the amount on Line 200500. Ideally, the budgetary T-Codes should generate transactions to reflect the correct Legislative Revenue amount for the AFR. However, if agencies have substantial activity in prior AY's such as extensive supplemental payrolls, or if FPP A.021 entries have not been made on a cash basis, then generic adjustments may still be required.

Agencies that do not receive a transfer-in from Agency 327 will continue reporting Legislative Appropriations as they have in the past by obtaining the amounts from Employees Retirement System's (ERS) reports and entering that amount in the spreadsheet on line 400200. See instructions below.

**FPP A.021, line 200800** If your agency pays salaries from Methods of Finance other than General Revenue in Fund 0001, an adjustment may be required in USAS according to FPP A.021. This field reflects the net of Cash Revenue (GL 5000, BT 12), Accrued Revenue (GL 5001, BT 14) and Cash Transfer (GL 6010, BT 20) entries that have been made to the benefit appropriation at 08/31/CY for all AY's. If there are questions regarding FPP A.021 entries that need to be made, contact your appropriation control officer.

**Group Insurance Contribution, line 400200** Report amounts paid on your agency's behalf on this line. This amount is input by FRS.

This line applies primarily to the agencies that do not receive a transfer in from Agency 327 and to other agencies that have amounts for retirees and service fees. This amount is taken directly from the ERS report. If agencies have collected revenue (e.g., federal funds) to support ERS' insurance contribution, an adjustment may be required in USAS according to FPP A.021. See instructions above for line 200800. The collected portion would be shown by the collecting agency as the actual source of revenue rather than Legislative Appropriations. The actual source of revenue is included in Net Change in Cash line 600200.

**Payments Paid on behalf of agency, line 400900** This is a total for lines 400100 through 400300, to be deducted from the asset balance. This line recognizes payroll expenditures on an agency's books for payments made by other agencies for payroll related costs, whereas lines 400100 to 400300 are an addition to the asset balance since they represent the revenue side.

**Other Line Adjustments (FRS entry only), line 590000** For FRS entry only.

**Appropriated Net Change in Cash, line 600200** This is the net of Fund 0001 activity in GL 0045, Cash in State Treasury, for appropriation 99327 and 98327 for all AY's.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)** This is a calculated field for the Calculation I section. It represents the Insurance portion of the remaining appropriation authority balance. Agencies are allowed to retain enough budget to cover their Payroll Related Costs payable at year-end.

**Insurance Payable, line 700400** This is for amounts in balance types 16 and 17 for appropriation 99327 and 98327 for all appropriation years at 08/31/CY.

**FPP A.021, line 700900** This is for amounts in Accrued Revenue (GL 5001, BT 14) at 08/31/CY for all AY's. Any Fund 0001 reimbursements not made on a cash basis before 08/31/CY should be made on an accrual basis according to FPP A.021 using a T-Code that posts balance type 14. Review FPP A.021 reimbursements to ensure they are in proportion to the agency's non-GR funding sources.

**Other Line Adjustments (FRS entry only), line 900000** This is for FRS entry only.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)** This is a calculated field for Calculation II. It represents the Insurance portion of the remaining appropriation authority balance. Agencies are allowed to retain enough budget to cover their Payroll Related Costs payable at year-end.

**Difference between Calculation I and Calculation II** This field is a calculated field for the column and the amount must be zero in order to certify. If amount is not zero, analyze USAS transactions and determine any necessary adjustments.

An agency can link to the other columns by selecting another column link or selecting the links in the title section.

GIP – Column G – Appropriation 95002 (Institution of Higher Education only)

**Legislative Appropriations (PY Ending Asset Balance), line 100100** This is the remaining spending authority for the agency at 08/31/PY kept to cover prior year payables. The amount is made up of balance types 16 and 17 on the 62 screen when using an inquiry type of **PY** and an inquiry year of **07**.

**Self Insured-Group Insurance Program (GIP), line 200500** Legislative Revenue for GIP is only recognized to the extent of expenditures. Cash Expenditures (GL 5500, BT 15), Accrued Expenditures (GL 5501, BT 17) and Payroll Accrued Expenditures (GL 5505, BT 16) are included in this amount for all AY's.

The amount transferred from Agency 902 should have been automatically recorded in USAS with the following T-Code:

T-Code 462

9000 Legislative Appropriations

6013 Legislative Revenue/Legislative Transfers In

**AFR Generated T-Codes, ACR 5888 Note:** Legislative Appropriation Revenue is posted to USAS through the AFR generated T-Code 462. The budget T-Codes between the agency and 902 generate the T-Code 462. If budget is due back to Agency 902, the budget transfer, using T-Code 018R, should be posted to FY CY. T-Code 018R generates a T-Code 462R and automatically records a reduction to the Additional Appropriation Revenue GAAP source/object. After these entries are posted, the GIP Additional Appropriation Revenue in USAS should match the amount on Line 200500. Ideally, the budgetary T-Codes should generate transactions to reflect the correct Legislative Revenue amount for the AFR. However, if your agency has substantial activity in prior AY's such as extensive supplemental payrolls, then generic adjustments may still be required.

**Other Line Adjustments (FRS entry only), line 590000** For FRS entry only.

**Appropriated Net Change in Cash, line 600200** This is the net of Fund 0001 activity in GL 0045, Cash in State Treasury, for appropriation 95002 for all AY's.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)** This is a calculated field for the Calculation I section. It represents the GIP portion of the remaining appropriation authority balance. Agencies are allowed to retain enough budget to cover their Payroll Related Costs payable at year-end.

**GIP Payable, line 700500** This is for amounts in balance types 16 and 17 for all appropriation years at 08/31/CY.

**FPP A.021 Adjustments, line 700900** This is for amounts in Accrued Revenue (GL 5001, BT 14) at 08/31/CY for all AY's. Any Fund 0001 reimbursements that are not made on a cash basis before 08/31/CY should be made on an accrual basis according to FPP A.021 using a T-Code that posts balance type 14.

**Other Line Adjustments (FRS entry only), line 900000** For FRS entry only.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)** This is a calculated field for Calculation II. It represents the GIP portion of the remaining appropriation authority balance. Agencies are allowed to retain enough budget to cover their Payroll Related Costs payable at year-end.

**Difference between Calculation I and Calculation II** This line must be zero. If the amount is not zero, analyze USAS transactions and determine any necessary adjustments.

An agency can link to the other columns by selecting another column link or selecting the links in the title section.



**BRP – Column H – Appropriation 23102**

**Note for Health Related Agencies Only (Agency 529, 530, 537, 538 and 539):** This column also includes Appropriation 83102.

**Legislative Appropriations (PY Ending Asset Balance), line 100100** This is the remaining spending authority for the agency at 08/31/PY. The adjustment is calculated in relation to the strategy appropriations. It is the amount that is payable to or receivable from the receiving account. This amount should agree to the GR Reconciliation Worksheet for FY PY Calculation II.

**BRP Appropriation, line 200600** Legislative Revenue for BRP is only recognized to the extent of expenditures. Cash Expenditures (GL 5500, BT 15), Accrued Expenditures (GL 5501, BT 17) and Payroll Accrued Expenditures (GL 5505, BT 16) are included in this amount for all AY's. Comptroller object code 7050 should be used for all BRP expenditures and is used to calculate this amount. The amount transferred from Agency 902 should have been automatically recorded in USAS with the following T-Code.

T-Code 462

9000 Legislative Appropriations

6013 Legislative Revenue/Legislative Transfers In

**AFR Generated T-Codes, ACR 5888 Note:** If budget in the receiving account is due back to Agency 902, the budget transfer, using T-Code 018R, should be posted to FY CY.

T-Code 018R generates a T-Code 462R and automatically records a reduction to the Additional Appropriation Revenue GAAP source/object. After these entries are posted, the BRP Additional Appropriation Revenue in USAS should match the amount on Line 200600. Ideally, the budgetary T-Codes should generate transactions to reflect the correct Legislative Revenue amount for the AFR. However, if agencies have substantial activity in prior AY's such as extensive supplemental payrolls, or if FPP A.021 entries have not been made on a cash basis, then generic adjustments may still be required. If additional budget is needed, use T-Code 018.

**FPP A.021, line 200800** If your agency pays salaries from Methods of Finance other than General Revenue in Fund 0001, an adjustment may be required in USAS according to FPP A.021. This field reflects the net of Cash Revenue (GL 5000, BT 12), Accrued Revenue (GL 5001, BT 14) and Cash Transfer (GL 6010, BT 20) entries that have been made to the BRP appropriation at 08/31/CY for all AY's. If there are questions regarding FPP A.021 entries that need to be made, contact your appropriation control officer.

**BRP Transfers within the agency, line 500100** This is the actual activity for BRP transfers within an agency into or out of Appropriation 23102.

The proper procedure for moving BRP from the receiving account into a direct strategy is to use T-Code 012, Transfer Out for appropriation 23102 and T-Code 018, Transfer In for the direct strategy appropriation. To return funds to the receiving account from a direct strategy, the same process should be used except using **reversals (R's)** (i.e. T-Code 018R with direct strategy, T-Code 012R with Appropriation 23102). To return funds to the Comptroller's office, the same process using **reversals (R's)** should be used (i.e. T-Code 018R with appropriation 23102, T-Code 012R with the Comptroller). By following this process, the amount in balance type **03** per the 62 screen equals the expenditures after any excess budget has been returned. If proper T-Codes have not been used to move BRP budget between the Comptroller, the receiving account and the direct strategy appropriations, the balance type amounts and Report 202A are not reliable. If this situation does occur, contact your financial reporting analyst to run reports for detailed analysis and to make corrections.

**Other Line Adjustments (FRS entry only), line 590000** For FRS entry only.

**Appropriated Net Change in Cash, line 600200** This is the net of Fund 0001 activity in GL 0045, Cash in State Treasury, for appropriation 23102 for all AY's.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)**

This is a calculated field for the Calculation I section. It represents the BRP portion of the remaining appropriation authority balance. A positive balance indicates expenditures have exceeded the transfers from the receiving account to the direct strategies. Additional BRP amounts must be transferred from the receiving account into the direct strategies. If there is not an available balance in the receiving account, an additional draw must be requested from 902.

**BRP Appropriation Adjustment, line 700600** Agency inputs this field. To determine the adjustment amount for each AY, compare the cumulative expenditures for all FY's in comptroller object code 7050 to the amount transferred out of appropriation 23102 into the direct strategy appropriations. The adjustment amount is in relation to the strategy appropriations balance. If there is budget in excess of expenditures that has been moved into the strategy appropriations, the strategy appropriation's Appropriation Cash Available per Report 201A is overstated and will cause a negative BRP adjustment for Calculation II. If not enough budget has been moved into strategy appropriations to cover BRP expenditures, the strategy appropriation's Appropriation Cash Available per Report 201A is understated and will cause a positive BRP adjustment for Calculation II.

Obtain the cumulative expenditures amount from Report 202A, rows with comptroller object code 7050 beside them or from adding multiple fiscal year's amounts per Report 202. Obtain the cumulative budget transfers on Report 202A from the rows with appropriation 23102 and without a comptroller object code beside them or from the 62 screen, balance type 03, Appn Trnfrs Out amount. The net of the two amounts is the total of the column for that AY.

**Note:** Report 202A does not take FPP A.021 adjustments into consideration. FPP A.021 adjustments should be entered on line 700900. BRP is subject to FPP A.021 reimbursements and they should be made in proportion to non-GR funding sources.

Agency XXX FY CY BRP Adjustment Report 202A						
AGY	AY	Appn Num	Appd Fd	COBJ	AY CY	AY PY
XXX	06	13001	0001	7050	0.00	0.00
	06	13001		7050	4,080.02	0.00
	02	13001		7050	0.00	0.00
	03	13001		7050	0.00	0.00
	07	13001		7050	0.00	2,040.95
	02	13001		7050	0.00	0.00
	06	13002		7050	1,107.12	0.00
	07	13002		7050	0.00	3,329.46
	04	13002		7050	0.00	0.00
	02	13002		7050	0.00	0.00
	07	23102			0.00	-5,664.41
	06	23102			-5,187.14	0.00
APPD FUND 0001 TOTAL					0.00	-294.00

For the sample agency report shown above, the adjustment amount of a negative \$294.00 for line 700600 could be handled one of two ways.

1. If salaries for AY07 are not complete and additional funds may be needed during 20FY for AY07, there is no need to return budget only to request additional funds in 20FY for AY07. If this is your agency's situation, then you should enter the negative \$294.00 amount on line 700600. Once AY07 salaries are completed in 20FY and the final excess budget amount can be determined, budget can be returned to the Comptroller's office with a 20FY effective date.
2. If salaries for AY06 are complete and the final excess budget can be accurately calculated, then return the budget to the receiving account and then to the Comptroller and post it to FY CY. Once the excess budget has been returned, then re-calculate the BRP adjustment. If the budget is returned correctly, the adjustment amount should now be zero. Enter zero on line 700600 and complete the GR reconciliation process.

After inputting the amount, click **Update Amount**. If the input is successful, the message **Update accepted** appears. Move the cursor to and click on **Return to Previous Page**. The program takes the user back to the column. This adjustment is calculated in relation to the strategy appropriations. It is the amount that is payable to or receivable from the receiving account.

**Attention:** A positive balance indicates additional BRP must be transferred into the direct strategies. A negative balance indicates amounts must be transferred out of the direct strategies back into the receiving account.

**FPP A.021 Adjustments, line 700900** This is for amounts in Accrued Revenue (GL 5001, BT 14) at 08/31/CY for all AY's. Any Fund 0001 reimbursements that are not made on a cash basis before 08/31/CY should be made on an accrual basis according to FPP A.021 using a T-Code that posts balance type 14. FPP A.021 reimbursements should be reviewed to ensure they are in proportion to the agency's non-GR funding sources.

**Other Line Adjustments (FRS entry only), line 900000** For FRS entry only.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)** This is a calculated field for the Calculation II section. It represents the BRP portion of the remaining appropriation authority balance.

**Difference between Calculation I and Calculation II** This field is a calculated field for the column and this amount must be zero in order to certify. If the amount is not zero, analyze USAS transactions and determine any necessary adjustments.

An agency can link to the other columns by selecting another column link or selecting the links in the title section.

#### Salary Increase — Column I — Appropriation 29317

**Note for Health Related Agencies Only (Agency 529, 530, 537, 538 and 539):** This column also includes Appropriation 89317.

**Legislative Appropriations (PY Ending Asset Balance), line 100100** This is the remaining spending authority for the agency at 08/31/PY. This adjustment is calculated in relation to the strategy appropriations. It is the amount that is payable to or receivable from the receiving account. This amount should agree to the GR Reconciliation Worksheet for FY PY Calculation II.

**Salary Increase, line 200700** Legislative Revenue for Salary Increase is only recognized to the extent of expenditures. Cash Expenditures (GL 5500, BT 15), Accrued Expenditures (GL 5501, BT 17) and Payroll Accrued Expenditures (GL 5505, BT 16) are included in this amount for all AY's. You must input this field.

The amount transferred from Agency 902 should have been automatically recorded in USAS with the following T-Code.

T-Code 462

9000 Legislative Appropriations

6013 Legislative Revenue/Legislative Transfers In

**AFR Generated T-Codes, ACR 5888 Note:** Legislative Appropriation Revenue is posted to USAS through the AFR generated T-Code 462. The budget T-Codes between the agency and 902 generate the T-Code 462. If budget is due back to Agency 902, the budget transfer, using T-Code 018R, should be posted to FY CY. T-Code 018R will generate a T-Code 462R and automatically record a reduction to the Additional Appropriation Revenue GAAP source/object. After these entries are posted, the Salary Increase Additional Appropriation Revenue in USAS should match the amount on Line 200700. Ideally, the budgetary T-Codes should generate transactions to reflect the correct Legislative Revenue amount for the AFR. However, if your agency has substantial activity in prior AY's such as extensive supplemental payrolls, or if FPP A.021 entries have not been made on a cash basis, then generic adjustments may still be required. If additional budget is needed, use T-Code 018.

**FPP A.021, line 200800** If your agency pays salaries from Methods of Finance other than General Revenue in Fund 0001, an adjustment may be required in USAS according to FPP A.021. This field reflects the net of Cash Revenue (GL 5000, BT 12), Accrued Revenue (GL 5001, BT 14) and Cash Transfer (GL 6010, BT 20) entries that have been made to the Salary Increase appropriation at 08/31/CY for all AY's. If there are questions regarding FPP A.021 entries that need to be made, contact your appropriation control officer.

**Salary Increase Transfers within the agency, line 500200** This is the actual activity for Salary Increase transfers within an agency into or out of appropriation 29317.

**Other Line Adjustments (FRS entry only), line 590000** For FRS entry only.

**Appropriated Net Change in Cash, line 600200** This is the net of Fund 0001 activity in GL 0045, Cash in State Treasury, for salary increase appropriations for all AY's.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)** This is a calculated field for the Calculation I section representing the Salary Increase portion of the remaining appropriation authority balance. A positive balance indicates additional Salary Increase must be transferred into the direct strategies. A negative balance indicates amounts must be transferred out of the direct strategies back into the receiving account.

**Salary Increase Adjustment, line 700800** You input this field. After inputting the amount, click Update Amount. If the input is successful, the message Update accepted appears. Move the cursor to and click on Return to Previous Page. The program takes you back to the column.

**FPP A.021 Adjustments, line 700900** This is for amounts in Accrued Revenue (GL 5001, BT 14) at 08/31/CY for all AY's. Any Fund 0001 reimbursements that are not made on a cash basis before 08/31/CY should be made on an accrual basis according to FPP A.021 using a T-Code that posts balance type 14. FPP A.021 reimbursements should be reviewed to ensure they are in proportion to the agency's non-GR funding sources.

**Other Line Adjustments (FRS entry only), line 900000** For FRS entry only.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)** This is a calculated field for the Calculation II section representing the Salary Increase portion of the remaining appropriation authority balance. A positive balance indicates additional Salary Increase must be transferred into the direct strategies. A negative balance indicates amounts must be transferred out of the direct strategies back into the receiving account.

**Difference between Calculations I and Calculation II** This field is a calculated field for the column and the amount must be zero in order to certify. If the amount is not zero, analyze USAS transactions and determine any necessary adjustments.

An agency can link to the other columns by selecting another column link or selecting the links in the title section.

#### Other – Column J

FPP A.022 *General Revenue Reimbursement for Statewide Allocated Costs (SWCAP)*, which is updated annually, requires agencies to indicate the basis used to allocate the agency's statewide cost and use that basis to distribute their statewide cost among sources of funding on the Statewide Cost Allocation Worksheet form.

Column J *Other* is used to record the GR activity for the SWCAP reimbursements.

Other appropriations that have a specific end date appear in the *Other* column.

**Legislative Appropriations (PY Ending Asset Balance), line 100100** Any amounts here would be adjustments to the prior year asset balance that are not reflected in other columns. For example, adjustments for unappropriated cash or earned federal funds that remained on the agencies' books in the prior year may appear here.

**Riders Decreasing Budget, line 100500** This line is unique to certain agencies depending on the GAA. If the USAS Appropriation Number Profile (20) Budget Type Indicator field is coded as *N* and the Appropriated Fund is *0001*, then your agency may have an amount in this field. This amount can be found on the GR201N report. For 20CY, agencies that have appropriation reductions should have amounts in this field.

**Unemployment Contribution, line 400300** You input this field as a positive number. Take the amount in column J directly from the Texas Workforce Commission's report. If the report is for Fund 0001 and other funds, list those other funds in the comment section. After inputting the amount, click **Update Amount**. If the input is successful, the message **Update accepted** appears. Move the cursor to and click on **Return to Previous Page**. The program takes you back to the column.

**Payments Paid on behalf of agency, line 400900** This is equal to line 400300 times "-1" to be deducted from the asset balance of this column.

This line is to recognize payroll expenditures on an agency's books for payments made by other agencies for payroll related costs, whereas lines 400100 to 400300 are an addition to the asset balance since they represent the revenue side.

**Committed Budget Transfers in, line 500300** This includes the net of Fund 0001 budget transfers using T-Codes 018 and 021 where the budget indicator for the appropriation number is other than **A** and the appropriation number is not addressed in columns C through I. The amounts on these lines should have been automatically recorded in USAS with the following T-Code:

For Transfers In (T-Code 018 on original entry)

T-Code 021 posts the opposite generated transaction when used.

T-Code 462 (on generated entry)

9000 Legislative Appropriations

6013 Legislative Revenue/Legislative Transfers In

(AGL is required specifying the agency and the fund from which the budget was transferred)

**Committed Budget Transfers out, line 500400** This includes the net of Fund 0001 budget transfers using T-Codes 012 and 015 where the budget indicator for the appropriation number is other than **A** and the appropriation number is not addressed in columns C through I. The amounts on these lines should have been automatically recorded in USAS with the following T-Code:

For Transfers Out (T-Code 012 on original entry)

T-Code 015 posts the opposite generated transaction when used.

T-Code 456 (on generated entry)

6053 Legislative Transfer Out

(AGL is required specifying the agency and the fund to which the budget was transferred)

9000 Legislative Appropriations

**Other Line Adjustments (FRS entry only), line 590000** This line is for FRS entry only.

**Unappropriated Net Change in Cash, line 600300** This is activity for appropriation 00000, 99906, 99907 and 99908.

**Earned Federal Funds Net Change in Cash, line 600400** This is activity for appropriation 70000.

**Other net change in cash, line 600500** This represents the net change in cash not entered on any of the other net change in cash lines.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)**, this is a calculated field for the Calculation I section.

**Unappropriated Net Change in Cash, line 701000** This is activity for appropriations 00000, 99906, 99907 and 99908 for Calculation II.

**Earned Federal Funds, line 701100** This is activity for appropriation 70000. The assumption is that this is the amount to be swept to Agency 902 in the following fiscal year.

**Other Net Change in Cash, line 701200** This represents the net change in cash not entered on any of the other net change in cash lines.

**Other Line Adjustments (FRS entry only), line 900000** For FRS entry only.

**Computed Legislative Appropriations for current year ending asset balance (08/31/CY)**  
This is a calculated field for the Calculation II section.

**Difference between Calculation I and Calculation II** This is a calculated field for the column and this amount must be zero in order to certify. If amount is not zero, analyze USAS transactions and determine any necessary adjustments.

An agency can link to the other columns by selecting another column link or selecting the links in the title section.

#### Calculated per Source – Column K

The line numbers are calculations from previous columns and line numbers.

**Total of Net Change in Cash lines, sum of lines 600200 to 600500** The sum of lines 600200 to 600500 should agree to Report 204, Net Change in Cash. Report 204 should be reviewed for potential adjustments that should be made, such as cash activity in appropriation numbers for unappropriated or earned federal funds. Enter all cash activity on the spreadsheet to ensure that your agency properly accounts for all activity. Any cash amounts that must be adjusted in order to correctly reflect an agency's appropriation authority must be entered in the adjustment column. The sum of lines 600200 to 600500 in column K must be entered in USAS with the following T-Code:

T-Code 463

0048 Legislative Cash

9000 Legislative Appropriations

#### Adjustment – Column L

**Retirement Contribution, line 400100** You input this field. According to FPP A.021, an adjustment is necessary if revenues were collected from methods of finance other than GR to support the amount in column D. The reimbursement to Appropriated Fund 0001 should be in proportion to any non-GR Methods of Finance. If the reimbursement has not been made on a cash basis by 08/31/CY, then an accrual should be made according to FPP A.021. See instructions for line 200800, column D. If the correct reimbursement amount is not included on line 200800, column D, record the adjustment here.

**Group Insurance Contribution, line 400200** You input this field. According to FPP A.021, an adjustment is necessary if revenues were collected from Methods of Finance other than GR to support the amount in column F. The reimbursement to Appropriated Fund 0001 should be in proportion to any non-GR Methods of Finance. If the reimbursement has not been made on a cash basis by 08/31/CY, then you should make an accrual in USAS according to FPP A.021. See instructions for line 200800, column F. If the correct reimbursement amount is not included on line 200800, column F, record the adjustment here.

**Unemployment Contribution, line 400300** You input this field as a negative. Two circumstances require an adjustment to this line: (1) If your agency has collected revenue (i.e., federal funds) to support the amount in column J, the collected portion would be shown as the actual revenue source rather than Legislative Revenue. (2) You must deduct the amount reimbursed to the Commission under FPP A.035 from general revenue committed funding. Obtain the amount reimbursed from the 56 Screen, GL Accounts 5500 and 5501 for comptroller object code 7984. If the unemployment contribution is for fund 0001 and other funds, then you must include the amount from the 56 screen for those other funds as a negative amount.

TEXAS S056		UNIFORM STATEWIDE ACCOUNTING SYSTEM		MM/DD/YY 06:53 PM
LINK TO:		GENERAL LEDGER SUMMARY INQUIRY		PROD
AGY: XXX FY: CY APPD FUND: 0001 FUND:		COMP/AGY GL: 5500		
GL TITLE: EXPENDITURE CONTROL - CASH				
COMP/AGY OBJ: 7984 AY: APPN:		NAC SUBFUND:		
	DEBIT	CREDIT	ENDING BALANCE	
PY BAL			0.00	
SEP	0.00	0.00	0.00	
OCT	1,457.62	0.00	1,457.62	
NOV	0.00	0.00	1,457.62	
DEC	0.00	0.00	1,457.62	
JAN	0.00	0.00	1,457.62	
FEB	2,343.50	0.00	3,801.12	
MAR	0.00	0.00	3,801.12	
APR	0.00	0.00	3,801.12	
MAY	1,940.53	0.00	5,741.65	
JUN	0.00	0.00	5,741.65	
JUL	0.00	0.00	5,741.65	
AUG	0.00	0.00	5,741.65	
ADJ	0.00	0.00	5,741.65	

F1-HELP F3-END F4-INTERRUPT

TEXAS S056		UNIFORM STATEWIDE ACCOUNTING SYSTEM		MM/DD/YY 06:55 PM
LINK TO:		GENERAL LEDGER SUMMARY INQUIRY		PROD
AGY: XXX FY: CY APPD FUND: 0001 FUND:		COMP/AGY GL: 5501		
GL TITLE: EXPENDITURE CONTROL - ACCRUED				
COMP/AGY OBJ: 7984 AY: APPN:		NAC SUBFUND:		
	DEBIT	CREDIT	ENDING BALANCE	
PY BAL			0.00	
SEP	0.00	0.00	0.00	
OCT	2,356.32	2,635.78-	279.46-	
NOV	0.00	0.00	279.46-	
DEC	0.00	0.00	279.46-	
JAN	0.00	0.00	279.46-	
FEB	4,687.00	4,687.00-	279.46-	
MAR	0.00	0.00	279.46-	
APR	0.00	0.00	279.46-	
MAY	3,881.06	3,881.06-	279.46-	
JUN	0.00	0.00	279.46-	
JUL	0.00	0.00	279.46-	
AUG	0.00	0.00	279.46-	
ADJ	0.00	0.00	279.46-	

F1-HELP F3-END F4-INTERRUPT

**Committed Budget Transfers in, line 500300** You input this field. To the extent that budget transfers are within the same agency, GAAP fund (D24) and GAAP fund type (D21), USAS entries must also be made to eliminate the generated AFR transactions for that activity. To eliminate the Legislative Financing Sources accounting impact, use the following generic T-Code with USAS comptroller object code 9410 (this elimination will not affect the budget that was originally transferred with T-Code 018 and 021):

- T-Code 459
- 6013 Legislative Revenue/Legislative Transfer-In
- 9000 Legislative Appropriations

**Committed Budget Transfers out, line 500400** You input this field. To the extent that budget transfers are within the same agency, GAAP fund (D24) and GAAP fund type (D21), USAS entries must also be made to eliminate the generated AFR transactions for that activity. To eliminate the Legislative Financing Uses accounting impact, use the following generic T-Code with USAS comptroller object code 9515 (this elimination will not affect the budget that was originally transferred with T-Code 012 and 015):

- T-Code 457
- 9000 Legislative Appropriations
- 6053 Legislative Transfer Out

For the second year of the biennium, you should include the amount of earned federal funds not appropriated to your agency and that will be swept in the next fiscal year.

Amount as Adjusted – Column M

Column M is a critical column. The amounts in column M are the amounts that are required to be recorded on every agency's AFR. This column is the product of balancing each of the other columns and should be viewed as the final numbers. All the line numbers are calculated fields from all of the other columns.

**Legislative Appropriations (PY Ending Asset Balance), line 100100** This is the prior year ending asset balance that was used for the CAFR. This amount should be verified back to the agencies' AFR for PY. If it does not agree, there may have been CAFR adjustments made. Contact your financial reporting analyst for more information.

**Committed Legislative Appropriation Revenue, line 100300** This is the amount of original budget found in the General Appropriations Act (GAA), which is shown as "General Revenue Fund" in the agency's Method of Finance.

**Riders Increasing Budget, line 100400** This is the amount that should agree to the GAA for additional budget the agency received through riders (Appropriation number 20000 to 39999) having budget type indicator of *A*.

**Riders Decreasing Budget, line 100500** This is the amount that should equal any budget reductions the agency may have had. This row should be negative and be shown as a reduction of the original budget. If an amount is missing, it could indicate that the T-Code 001R entry has not been made to the reduction account. An agency should use USAS comptroller object code 9415 when making entries.

**Original Appropriation Revenue Total** This is the amount that should equal the GAAP source/object 0005 (Governmental) or 1001 (Proprietary), which is Original Appropriations on the operating statement (Governmental DAFR8590 or Proprietary DAFR8600).

**Retirement Contribution, line 400100** You must enter the amount on this line in column M into USAS with the USAS comptroller object code 9435 and the following T-Code:

<p><u>T-Code 462</u>            9000 Legislative Appropriations                6013 Legislative Revenue/Legislative Transfers In</p>
--

**Group Insurance Contribution, line 400200** You must enter the amount on this line in column M into USAS with the USAS comptroller object code 9425 and the following T-Code:

<p><u>T-Code 462</u>            9000 Legislative Appropriations                6013 Legislative Revenue/Legislative Transfers In</p>
--

**Unemployment Contribution, line 400300** The amount shown in column M for this line should be:

Amount on Workforce Commission's Report (column J)  
 Less Collections by agency to support payment (Other MOF's) (column L)  
Less Amounts reimbursed by Agency to Workforce Commission (FPP A.035) (column L)  
 = Amount Paid on the Agency's Behalf

You must enter the amount on this line in column M for Unemployment Compensation into USAS with the following T-Code using comptroller object code 9486:

<p><u>T-Code 462</u>            9000 Legislative Appropriations                6013 Legislative Revenue/Legislative Transfers In</p>
--

**Additional Appropriation Revenue Total** This is the amount that should equal the GAAP source/object 0006 (Governmental) or 1003 (Proprietary) which is Additional Appropriations on the operating statement (Governmental DAFR8590 or Proprietary DAFR8600).



**Payments Paid on behalf of agency, line 400900** This is a total for lines 400100 through 400300 multiplied by “-1.” Lines 400100 to 400300 are the revenue recognition amounts and line 400900 is the payroll expenditure amount that is subtracted back out so that the net effect to the ending balance is zero in the column.

You must enter the corresponding Payroll Related Cost expenditure for lines 400100 to 400300 with the following T-Code. The amount should be for the committed GR portion amounts paid on behalf of the agency for each of the various benefits on lines 400100-400300 in column M. The USAS comptroller object codes to be used are 7032 for ERS Retirement, 7909 for TRS Retirement, 7041 for Group Insurance and 7984 for Unemployment.

T-Code 632

5600 GAAP Expenditure Offset

9000 Legislative Appropriations (you must enter this GL)

**Committed Budget Transfers in, line 500300** This line will include the net of transactions using T-Codes 018 and 021. Only transfers that are reportable on the AFR (transfers between agencies or another appropriated fund) should appear in this row. Thus, if there are transfers within the same GAAP fund and GAAP fund type, then general ledger (not budget) elimination entries must be entered. See column L Adjustment row 500300 for details.

**Committed Budget Transfers out, line 500400** This line will include the net of transactions using T-Codes 012 and 015. Only transfers that are reportable on the AFR (transfers between agencies or another appropriated fund) should appear in this row. Thus, if there are transfers within the same GAAP fund and GAAP fund type, then general ledger (not budget) elimination entries must be entered. See column L Adjustment row 500400 for details.

**Committed Appropriations Lapsed, line 600100** This line will include all committed lapses processed during the fiscal year. For agencies, this amount should be shown on the operating statement in the AFR as Lapses under GAAP source/object 0600 for Government or 1395 for Proprietary.

**Net Change in Cash, lines 600200, 600300, 600400 & 600500** This is the total net change of Fund 0001 activity in GL 0045, Cash in State Treasury, for all AY's. If the net amount of these lines in column M for Net Change in Cash is negative, **you must enter the following T-Code into USAS for that negative amount:**

T-Code 463

0048 Legislative Cash

9000 Legislative Appropriation

If the net amount of these lines in column M for Net Change in Cash is positive, **the agency must enter into USAS the following T-Code for that positive amount:**

T-Code 463R

9000 Legislative Appropriation

0048 Legislative Cash

The net of fund 0001 General Ledger Accounts 0045 (Cash in State Treasury) and 0048 (Legislative Cash) must equal zero. Do not use GL 0047 for Appd Fund 0001. The Comptroller's office is the controlling agency for fund 0001. Therefore, agencies should not have a balance for fund 0001 in USAS. When an agency completes their USAS certification, it is certifying that it does not have a USAS fund 0001 balance for cash.

**Computed Legislative Appropriations for the Balance Sheet** This is the total amount that would be reported as an asset on the balance sheet as Legislative Appropriations, USAS General Ledger Account 9000.

**Difference between Calculation I and Calculation II** This field is a calculated field for the column and this amount must be zero in all columns in order to certify.

### Step 9 – Certify

Go to the **Agency Selection Menu** and select **Certification Form**. The screen shown as follows will display. Review the certification statement on the Certification Page. Enter the name, title and telephone number for the individual responsible for the GR certification. Select **Certify**. The message **Certification Accepted** appears.

**Once a certification has been accepted**, any attempts to add, change, or delete to the Web application will display the message **This agency has been certified as complete. No additions, updates, or deletes are allowed.** Any changes after this point must be coordinated with FRS. Viewing and downloading will still be allowed after the certification process is complete.

## **State Government Accounting**

### **General Revenue Reconciliation**

#### **Certification Page**

### **General Revenue Certification**

**Due on or before November 1, 20CY**

I certify that, for the above agency, the following items have been completed and that the amounts per the General Revenue Certification Web application will be presented in the agency's Annual Financial Report (AFR) that will be submitted to the Comptroller of Public Accounts on or before November 20, 20CY.

- All GAAP fund types have been reconciled including agency funds (FT 09).
- Every column balances to zero within each GAAP fund type.
- All payroll related USAS entries have been completed so that they will be reflected in the GR database and included in the reconciled numbers.
- All FPP A.021 (federal funds and other MOF reimbursements) and FPP A.010 (Benefits Proportional by Fund) entries that will be reflected in the AFR have been entered into USAS so that they will be reflected in the database and included in the reconciled numbers.
- The following items per the GR Certification Web application agree to the respective lines on the AFR:
  - Committed Legislative Appropriation Revenue
  - Total Additional Legislative Appropriation Revenue
  - HEAF Appropriations (Higher Ed only)
  - Committed Appropriations Lapsed
  - Committed Budget Transfers In from another Agency or another Appropriated Fund are reported as Legislative Transfers In
  - Committed Budget Transfers Out to another Agency or another Appropriated Fund are reported as Legislative Transfers Out
  - Computed Legislative Appropriations reported as the asset balance
- To the extent budget transfers have been made within the same agency and fund type, eliminate the AFR impact reported in column L with adjustments entered in USAS.
- All adjustments that may require explanation have descriptions added to the "Comments" column.
- USAS entries have been made for most adjustments to the Net Change in Cash rows with explanations in the "Comments" column when necessary.
- The information contained in the GR database has been thoroughly reviewed and is complete.

The online certification process must be completed on or before November 1, 20CY. After that date, agency access to the application will be suspended.

Certification is not final until the message "Certification Accepted" is received after clicking on the "Certify" button. If certain edits are not passed, the certification will fail and error messages will be received.

Once an agency certifies, agency input entries will no longer be allowed; however, downloading and online viewing will still be permitted. If a problem is discovered, please contact your financial reporting analyst for assistance.

Submitted by:

Contact Person

Title

Phone

If you need assistance, please call your financial reporting analyst.

[Return to previous page](#)

### Step 10 – Download Spreadsheet

You may download the data into a spreadsheet format. You can use this downloaded spreadsheet format to verify the data or to serve as your permanent documentation after certification.

**To begin the download process:** These instructions are assuming that you have Microsoft Excel, in which case a template has been provided for ease of formatting. If you do not have Excel, you will need to follow steps 1–7 and 11 and then format the spreadsheet manually.

- 1 In your Web browser, go to *<http://txcpa.cpa.state.tx.us/gr/login.html>*.
- 2 Enter your User ID and password.
- 3 Enter your agency number and the appropriate GAAP fund type.
- 4 Select the **Download GAAP Fund Type** button at the bottom of the Agency Selection menu.
- 5 Wait for the message *Document: Done* in the lower part of the screen.

---

**Note:** This process may take several minutes to complete. As the download is completing the screen begins to fill. If you do not wait until you receive the *Document: Done* message, the download will be incomplete and you will only receive a portion of the information/download.

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- 6 From within your Web browser, click on **Edit** in the command bar and choose **Select All** from the drop down menu.
- 7 From within your Web browser, click on **Edit** in the command bar and choose **Copy** from the drop down menu. (If you don't have Microsoft Excel, skip to step 11 and format manually.)
- 8 From within your Web browser, select the **Back** button.
- 9 If Excel is active, shut it down.
- 10 Select **Download GR Macro** option at the bottom of the Agency Selection menu.

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**Note:** Choosing the *Download GR Macro* automatically starts your Microsoft Excel application.

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- 11 From within Microsoft Excel, go to cell A1, click on **Edit** in the command bar and choose **Paste** from the drop down menu.
- 12 Press **Ctrl + m** simultaneously and the information is formatted automatically.
- 13 Click **OK** to “replace contents of the destination cells.”

---

**Note:** Each time you download, you need to use the “master” file and then rename it. If not, the macro will not always work properly.

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## Payroll Related Costs

You must report benefits for employees as expenditures by the employing agency on the financial statements. Although some of these costs are paid by oversight agencies, the employing agency is responsible for reporting the expenditure and supporting revenue.

Payroll related costs consist of social security (OASI), retirement and insurance and benefit replacement pay (BRP) paid by the employing agency from funds held in the State Treasury as well as benefits that were paid by central agencies. Since the central agency expenditures for benefits are paid under the central agency's appropriations rather than under the employing agency, make a year-end adjustment to post the expenditure to the employing agency on a financial basis. An adjustment to record OASI, retirement, insurance and BRP expenditures paid by the employeing agency is **not** necessary since the expenditure was posted to the employing agency through cash disbursements.

### Contacts for Payroll Related Costs

The Employees Retirement System (ERS) and the Texas Workforce Commission (TWC) will provide payroll-related cost reports; therefore, please defer calls until reports have been received.

Chart I – Contacts and Comptroller Object Codes for GR Payroll Related Cost			
Payroll Related Cost	Central Agency	Contact Person & Number	Object Codes
Retirement Contributions	Employees Retirement System	Mari Queller 867-7197	9435 (Rev), 7032 (Exp)
Retirement Contributions	Teacher Retirement System	Margie Horton 542-6488	9435 (Rev), 7909 (Exp)
Group Insurance Contributions – Agencies	Employees Retirement System	Debbi Woodward 867-7202	9425 (Rev), 7041 (Exp)
Group Insurance Contributions – Universities	Employees Retirement System	Carolyn Collins 867-7198	9425 (Rev), 7041 (Exp)
Unemployment Compensation	Texas Workforce Commission (Mid – October)	Rick Barrera 463-2605	9486 (Rev), 7984 (Exp)
OASI State Matching	Comptroller	ACO 463-4850	
ORP (6%) GR Employees Only	Comptroller	ACO 463-4850	

## Payroll-Related Cost Requirements

The following chart shows when Payroll Related Cost should be recorded as an expenditure or as legislative appropriation revenue for General Revenue.

Chart II – Year End Adjustments For GR Payroll Related Cost		
Payroll Cost	Enter as Year End Adjustment for Legislative Appropriation Revenue	Enter as Year End Adjustment for Expenditure
OASI- State Contribution	No – Already recorded in USAS (entries may be needed if budget T-Codes were not done correctly)	NO – already recorded in USAS
Retirement Contribution (USAS cash disbursement)	No – Already recorded in USAS (entries may be needed if budget T-Codes were not done correctly)	NO – already recorded in USAS
Insurance Contribution (USAS cash disbursement)	No – Already recorded in USAS (entries may be needed if budget T-Codes were not done correctly)	NO – already recorded in USAS
BRP	No – Already recorded in USAS (entries may be needed if budget T-Codes were not done correctly)	NO – already recorded in USAS
Salary Increase	No – Already recorded in USAS (entries may be needed if budget T-Codes were not done correctly)	NO – already recorded in USAS
Retirement (from local funds or paid on your behalf)	YES – only record the amount paid by ERS on your behalf	YES – Only record the amount paid by ERS on your behalf
Group Insurance (from local funds or paid on your behalf)	YES – only record the amount paid by ERS on your behalf. UT and A&M systems will not include group insurance in this entry because it is paid from their benefit appropriation 95002.	YES – Only record the amount paid by ERS on your behalf
Unemployment Compensation (paid on your behalf)	YES – Only record the amount paid for Fund 0001 by the Workforce Commission on your behalf	YES – Only record the amount paid for Fund 0001 by the Workforce Commission on your behalf
ORP	No – already recorded in USAS	NO – already recorded in USAS

## Payroll-Related Cost Classifications

Chart III – Payroll Related Costs Revenue/Expenditure Classifications		
Payroll Related Costs	Revenue Classification (General Revenue) <sup>(1)</sup>	Expenditure Classification (All Funds)
Benefit Replacement Pay (BRP)	Add'l Legislative Appropriations Revenue <sup>(2)</sup>	Salaries and Wages
OASI State-Paid Benefits	Add'l Legislative Appropriations Revenue <sup>(3)</sup>	Payroll Related Costs
Retirement Contributions	Add'l Legislative Appropriations Revenue <sup>(4)</sup>	Payroll Related Costs
Group Insurance Contributions – Active and Retired Employees	Add'l Legislative Appropriations Revenue <sup>(4)</sup>	Payroll Related Costs
Unemployment Compensation	Add'l Legislative Appropriations Revenue <sup>(5)</sup>	Payroll Related Costs

1. Agencies funded by General Revenue do not actually collect the cash to support these payroll expenditures. Therefore, general revenue agencies must enter revenue into USAS using “Legislative Transfers In.” For General Revenue Funded payrolls, the net of the revenue and expenditure for the payroll related costs and revenues should be zero. These entries should not cause any increase or decrease to the financial statement bottom line. Agencies reporting payroll related costs for appropriated funds other than General Revenue would not record “Legislative Appropriations” as revenue since the cash collections are reported as revenue to support the expenditures. “Other than General Revenue” funds are defined as:

- Consolidated dedicated accounts in General Revenue
- Non-consolidated appropriated funds
- Collections in General Revenue (federal, pass-through funds, etc.) which support payroll-related costs



2. Legislative Appropriations on the financial statement for BRP should equal the amount of cash and accrued expenditures (comptroller object code 7050) from salary appropriations but should not include BRP expenditures in general revenue which were supported by collected revenue. Do not report excess budget and cash that will be returned to Agency 902.
3. The Legislative Appropriations expense on the financial statement for OASI should equal current year expenditures (balance types 15, 16 and 17) in appropriation 91142. The Legislative Appropriations asset on the financial statement for OASI should equal the year-end OASI accruals (balance types 16 and 17) for appropriation 91142.
4. Agencies will use a process similar for OASI to obtain Retirement and Group Insurance amounts. Appropriations for Retirement and Group Insurance were transferred from Agency 327 (ERS) to the individual agencies and then expended through the payroll process. Legislative Appropriations expense for Retirement and Group Insurance should equal current year cash and accrued expenditures (balance types 15, 16 and 17) in Appropriations 90327, 94327, 99327 and 98327 respectively. Legislative Appropriations asset on the financial statement for Retirement and Group Insurance should equal the year-end accruals (balance types 16 and 17) for Appropriations 90327, 94327, 99327 and 98327 respectively.
5. Unemployment Compensation – Record the amount shown for your agency on the Texas Workforce Commission's (TWC) report less amounts reimbursed to TWC per FPP A.035. The amount reimbursed under FPP A.035 is reflected in USAS under the employing agency under object 7984. Therefore, only the net amount needs to be recorded when calculating the revenue and expenditure amounts.

## **USAS Transaction Entries**

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Follow these three steps to record the payroll related expenditures made by central agencies:

**Step One** – Obtain payroll-related cost information from the Texas Workforce Commission and the Employee Retirement System, if applicable.

**Step Two** – Calculate the amount of Payroll Related Costs for fund 0001 that has not been posted to USAS. Refer to Chart II and III on previous page.

**Step Three** – Enter into USAS the amount of payroll related costs. Comptroller object codes should be used for each type of payroll related cost. Refer to Chart I above for the comptroller object code. Use T-Code 632 for expenditures. For fund 0001, enter GL as **9000** (Legislative Appropriation). For funds other than fund 0001, enter GL **0047**.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	------	----------

**To Record Payroll Related Costs – Expenditures**

(1)	5	U	0831CY	XXX	632	XX	XXXXX	7XXX	\$XX.XX		XXXXX	XXXX	9000 or 0047*
-----	---	---	--------	-----	-----	----	-------	------	---------	--	-------	------	---------------

**To Record Payroll Related Costs – Revenues\*\***

(2)	5	U	0831CY	XXX	462	XX	XXXXX	94XX	\$XX.XX		XXXXX	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	---------	--	-------	------	------

Accounting Effect of above entries

	Debit	Credit
<b>(1) To Record Payroll Related Costs – Expenditures</b>		
<b>5600</b> GAAP Expenditure Offset	\$ XXX.XX	
<b>9000</b> Legislative Appropriation (Input GL) <b>or</b>		\$ XXX.XX
<b>0047</b> Shared Cash*		
<b>(2) To Record Payroll Related Costs – Revenues **</b>		
<b>9000</b> Legislative Appropriation (Input GL)	\$ XXX.XX	
<b>6013</b> Legislative Revenue/Legislative Transfer In		\$ XXX.XX

\* For funds other than fund 0001, use GL 0047 instead of GL 9000.

\*\* Do not make this entry for funds other than fund 0001.

### USAS Tip

The DAFR8660 has been modified to allow non-controlling agencies to review all of the ERS draw transactions. For the DAFR 8660, on the Report Request Profile (91) screen (in the Special Select area) the Agency field must be set to **327** and the Spec Sel 1 field must be set to **A**. Only your appropriation control officer can set up this report request for your agency.

## Lapsed Appropriations

At year-end, lapse unencumbered appropriation balances based upon FPP A.019. USAS T-Code 036 is used for lapses and includes a generated transaction for general ledger impact. **Agencies should not have to make adjustments to GL accounts 6087 and 9000 for lapses unless generated transactions did not process correctly.** You will need to verify balances and make entries as needed. Enter lapsed appropriations, for committed general revenue budgets only, with T-Code 464 and comptroller object code 9580.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	------	----------

**To Record Lapsed Appropriations**

(1)	5	U	0832CY	XXX	464	XX	99999	9580	\$XX.XX		N/A	XXXX	N/A
-----	---	---	--------	-----	-----	----	-------	------	---------	--	-----	------	-----

Accounting Effect of above entry:

	<u>Debit</u>	<u>Credit</u>
(1) To Record Lapsed Appropriations		
6087 Lapsed Appropriations	\$ XX.XX	
9000 Legislative Appropriations		\$ XX.XX





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# Chapter 5 – Interfund Requirements for Annual Financial Reports

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# Interfund Activity

## Introduction

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GASB 34 established a classification system with terms and definitions for interfund activity and modified the requirements of NCGA Statement 1 for reporting transfers. **Interfund activity** has replaced the term interfund transaction when referring to financial interaction **between funds**, including blended component units. The term **interfund transaction** describes actions involving outside parties or a government's discretely presented component units.

The following are considered interfund activity:

- Activity between agencies
- Activity between GAAP funds within the same agency
- Activity within an appropriated fund **if** it occurs between agencies
- Activity within an appropriated fund **if** it occurs between GAAP fund types
- Activity between appropriated funds
- Transfers to and from the State's General Revenue Fund

## Reporting Interfund Activity

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GAAP establishes two broad classes of interfund activity: reciprocal interfund activity and nonreciprocal interfund activity. Interfund activity within and among the governmental, proprietary, and fiduciary fund categories are classified and reported as follows:

### Reciprocal Interfund Activity

Reciprocal interfund activity is the interfund counterpart to exchange and exchange-like transactions and includes:

- a) Interfund loans (previously reported as advances), which occur when one fund loans money to another fund and the amounts provided are required to be repaid.
  - Interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds.
  - Interfund loans should not be reported as *other financing sources or uses* in the governmental fund financial statements.
  - If repayment is not expected within a reasonable time, reduce the interfund balances and report the amount that is not expected to be repaid as a transfer from the fund that made the loan to the fund that received the loan. In substance, such a transaction is not actually a loan (i.e., a reciprocal transaction), but rather a transfer of resources from one fund to another (i.e., a nonreciprocal transaction).
- b) Interfund services provided and used (previously reported as quasi-external transactions) – Sales and purchases of goods and services between funds for a price approximating their external exchange value should be reported as revenues in seller funds and expenditures or expenses in purchaser funds. Treat the activity as though the transaction had involved a party outside the state.

### Nonreciprocal Interfund Activity

Non-exchange activities do not involve the exchange of equal or approximately equal value. Nonreciprocal interfund activity is the interfund equivalent to non-exchange transactions and includes:

- a) Interfund transfers (previously reported as operating transfers and residual equity transfers) – flows of assets (such as cash, goods, or services) without a repayment requirement and without equivalent flows of assets in return.
  - Interfund transfers include “payments in lieu of taxes’ that are not payments for, and reasonably equivalent in value to, services provided.
  - In governmental funds, report transfers as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.
  - In proprietary funds, report transfers after non-operating revenues and expenses. Show them as a separate category after capital contributions, additions to permanent and term endowments, special items, and extraordinary items (as the final item before change in net assets).
- b) Interfund reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them should not be displayed in the financial statements, but should be reported as
  - (1) expenditures or expenses, as appropriate, in the reimbursing fund and as
  - (2) reductions of expenditures or expenses in the reimbursed fund.

## Financial Statement and Note Presentation

---

### Balance Sheet, Statement of Net Assets, Statement of Fiduciary Net Assets

Report the following accounts, if applicable, for interfund activity and interfund transaction accruals:

- Accounts Receivable/Accounts Payable – Accrual of interfund services provided and used. There is no need for disclosure of the agency or D23 fund for accounts receivable or payable.
- Interfund Receivable/Payable – Interfund loans between agencies or funds. The amount, agency, and fund numbers (Agy Number, D23 Fund Number) for the opposite side of the transaction **are required** to be disclosed in Note 8.
- Due-To and Due-From – Accrual of reimbursements, transfers, federal/state grant pass-throughs, and shared funds. The amount, agency, and fund number (Agy Number, D23 Fund Number), for the opposite side of the transaction are required to be accurately shown on the DAFR 8910. Note 8 disclosure **is optional**.

The financial statement classifies interfund receivables/payables as current assets (GL 0281) and non-current assets (GL 0306); and current liabilities (GL 1049) and non-current liabilities (GL 1131).

Current asset interfund receivables/payables are used for short-term loans to reflect one fund owing cash to another fund within an agency. If there are receivables and payables with the same amount within an appropriated fund, the balances need to be eliminated. The most common example is the Accrued Expenditure Vouchers (T-Codes 467/468). The agency may be correcting a comptroller object, but these T-Codes will also increase the interfund receivable and payable accounts. Because T-Codes 467 and 468 reverse in the next year, they will need to be eliminated with reversing generic T-Codes 646 and 647.

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**HINT:** By using T-Codes 467 & 467R, interfund receivables and payables are not increased (decreased); therefore, generic T-Codes 646 & 647 would not be needed.

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An example of a non-current interfund receivable/payable is the Lone Star Program with CPA-State Energy Conservation Office.

### **Statement of Revenues, Expenditures, and Changes in Fund Balances; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and Statement of Changes in Fiduciary Net Assets**

The following accounts, if applicable, should be reported for interfund activity and interfund transactions:

- Revenue/Expenditures or Expenses – Activity for which interfund services were provided (revenue) or used (expenditures or expenses) such as sales and purchases. Also, transactions between the primary government and its discretely presented component units. (See GASB 34, paragraph 61)
- Federal/State Grant Pass-Through Revenue/Expenditures or Expenses – Agencies must input appropriate AGL information to ensure the DAFR 8910s do not show “NP” amounts (see detailed instructions concerning AGL on Interfund Activity later in this chapter). Note 8 disclosure **is optional**. *Universities must report the pass through activity that occurs between universities on their proprietary operating statement.*
- Transfer In/Transfer Out – Agencies must input appropriate AGL information to ensure the DAFR 8910s do not show “NP” amounts. Note 8 disclosure **is optional**.
- Legislative Transfer In/Out – The amount, agency, and fund numbers (Agy Number, D23 Fund Number), for the opposite side of the transaction, **are required** to be disclosed in Note 8 and must agree with the GR worksheet certified via the Internet.

### **Interagency Activity Certification Form**

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The USAS and Interagency Activity Certification Form (as seen in Chapter 1) is included because all agencies must post and reconcile interfund activity in USAS. All agencies must submit this certification form with their Annual Financial Report. The certification form applies to the following:

- Due Froms/Due Tos
- Transfers
- Federal Grant Pass-Throughs
- State Grant Pass-Throughs

USAS data is used to produce the CAFR. The DAFR8910, Interfund/Interagency Activity Report contains all the details for Note 8, including the opposite agency number, and the D23 fund number and amount for each interagency transaction. CAFR amounts for interfund activity are extracted directly from USAS, thus USAS data overrides information provided in the agency’s AFR.

### **Coordination Between Agencies**

Participating agencies must coordinate interfund activity to ensure that the AGLs and amounts are reported correctly. This coordination applies to transfers and due from/to.

### **Deadlines**

Contact other agencies as early as possible to facilitate the coordination process of transfers and due from/to. Coordinate and enter all interagency activity into USAS by **September 20**. However, when higher education is not involved and both sides agree, entry into USAS by using the RTI process may be made until September 30. In this situation, **if only one** of the involved agencies wants to make an accrual after September 20, the Comptroller’s office will **not** become involved unless the amount is material to the state.

Any agency failing to use the RTI process before the deadline may have to record the amount in a classification other than those discussed by this section, provided the amount is immaterial. If an agency is not cooperative, the Comptroller’s office will ensure that material accruals are coordinated and entered into USAS by September 30. USAS will close period 12 of 20CY as of COB on September 30, 20CY. Contact your financial reporting analyst for assistance.

### Interfund Activity Confirmation Forms

Use confirmation forms to document agreement between agencies. Send forms to other agencies stating the classification, amount and D23 fund to be reported in the AFR. The Comptroller’s office can request copies of the forms from you to resolve statewide non-matching discrepancies. **Positive confirmations are strongly recommended** over negative confirmations and should be signed by both parties.

### Sample Interfund Activity Confirmation Form (Recommended Format)

Agency No.       XYZ      

Date \_\_\_\_\_

Agency Name \_\_\_\_\_

The amounts that will be published in the Annual Financial Report (AFR) are listed below. Please review your records and verify the amounts below. Fill in the bottom portion of this form, sign and return it to the above referenced agency as soon as possible. Please add the RTI number, if applicable.

DUE TO/DUE FROM OTHER AGENCY	Source	DUE FROM OTHER AGENCY	DUE TO OTHER AGENCY	RTI #
GENERAL REVENUE (01)				
Appd Fund 0001, D23 Fund 0001				
(Agency 100, D23 Fund 0499)		\$ 65,000		
(Agency 400, D23 Fund 9999)			\$ 10,000	
(Agency 200, D23 Fund 0299)	<b>Federal P-T</b>	100,000		
SPECIAL REVENUE (02)				
Appd Fund 9999, D23 Fund 9999				
(Agency 500, D23 Fund 0399)	<b>State P-T</b>		50,000	
AGENCY FUNDS (09)				
Appd Fund 0001, D23 Fund 1000				
(Agency 902, D23 Fund 0001)			41,000	
Appd Fund 0650, D23 Fund 0650				
(Agency 700, D23 Fund 0650)			1,000	
<b>Total Due-From Other Agency/Due-To Other Agency</b>		\$ 165,000	\$ 102,000	

Transfers In/Out	TRANSFER IN	TRANSFER OUT	RTI #
GENERAL REVENUE (01)			
Appd Fund 0001, D23 Fund 0001			
Agy 100, D23 Fund 0499	\$ 200,000		
Last Year’s Accrual	-55,000		
This Year’s Accrual	+65,000		
Total	210,000		
Agy 400, D23 Fund 9999		\$ 240,000	
Last Year’s Accrual		-20,000	
This Year’s Accrual		+10,000	
Total		230,000	
<b>Total Transfers</b>	\$ 210,000	\$ 230,000	

Legislative Transfers In/Out	LEGISLATIVE TRANSFER IN	LEGISLATIVE TRANSFER OUT
GENERAL REVENUE (01)		
Appd Fund 0001, D23 Fund 0001		
(Agency 200, D23 Fund 0001)		60,000
(Agency 906, D23 Fund 0001)	300,000	
<b>Total Legislative Transfers</b>	\$ 300,000	\$ 60,000

**(To be completed by the responding agency)**

Agency No.     XXX    

Date \_\_\_\_\_

Agency Name: \_\_\_\_\_

I certify this agency is in agreement with the information provided above and will be reporting the same information. If there are any exceptions, I will notify the opposing agency immediately.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
Fax Number

\_\_\_\_\_  
Mailing Address

## Federal and State Grant Pass-Through

In order to facilitate the reporting of Federal Grant and State Grant Pass-Throughs, the Comptroller's office has established the following new policies.

1. Agencies are encouraged to coordinate with other agencies regarding the Federal Grant and State Grant Pass-Through transactions.
2. The following general rules should be applied:
  - The disbursing agency is responsible for determining the classification of funds:
    - i. pass-through vs. vendor
    - ii. federal vs. state
    - iii. the portions of federal and state
  - The disbursing agency should confirm these decisions in writing to the receiving agency and the receiving agency should record the transactions as determined by the disbursing agency.
  - The receiving agency determines the amount of accruals.
3. The RTI process **is required** in recording pass-through accruals between agencies, (including between agencies and universities).
4. Cash pass-through transactions should be based on USAS data. Agencies may use the USAS query reports in the reconciliation:
  - Pass-through expenditures by agency/general ledger account
  - Pass-through expenditures by vendor number
5. The Comptroller's office will use the following rules in reconciling the variances in state pass-through transactions:
  - For the variances of cash pass-through transactions, USAS reports will be used in the reconciliation.
  - For the variances of accrual pass-through transactions, the amount reported by the receiving agency is generally used in the adjustment.
  - Adjusting entries will be made to the agency's accounts in USAS for variances which are material.
6. The Comptroller's office will use the following rules in reconciling the variances in federal pass-through transactions:
  - For the variances in federal pass-through transactions, reports generated out of the Schedule of Expenditures of Federal Awards (SEFA) Web application will be used.
  - Adjusting entries will be made to the agency's accounts in USAS for variances. Each adjustment must also be made on the agency's SEFA.
  - The chart below summarizes the general rules used in reconciling variances in federal pass-through transactions.

Variance	Controlling Agency	Explanation
<i>P-T Amount</i>	Receiving Agency	Receiving agency is more likely to be aware of the full amount of accruals
<i>P-T Agency</i>	Receiving Agency	Consistency with amount adjustments
<i>CFDA</i>	Sending Agency	Sending agency is usually the direct recipient of federal funds and thus more likely to have correct CFDA number

**Note:** Exceptions to these rules may be made when other evidence supports adjusting the reverse side of the pass-through transaction. Special attention will be given to:

- Large discrepancies in amounts — agencies will be contacted for more information to make the decision which side will be adjusted
- Evidence that the receiving agency likely recorded the wrong sending agency based on patterns in CFDA use

### Deadlines

Enter all interagency activity into USAS by September 20. However, when higher education is not involved and both sides agree, entry into USAS by using the RTI process may be made until September 30. In this situation, if only one of the involved agencies wants to make an accrual after September 20, the Comptroller’s office will **not** become involved unless the amount is material to the state.

### Quarterly Reconciliation

Agencies and universities are highly encouraged to perform reconciliation of pass-through funds on quarterly basis. The Financial Reporting section transmits the USAS query reports (*Pass-Through Expenditures by Agency/general Ledger Account* and *Pass-Through Expenditures by Vendor Number*) on a regular basis to agencies and universities. These reports serve as a tool for the quarterly reconciliation.

- Currently the RTI process is not available for cash pass-through transactions between agencies and universities with funds outside the State Treasury.
- An ACR has been submitted to create new T-Codes for the RTI process to produce warrants and generate accounting entries for pass-through from an agency to another agency or university with funds outside the State Treasury. This will enforce the use of the RTI process for cash pass-through funds during the year between agencies and universities with funds outside the State Treasury.

## **AGL (Agency General Ledger Accounts) on Interfund Activity**

For interfund activity, the agency general ledger account (AGL) is used to record the opposite side of the transaction. The AGL contains the agency and fund to which or from which funds flow. It is an eight-digit field. The first three digits are the opposite agency number (which must exist in the D02 Agency Profile), the next four digits are the opposite agency D23 Fund number (which must exist in the opposite agency’s D23 Fund Profile), and the last digit must be a zero (AGY/D23 FUND/0).

Example:

- Agency 308 receives a grant from the federal government and passes through a portion of these grant funds to agency 860 who is also participating in this grant as a subrecipient
- Agency 308 disburses these funds from their USAS D23 Fund 0829
- Agency 860 deposits these grant funds in their USAS D23 Fund 4560
- The AGL for agency 308’s transaction will be 86045600
- The AGL for agency 860’s transaction will be 30808290

	1	2	3	4	5	6	7	8
	Agency Number			D23 Fund Number			Zero	
Agency 308’s Payment Transaction	8	6	0	4	5	6	0	0
Agency 860’s Deposit Transaction	3	0	8	0	8	2	9	0

**RTI Transactions:** USAS automatically generates the AGL during the RTI process resulting in an increased level of accuracy in USAS data between agencies.

**Non-RTI Transactions:** For transactions involving local funds, the warrant process is used; therefore, agencies must ensure that the AGL used in the transactions is recorded properly. It is important that both agencies record the transactions with the same accounting treatment; e.g. both state, both federal, both vendor transactions, both pass-throughs, and with correct corresponding AGLs. Please be aware that **this method poses the highest risk** of unmatched interagency activity.

**Other T-Codes:** On the 28A screen, if the Transaction Edit Indicator **AGL** is **R** (required), then the agency number and D23 Fund number are required in the proper format at the time of transaction entry. The agency number and D23 Fund number post to the general ledger account(s) based on the **AGY GL** indicator (located at the bottom of the 28A after the file posting indicators.)

The values of the **AGY GL** indicators are as follows:

- 1-8** Denotes which of the eight GLs on the T-Code
- A** 1st Pair of GLs
- B** 2nd Pair of GLs
- C** 3rd Pair of GLs
- D** 4th Pair of GLs
- E** All GLs on the T-Code (The AGL will not post to cash regardless of this indicator.)

The **GL Edit Type** on the Comptroller General Ledger Account (D31) profile determines the code for this posting. If the **GL Edit Type** is a **D** for Due To/From, then the agency number and D23 Fund number are required when the 28A screen indicates this requirement. If the **GL Edit Type** on the D31 screen is an **A** or an **S**, then this field is edited against the Comptroller General Ledger Account (D32) profile during transaction entry.

## Statewide Matching Report

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A Statewide Matching report has been programmed to help analyze and compare all interfund activity. It verifies that both sides of the activity have the correct AGL, comptroller object, and amount. This report lists the unmatched activity as exceptions. It assists in automating the CAFR preparation for this type of activity. Because the report will be used for the CAFR preparation, the information in USAS must be accurate. Document level reports are available to assist agencies in analyzing their interagency activity. One available report, *Pass-Through Expenditure by Vendor Number*, shows transactions paid through the warrant process by vendor number to assist agencies with warrant corrections. This report is transmitted on a quarterly basis to your agency.



## ITV T-Code Chart – Uniform Statewide Accounting System

### Interagency State and Federal Grant Pass-Through Activity

	ITV T-Code Agy Transferring funds	RTI T-Code Agy Receiving funds	Required Comp Object	System Generated T-Code
<b>Pass-Through and Receipt of State or Federal Grants</b>				
Transaction Agency – <b>Transfers Grant</b>	274 or 275 (Encumbered)		object group 39	a.768 b.770
RTI Agency – <b>Receives Grant</b>		273	object group 38	771
<b>Refund of State or Federal Grant Pass-Through Funds</b>				
Transaction Agency – <b>Initially Received Grant</b>	272		object group 38	963
RTI Agency – <b>Initially Transferred Grant</b>		976	object group 39	977
<b>△ Grant Pass-Through Accrual w/Reversal – Agency spent less grant than received</b>				
Transaction Agency – <b>Initially Received Grant</b>	483		object group 38	a.760 b.762
RTI Agency – <b>Initially Transferred Grant</b>		484	object group 39	761
<b>△ Grant Pass-Through Accrual w/Reversal – Agency spent more grant than received</b>				
Transaction Agency – <b>Initially Received Grant</b>	481		object group 38	a.757 b.759
RTI Agency – <b>Initially Transferred Grant</b>		482	object group 39	758

### Transfers

	ITV T-Code Agy Transferring funds	RTI T-Code Agy Receiving funds	Required Comp Object	System Generated T-Code
<b>Accrued Transfer of Cash in State Treasury with Liquidation</b>				
Transaction Agency – <b>Transfer Out</b>	475		object group 33	a.750 b.752
RTI Agency – <b>Transfer In</b>		476	object group 32	751
<b>△ Accrued Transfer with Reversal (NO impact to Cash in State Treasury)</b>				
Transaction Agency – <b>Sets up accrued Transfer Out</b>	478		object group 33	a. 754 b. 756
RTI Agency – <b>Sets up accrued Transfer In</b>		479	object group 32	755

△ For financial reporting purposes only. This accounting event sets up accruals with no cash impact.

### Revenue Transfers

	ITV T-Code Agy Transferring funds	RTI T-Code Agy Receiving funds	Required Comp Object	System Generated T-Code
<b>Revenue Transfer of Cash in State Treasury</b>				
Transaction Agency - <b>Transfers Revenue</b>	488		object group 30	a. 767 b. 769
RTI Agency - <b>Receives Revenue</b>		489	object group 30	766

### Expenditure Transfers

	ITV T-Code Agy Transferring funds	RTI T-Code Agy Receiving funds	Required Comp Object	System Generated T-Code
<b>Transfer of Expenditure Reimbursement</b>				
Transaction Agency – <b>Increases Expenditures (as expenditure is made to reimburse other agency)</b>	485		object group 10	a. 763 b. 765
RTI Agency – <b>Reduces Expenditures (as reimbursement is received from other agency)</b>		486	object group 10	764

**Note:** You must enter *T* in the PDT field when T-Code 225 is used to enter a RTI transaction on the 55 recurring Transaction Profile screen.

## RTI Tables for Interfund/Interagency Transactions

You **are required** to use an RTI for transfers of funds between agencies when both funds are within the state treasury. The following pages present tables of the RTI T-Codes available in USAS for various interfund activities. Most RTI T-Codes record the accrual of interfund activity for both the disbursing and the receiving agency. Specific details about the following T-Codes can be found in the respective sections following the tables.

**RTI Table 1: Pass-Through to Local Funds – Issues Warrant-Yearly Activity Only**

<b>DISBURSING AGENCY (Agency A)</b>		
<b>T-Code Entered on Transaction Entry screen</b>	<b>System-Generated T-Codes</b>	<b>GENERAL LEDGER IMPACT</b>
<b>270</b>		<b>5501</b> Expenditure Control – Accrued <b>1050</b> Due To Other Agencies
<b>276 (Encumbered)</b>		<b>5501</b> Expenditure Control – Accrued <b>1050</b> Due To Other Agencies <b>9005</b> Fund Balance – Reserved for Encumbrances (Budgetary) <b>9001</b> Encumbrances (Budgetary)
	<b>520</b>	<b>1050</b> Due To Other Agencies <b>0045</b> Cash in State Treasury <b>5500</b> Expenditure Control – Cash <b>5501</b> Expenditure Control – Accrued

- 1) An agency general ledger (AGL) must be entered with T-Codes 270 and 276.
- 2) T-Codes 270 and 276 generate T-Code 520 that liquidates the accrual and issues a warrant.
- 3) Input comptroller object code 7971 – Federal Pass-Through Expenditure , Non-operating **or**  
 7978 – Federal Pass-Through Expenditure, Operating **or**  
 7614 – State Grant Pass-Through Expenditure, Non-operating **or**  
 7615 – State Grant Pass-Through Expenditure, Operating.
- 4) The EFFECTIVE START DATE on the 28A Transaction Code Decision Profile, 28B Transaction Code Options Profile, and 28C Transaction Code Description Profile screens will be changed to 09/01/FY at fiscal year-end 20CY. Agencies will not be able to backdate USAS transactions using this T-Code after 08/31/CY.

**RTI Table 2: Pass-Through From Recipient Agency to Another Agency Within the State Treasury – Current Year Activity or Year-End Adjustments With Liquidation**

**Note A:** This T-Code does accrue general ledger balances on both sides and may be used to **backdate entries to prior periods.**

- Disbursing Agency (Agency A):**
- 1) The disbursing agency must use Doc Type *T* and Batch Type *4* on their transaction.
  - 2) The disbursing agency must post a pass-through expenditure.
  - 3) Choose between comptroller object codes:
    - 7971 – Federal Pass-Through Expenditure, Non-operating **or**
    - 7978 – Federal Pass-Through Expenditure, Operating **or**
    - 7614 – State Grant Pass-Through Expenditure, Non-operating **or**
    - 7615 – State Grant Pass-Through Expenditure, Operating

- Receiving Agency (Agency B):**
- 1) The receiving agency must set up an RTI profile on the USAS 55 Screen and provide this RTI number to Agency A to enter on their initiating transaction.
  - 2) If authorized to set up a budget, use T-Codes 006 and 009
    - Use T-Code 006:* 9055 – Budgetary Fund Balance
    - 9060 – Appropriation Control *with comptroller object code 7000 – Expenditure Budget*
    - Use T-Code 009:* 9010 – Estimated Revenues
    - 9055 – Budgetary Fund Balance  
*with one of the following comptroller object codes:*
    - 3971 – Federal Pass-Through Revenue, Non-operating **or**
    - 3978 – Federal Pass-Through Revenue, Operating **or**
    - 3725 – State Grant Pass-Through Revenue, Non-operating **or**
    - 3842 – State Grant Pass-Through Revenue, Operating

**RTI Table 2: Pass-Through From Recipient Agency to Another Agency Within the State Treasury – Current Year Activity or Year End Adjustments With Liquidation (concluded)**

DISBURSING AGENCY (Agency A)			RECEIVING AGENCY (Agency B)		
T-Code Entered on Transaction Entry screen	System-Generated T-Codes	GENERAL LEDGER IMPACT	RTI T-Code set up on the 55 screen	System-Generated T-Codes	GENERAL LEDGER IMPACT
<b>274</b>		<b>5501</b> Expenditure Control – Accrued * <b>1050</b> Due To Other Agencies *			
<b>275 (Encumbered)</b>		<b>5501</b> Expenditure Control – Accrued <b>1050</b> Due To Other Agencies <b>9005</b> Fund Balance – Reserved for Encumbrances (Budgetary) <b>9001</b> Encumbrances (Budgetary)			
	<b>768</b>	<b>1050</b> Due To Other Agencies * <b>5501</b> Expenditure Control – Accrued * <b>5501</b> Expenditure Control – Accrued ** <b>1050</b> Due To Other Agencies**	<b>273</b>		<b>0284</b> Due From Other Agencies ** <b>5001</b> Revenue Control – Accrued**
The following T-Codes will generate to liquidate the expenses and transfer the cash to the receiving agency. If the T-Codes 274 and 275 entries are backdated into a previous period (month or FY), the liquidating 770 and 771 T-Codes will generate in the current period. An entry backdated into 20CY with an effective date of 08/31/CY will generate a liquidating entry in the following fiscal year.					
	<b>770</b>	<b>1050</b> Due To Other Agencies ** <b>5501</b> Expenditure Control – Accrued ** <b>5500</b> Expenditure Control – Cash ** <b>0045</b> Cash in State Treasury		<b>771</b>	<b>5001</b> Revenue Control – Accrued ** <b>0284</b> Due From Other Agencies ** <b>0045</b> Cash in State Treasury <b>5000</b> Revenue Control – Cash **
* No AGL post on this transaction ** Correct AGL post on this transaction					

### RTI Table 3: Pass-Through Refunds Within the State Treasury – Current Year Activity or Year-End Adjustments With Liquidation

**Note A:** This T-Code does accrue on both sides and may be used to **backdate entries to prior periods.**

**Agency Making the Refund (Agency A):**

- 1) The disbursing agency must use Doc Type *T* and Batch Type *4* on its transaction.
- 2) The transaction reduces pass-through revenue for Agency A.
- 3) Comptroller object: codes  
 3971 – Federal Pass-Through Revenue, Non-operating **or**  
 3978 – Federal Pass-Through Revenue, Operating **or**  
 3725 – State Grant Pass-Through Revenue, Non-operating **or**  
 3842 – State Grant Pass-Through Revenue, Operating

**Agency Receiving the Refund (Agency B):**

- 1) The receiving agency must set up an RTI on the USAS 55 Screen and give this RTI number to Agency A to enter on their initiating transaction.
- 2) The transaction by Agency A shown above will reduce the pass-through expenditure for Agency B.
- 3) Comptroller object codes:  
 7971 – Federal Pass-Through Expenditure, Non-operating **or**  
 7978 – Federal Pass-Through Expenditure, Operating **or**  
 7614 – State Grant Pass-Through Expenditure, Non-operating **or**  
 7615 – State Grant Pass-Through Expenditure, Operating

**RTI Table 3: Pass-Through Refunds Within the State Treasury – Current Year Activity or Year End Adjustments With Liquidation (concluded)**

AGENCY MAKING THE REFUND (Agency A)			AGENCY RECEIVING THE REFUND (Agency B)		
T-Code Entered on Transaction Entry screen	System-Generated T-Codes	GENERAL LEDGER IMPACT	RTI T-Code set up on the 55 screen	System-Generated T-Codes	GENERAL LEDGER IMPACT
<b>272</b>		<b>5001</b> Revenue Control – Accrued * <b>1050</b> Due To Other Agencies*			
	<b>963</b>	<b>1050</b> Due To Other Agencies* <b>5001</b> Revenue Control – Accrued* <b>5001</b> Revenue Control – Accrued** <b>1050</b> Due To Other Agencies**	<b>976</b>		<b>0284</b> Due From Other Agencies** <b>5501</b> Expend Control – Accrued**
<p>The following T-Codes will generate to liquidate the reduction in revenue and transfer the cash to the receiving agency. If the T-Code 272 entry is backdated into a previous period (month or FY), the liquidating 964 and 977 T-Codes will generate in the current period. An entry backdated into 20CY with an effective date of 08/31/CY will generate a liquidating entry in the following fiscal year.</p>					
	<b>964</b>	<b>1050</b> Due To Other Agencies** <b>5001</b> Revenue Control – Accrued** <b>5000</b> Revenue Control – Cash ** <b>0045</b> Cash in State Treasury		<b>977</b>	<b>5501</b> Expenditure Control – Accrued** <b>0284</b> Due From Other Agencies** <b>0045</b> Cash in State Treasury <b>5500</b> Expend Control – Cash**

\* No AGL post on this transaction

\*\* Correct AGL post on this transaction

### RTI Table 4: Year-End Pass-Through Accrual and Reversal to Increase Pass-Through Revenue and Expenditures

**Important:** All agencies and universities **must** use the RTI process for year-end entries. The T-Codes presented in this table may be used for funds in the State Treasury and local funds.

**Receiving Agency (Agency B):** STEP 1: At year-end, if the receiving agency **expended more** than it received, then it must initiate the accrual process. Agency B inputs the transaction. T-Code 481 requires the use of Doc Type **T** and Batch Type **2**. The RTI profile (USAS 55 screen) to be established by Agency A must be set up with T-Code 482.

**Disbursing Agency (Agency A):** STEP 2: Agency A must set-up a RTI profile after the receiving agency notifies them of the amount of the pass-through increase. Agency A must provide this RTI number to Agency B to enter on the initiating transaction.

DISBURSING AGENCY – Agency A			RECEIVING AGENCY – Agency B		
RTI T-Code set up on the 55 screen	System-Generated T-Codes	GENERAL LEDGER IMPACT	T-Code Entered on Transaction Entry screen	System-Generated T-Codes	GENERAL LEDGER IMPACT
			<b>481</b>		<b>0284</b> Due From Other Agencies* <b>5001</b> Revenue Control – Accrued*
<b>482</b>		<b>5501</b> Expenditure Control – Accrued** <b>1050</b> Due To Other Agencies**		<b>757</b>	<b>5001</b> Revenue Control – Accrued * <b>0284</b> Due From Other Agencies* <b>0284</b> Due From Other Agencies** <b>5001</b> Revenue Control – Accrued**
The following T-Codes will generate to reverse the accruals. If the T-Code 481 entry is backdated into a previous period (month or FY), the liquidating 758 and 759 T-Codes will generate in the current period. An entry backdated into 20CY with an effective date of 08/31/CY will generate the following reversing entries in the following fiscal year.					
	<b>758</b>	<b>1050</b> Due To Other Agencies** <b>5501</b> Expenditure Control – Accrued**		<b>759</b>	<b>5001</b> Revenue Control – Accrued** <b>0284</b> Due From Other Agencies**

\* No AGL post on this transaction

\*\* Correct AGL post on this transaction



**RTI Table 4: Year End Pass-Through Accrual and Reversal to Increase Pass-Through Revenue and Expenditures (concluded)**

**The Effect:**

Agency B will increase its Federal Grant Pass-Through Revenue and will book a Due From Other Agencies.  
 Agency A will increase Federal Grant Pass-Through Expenditures and will book a Due To Other Agencies.

**Additional Entry for Agency A:**

Agency A must **increase** the federal revenue amount to match the amount to be recorded on the Schedule of Expenditures of Federal Awards. The entry will **debit** federal receivable and **credit** revenue.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ*	Amount**	Vendor #	AGL	Input GL	USAS D23 Fund
(1)	5, 4	U	0831CY	XXX	658		XX	XXXXX	XXXX	\$ XX.XX	N/A	N/A	0241	XXXX

\* Use the comptroller object code that was originally used to receive the federal funds.  
 \*\* Use the amount that was recorded on the RTI above.

**Accounting effect of entry:**

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Increase Federal Revenue and Accrue Federal Receivable with reversal</b>		
<b>0241</b> Federal Receivable (Input GL)	\$ XX.XX	
<b>5100</b> GAAP Revenue Offset		\$ XX.XX

**Note:** T-Code 658 automatically reverses with T-Code 630. The accrual to increase federal receivable and revenue will be reversed in the subsequent fiscal year.

### RTI Table 5: Year-End Pass-Through Accrual and Reversal to Decrease Pass-Through Revmeus and Expenditures

**Important:** All agencies and universities **must** use the RTI process for year-end entries. The T-Codes presented in this table may be used for funds in the State Treasury and local funds.

**Receiving Agency (Agency B):** STEP 1: At year-end, if the receiving agency expended less than it received, then it must initiate the accrual process. Agency B inputs the transaction. The 483 T-Code requires the use of Doc Type **T** and Batch Type **2**. The RTI number profile (USAS 55 screen) to be established by Agency A must be set up with T-Code 484.

**Disbursing Agency (Agency A):** STEP 2: Agency A must set-up an RTI profile after the receiving agency notifies them of the amount of the pass-through decrease. Agency A must provide this RTI number to Agency B to enter on the initiating transaction.

ORIGINAL DISBURSING AGENCY – Agency A			ORIGINAL RECEIVING AGENCY – Agency B		
RTI T-Code set up on the 55 screen	System-Generated T-Codes	GENERAL LEDGER IMPACT	T-Code Entered on Transaction Entry screen	System-Generated T-Codes	GENERAL LEDGER IMPACT
			<b>483</b>		<b>5001</b> Revenue Control – Accrued* <b>1050</b> Due To Other Agencies*
<b>484</b>		<b>0284</b> Due From Other Agencies** <b>5501</b> Expenditure Control – Accrued**		<b>760</b>	<b>1050</b> Due To Other Agencies* <b>5001</b> Revenue Control – Accrued* <b>5001</b> Revenue Control – Accrued** <b>1050</b> Due To Other Agencies**
The following T-Codes will generate to reverse the accruals. If the T-Code 483 entry is backdated into a previous period (month or FY), the liquidating 761 and 762 T-Codes will generate in the current period. An entry backdated into 20CY with an effective date of 08/31/CY will generate the following reversing entries in the following fiscal year.					
	<b>761</b>	<b>5501</b> Expenditure Control – Accrued** <b>0284</b> Due From Other Agencies**		<b>762</b>	<b>1050</b> Due To Other Agencies** <b>5001</b> Revenue Control – Accrued**

\* No AGL post on this transaction  
 \*\* Correct AGL post on this transaction

**RTI Table 5: Year End Pass-Through Accrual and Reversal to Decrease Pass-Through Revenues and Expenditures (concluded)**

**The Effect:**

Agency B will reduce their Federal Grant Pass-Through Revenue and will book a Due To Other Agencies.

Agency A will reduce Federal Grant Pass-Through Expenditures and will book a Due From Other Agencies.

**Additional Entry for Agency A:**

Agency A must **reduce** the federal revenue amount to match the amount to be recorded on the Schedule of Expenditures of Federal Awards. This can be done by debiting revenue and crediting either deferred revenue or federal receivable (as long as federal receivable is not an overall negative amount.)

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ*	Amount**	Vendor#	AGL	Input GL	USAS D23 Fund
(1)	5 or 4	U	0831CY	XXX	658	R	XX	XXXXX	XXXX	\$ XX.XX	N/A	N/A	***	XXXX

- \* Use the comptroller object code that was originally used to receive the Federal Funds.
- \*\* Use the amount that was recorded on the RTI above.
- \*\*\* Use GL 1046 to record a Deferred Revenue or GL 0241 to decrease a Federal Receivable.

**Accounting Effect of entry:**

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Decrease Federal Revenue and record a Deferred Revenue or decrease a Federal Receivable.</b>		
<b>5100</b> GAAP Revenue Offset	\$ XX.XX	
<b>1046</b> Deferred Revenue (Input GL)		\$ XX.XX
OR		
<b>0241</b> Federal Receivable (Input GL)		\$ XX.XX

**Note:** T-Code 658R automatically reverses with T-Code 630R. The accrual to decrease federal receivable and revenue will be reversed in the subsequent fiscal year.

**RTI Table 6: Accrued Transfer with Liquidation**

DISBURSING AGENCY			RECEIVING AGENCY		
T-Code Entered on Transaction Entry screen	System-Generated T-Codes	GENERAL LEDGER IMPACT	RTI T-Code set up on the 55 screen	System-Generated T-Codes	GENERAL LEDGER IMPACT
<b>475</b>		<b>6051</b> Transfer Out – No Post to Tables* <b>1050</b> Due To Other Agencies*			
	<b>750</b>	<b>1050</b> Due To Other Agencies* <b>6051</b> Transfer Out – No Post to Tables* <b>6051</b> Transfer Out – No Post to Tables** <b>1050</b> Due To Other Agencies**	<b>476</b>		<b>0284</b> Due From Other Agencies** <b>6011</b> Transfer In – No Post to Tables**
The following T-Codes will generate to liquidate the due to and transfer the cash to the receiving agency. If T-Code 475 is backdated into a previous period (month or FY), the liquidating 752 and 751 T-Codes will generate in the current period. Any entry backdated into 20CY with an effective date of 08/31/CY will generate a liquidating entry in the following fiscal year.					
	<b>752</b>	<b>1050</b> Due To Other Agencies** <b>6051</b> Transfer Out – No Post to Tables** <b>6050</b> Transfer Out** <b>0045</b> Cash In State Treasury		<b>751</b>	<b>6011</b> Transfer In – No Post to Tables** <b>0284</b> Due From Other Agencies** <b>0045</b> Cash in State Treasury <b>6010</b> Transfer In**

\* No AGL post on this transaction

\*\* Correct AGL post on this transaction

**RTI Table 7: Accrued Transfer With Reversal**

DISBURSING AGENCY			RECEIVING AGENCY		
T-Code Entered on Transaction Entry screen	System-Generated T-Codes	GENERAL LEDGER IMPACT	RTI T-Code set up on the 55 screen	System-Generated T-Codes	GENERAL LEDGER IMPACT
<b>478</b>		<b>6051</b> Transfer Out – No Post to Tables* <b>1050</b> Due To Other Agencies*			
	<b>754</b>	<b>1050</b> Due To Other Agencies* <b>6051</b> Transfer Out – No Post to Tables* <b>6051</b> Transfer Out – No Post to Tables** <b>1050</b> Due To Other Agencies**	<b>479</b>		<b>0284</b> Due From Other Agencies** <b>6011</b> Transfer In – No Post to Tables**
The following T-Codes will generate to reverse the accruals. If the T-Code 478 entry is backdated into a previous period (month or FY), the liquidating 756 and 755 T-Codes will generate in the current period. An entry backdated into 20CY with an effective date of 08/31/CY will generate the following reversing entries in the following fiscal year.					
	<b>756</b>	<b>1050</b> Due To Other Agencies** <b>6051</b> Transfer Out – No Post to Tables**		<b>755</b>	<b>6011</b> Transfer In – No Post to Tables** <b>0284</b> Due From Other Agencies**

\* No AGL post on this transaction

\*\* Correct AGL post on this transaction

**RTI Table 8: Unemployment Reimbursements (Reduction of Expenditure)**

**The Effect:**

Disbursing Agency will record Accrued Expenditures and a Due To with liquidation.

Receiving Agency will record a reduction of expenditures and a Due From with liquidation.

DISBURSING AGENCY			RECEIVING AGENCY		
T-Code Entered on Transaction Entry screen	System-Generated T-Codes	GENERAL LEDGER IMPACT	RTI T-Code set up on the 55 screen	System-Generated T-Codes	GENERAL LEDGER IMPACT
485		5501 Expenditure Control – Accrued* 1050 Due To Other Agencies*			
	763	1050 Due To Other Agencies* 5501 Expenditure Control – Accrued* 5501 Expenditure Control – Accrued** 1050 Due To Other Agencies**	486		0284 Due From Other Agencies** 5501 Expenditure Control – Accrued**
The following T-Codes will generate to liquidate the due to and transfer the cash to the receiving agency. If T-Code 485 is backdated into a previous period (month or FY), the liquidating 765 and 764 T-Codes will generate in the current period. Any entry backdated into 20CY with an effective date of 08/31/CY will generate a liquidating entry in the following fiscal year.					
	765	1050 Due To Other Agencies** 5501 Expenditure Control – Accrued** 5500 Expenditure Control – Cash ** 0045 Cash in State Treasury		764	5501 Expenditure Control – Accrued** 0284 Due From Other Agencies** 0045 Cash in State Treasury 5500 Expenditure Control – Cash**

\* No AGL post on this transaction

\*\* Correct AGL post on this transaction

**Note:** T-Code 485 excludes Appropriated Fund 9999, because the payments involve only funds in the State Treasury.

**RTI Table 9: Unemployment Reimbursements (Recognition of Revenue)**

**The Effect:**

Disbursing Agency will record Accrued Expenditures and a Due To with liquidation.

Receiving Agency will record Accrued Revenue and a Due From with liquidation.

DISBURSING AGENCY			RECEIVING AGENCY		
T-Code Entered on Transaction Entry screen	System-Generated T-Codes	GENERAL LEDGER IMPACT	RTI T-Code set up on the 55 screen	System-Generated T-Codes	GENERAL LEDGER IMPACT
485		5501 Expenditure Control – Accrued* 1050 Due To Other Agencies*			
	763	1050 Due To Other Agencies* 5501 Expenditure Control – Accrued* 5501 Expenditure Control – Accrued ** 1050 Due To Other Agencies**	487		0284 Due From Other Agencies** 5001 Revenue Control – Accrued**
The following T-Codes will generate to liquidate the due to and transfer the cash to the receiving agency. If T-Code 485 is backdated into a previous period (month or FY), the liquidating 765 and 766 T-Codes will generate in the current period. Any entry backdated into 20CY with an effective date of 08/31/CY will generate a liquidating entry in the following fiscal year.					
	765	1050 Due To Other Agencies** 5501 Expenditure Control – Accrued** 5500 Expenditure Control – Cash** 0045 Cash in State Treasury		766	5001 Revenue Control – Accrued** 0284 Due From Other Agencies** 0045 Cash in State Treasury 5000 Revenue Control – Cash**

\* No AGL post on this transaction

\*\* Correct AGL post on this transaction

**Note:** T-Code 485 excludes Appropriated Fund 9999, because the payments involve only funds in the State Treasury.

**RTI Table 10: Accrued Revenue Between Agencies**

**The Effect:**

Disbursing Agency will accrue a reduction of revenue and a Due To with liquidation.

Receiving Agency will record Accrued Revenue and a Due From with liquidation.

DISBURSING AGENCY			RECEIVING AGENCY		
T-Code Entered on Transaction Entry screen	System-Generated T-Codes	GENERAL LEDGER IMPACT	RTI T-Code set up on the 55 screen	System-Generated T-Codes	GENERAL LEDGER IMPACT
<b>488</b>		<b>5001</b> Revenue Control – Accrued* <b>1050</b> Due To Other Agencies*			
	<b>767</b>	<b>1050</b> Due To Other Agencies* <b>5001</b> Revenue Control – Accrued* <b>5001</b> Revenue Control – Accrued** <b>1050</b> Due To Other Agencies**	<b>489</b>		<b>0284</b> Due From Other Agencies** <b>5001</b> Revenue Control – Accrued**
The following T-Codes will generate to liquidate the due to and transfer the cash to the receiving agency. If T-Code 488 is backdated into a previous period (month or FY), the liquidating 769 and 766 T-Codes will generate in the current period. Any entry backdated into 20CY with an effective date of 08/31/CY will generate a liquidating entry in the following fiscal year.					
	<b>769</b>	<b>1050</b> Due To Other Agencies** <b>5001</b> Revenue Control – Accrued** <b>5000</b> Revenue Control – Cash ** <b>0045</b> Cash in State Treasury		<b>766</b>	<b>5001</b> Revenue Control – Accrued** <b>0284</b> Due From Other Agencies** <b>0045</b> Cash in State Treasury <b>5000</b> Revenue Control – Cash**

\* No AGL post on this transaction  
 \*\* Correct AGL post on this transaction

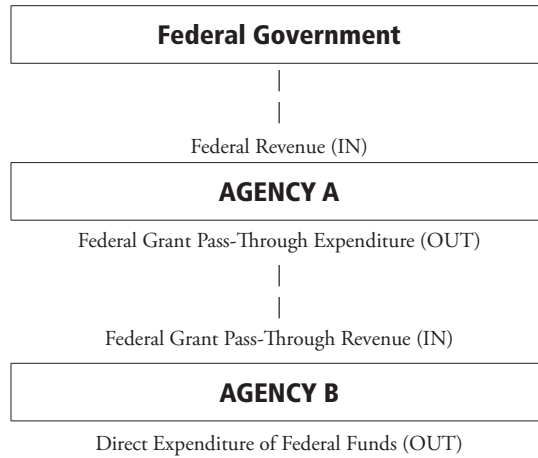
**Note:** T-Code 488 excludes Appropriated Fund 9999, because the payments involve only funds in the State Treasury.



## Federal Grant and State Grant Pass-Through Funds

### Recognition of Federal Grant Pass-Through Funds

Recognize and report federal pass-through grants in USAS as federal grant pass-through revenues and expenditures/expenses to allow the elimination of interfund activity. If matching pass-through amounts between agencies were not eliminated, the state as a whole would grossly inflate revenues and expenditures/expenses. For purposes of demonstration, the agency that originally receives the grant from the federal government will be referred to as Agency A. Refer to the agency that receives funds from Agency A as Agency B. See diagram below.



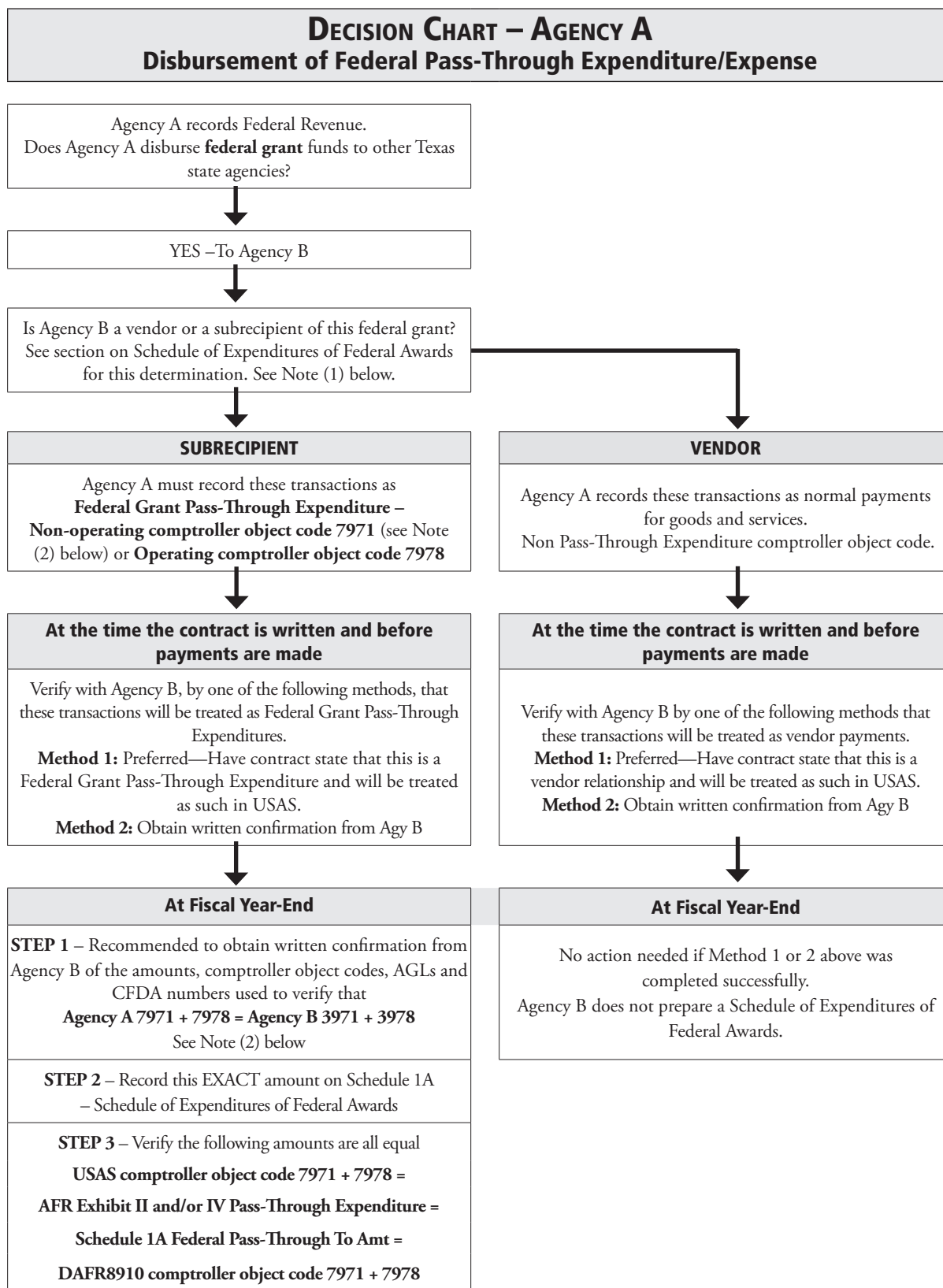
To determine the proper identification and recording of federal pass-through grants, first identify interfund activity. Once the activity has been identified, the following three decisions must be made in order to determine the proper financial reporting of the activity:

- Source of funding – federal or state (If federal source, refer to this section and the decision charts on the following two pages. If state source, refer to **Recognition of State Grant Pass-Through Funds** in the following section.)
- Vendor or subrecipient (see the decision charts that follow)
- Cash Conduit (this is covered in detail at the end of this section)

On the following pages are two decision charts to help determine the proper reporting of Federal Grant Pass-Through Funds.

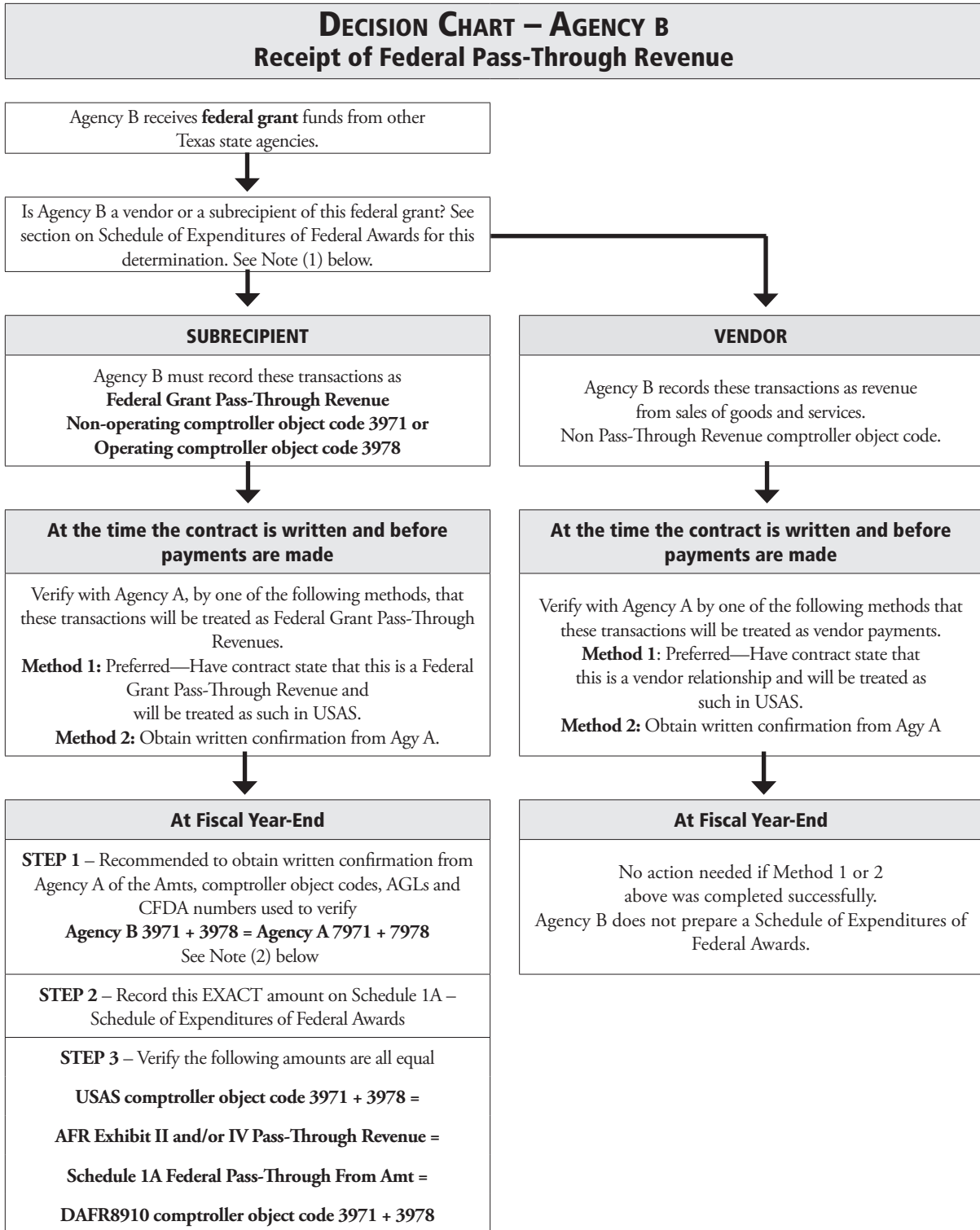
### Pass Through Activity Between Universities

Universities must report all federal grant and state grant pass-through activity on their proprietary operating statements that occurs between other agencies and universities.



**Note (1)** Cash Conduit Option as discussed in GASB 24 is purposely omitted due to the infrequency of this situation. Information on this issue is provided at the end of this section, but was omitted from this chart for simplicity's sake.

**Note (2)** comptroller object codes such as 7977 and 7667 are limited to specific agencies and/or situations.



**Note (1)** Cash Conduit Option as discussed in GASB 24 is purposely omitted due to the infrequency of this situation. Information on this issue is provided at the end of this section, but was omitted from this chart for simplicity's sake.

**Note (2)** comptroller object codes such as 3977 and 3637 are limited to specific agencies and/or situations.

### Recognition of State Grant Pass-Through Funds

When your agency receives state dollars from another state agency, classify the interfund activity as a State Grant Pass-Through (subrecipient) or a Vendor/Interfund Service provided and used type of activity, in other words, a vendor payment. The following is a list of characteristics to help distinguish between a State Grant Pass-Through and a Vendor/Interfund Service provided and used activity.

<b>Characteristics of a State Grant Pass-through From/To Another State Agency (Subrecipient)</b>	<b>Characteristics of Vendor Activity Between State Agencies (Vendor Payment)</b>
The paying/grantor agency has received an appropriation with the authority to grant that money to another agency.	The receiving agency has contracted to perform a service for, or on behalf of, the paying agency but they did not apply for or receive a grant.
The receiving agency was granted the dollars based on meeting specific qualifications.	The paying/grantor agency receives services that are quantifiable based on time, piece completed, etc.
The paying/grantor does not directly receive any consideration or benefit in exchange for the funds.	The paying/grantor agency receives some direct benefit for exchange of funds.

Only when the above characteristics of a state grant exist can the following comptroller object codes be used.

- Comptroller object code 3725 – State Grant Pass-Through Revenue, Non-operating
- Comptroller object code 7614 – State Grant Pass-Through Expenditure, Non-operating
- Comptroller object code 3842 – State Grant Pass-Through Revenue, Operating
- Comptroller object code 7615 – State Grant Pass-Through Expenditure, Operating

For state grant pass-through revenue and expenditures/expenses, the grant name, and agency name and number that the grant passed from/to must be identified and included on Schedule 1B. Please call your financial reporting analyst for any questions or needed assistance.

The classification of the money passed between agencies is the key to correct reporting by both agencies. Following is a chart which shows current programs/grants from the Coordinating Board and how they should be classified for universities.

<b>Program/Grant</b>	<b>COBJ Classification*</b>	<b>Fund</b>	<b>Appn.</b>
TX College Work Study	University determination	0001	13019
Dev Education Program	University determination	0001	13024
CC Enrollment Growth	University determination	0001	13062
TX Grant Program	University determination	0001	13107
Gen Acad Dev Ed Pilot	University determination	0001	13103
CC/Tech Dev Ed Pilot	University determination	0001	13104
Retention Perform Fund	University determination	0001	13105
Gen Acad Enroll Growth	University determination	0001	13112
Health Rel Nurs Growth	University determination	0001	13113
Adv Research Program	3842	0001	13120
Adv Technology Program	3842	0001	13121
Texas Grant Program II	University determination	0001	13110
College Readiness Initiative	University determination	0001	39001
Texas Governor School	University determination	0001	39004
5th Yr Accounting	University determination	0106	13043
Tech Workforce Development	University determination	5079	13123

\* The Advanced Research Program and the Advanced Technology Program are classified as State Grant Pass-Through Revenue, Operating. The university determines the revenue classification of the remaining programs. To qualify as operating pass-through revenue, the grant should finance a program that the university would not normally undertake. If the pass-through revenue is supplemental to on-going projects and the university would conduct the project regardless of the additional funds, the revenue is classified as non-operating pass-through revenue. Once the university determines the classification of each program, contact your appropriations control officer (ACO) to make sure all of the appropriate USAS screens are updated with the correct comptroller object codes.

## Federal and State Grant Pass-Through Issues

### Vendor Services Provided and Used vs. Subrecipient

The agency that disburses funds (Agency A) to another agency (Agency B) is responsible for determining whether the payment is recorded as a pass-through grant to a subrecipient or a vendor payment at the time the grant is awarded. Agency A should confirm these decisions in writing on the grant award to Agency B and Agency B should record the transaction as determined by Agency A. For state grant subrecipient versus vendor determinations, see *Recognition of State Grant Pass-Through Funds* earlier in this section. For federal grant subrecipient versus vendor determinations see *Distinguishing Between Subrecipients and Vendors* in chapter 8 (also see the decision charts earlier in this section).

### State vs. Federal Grant Pass-Through

If Agency A determines that a payment will be recorded as a grant pass-through transaction, Agency A is also responsible for determining the amount by funding source (i.e., state, federal, or both) and whether the payment is recorded as a State Grant Pass-Through or a Federal Grant Pass-Through. Agency A should confirm this decision in writing on the grant award at the time the grant is originally awarded. If the funds were initially received from the Federal government, the pass-through will be classified as Federal. If the funds for the grant program originate from state appropriations, then the pass-through will be classified as State.

### Confirmations Required

Agency A should confirm the above decisions in writing to Agency B and Agency B should record the transaction **as determined by Agency A** to avoid disputes. Both parties should sign the confirmation.

## Federal and State Grant Pass-Through Year-End Accrual Policy

### Year End Considerations for Federal Grant Pass-Throughs

- Agency A comptroller object code 7971 or 7978 Federal Grant Pass-Through Expenditure **MUST EQUAL** Agency B comptroller object code 3971 or 3978 Federal Pass-Through Revenue.
- Comptroller object code 7971 and/or 7978 and 3971 and/or 3978 **MUST EQUAL** the amount for pass-throughs shown on the Schedule of Expenditures of Federal Awards (Schedule 1A).
- Comptroller object code 7971 or 7978 and 3971 or 3978 **MUST EQUAL** the Federal Grant Pass-Through amounts on Exhibit II and/or Exhibit IV.
- The amounts on the DAFR 8910 for comptroller object codes 3971 and/or 3978 and 7971 and/or 7978 **MUST EQUAL** the pass-through amounts on Exhibit II and/or Exhibit IV.
- All items on the DAFR8910 **MUST** have the proper AGL. All NP's must be corrected prior to year-end.

### Year End Considerations for State Grant Pass-Throughs

- Agency A comptroller object code 7614 or 7615 State Grant Pass-Through Expenditure **MUST EQUAL** Agency B comptroller object code 3725 or 3842 State Grant Pass-Through Revenue.
- Comptroller object code 7614 or 7615 and 3725 or 3842 **MUST EQUAL** the State Grant Pass-Through amounts on Exhibit II and/or Exhibit IV.
- The amounts on the DAFR 8910 for comptroller object codes 3725 and/or 3842 and 7614 and/or 7615 **MUST EQUAL** the pass-through amounts on Exhibit II and/or Exhibit IV.
- All items on the DAFR 8910 **MUST** have the proper AGL. All NP's must be corrected prior to year-end.

## USAS Treatment of Federal Grant and State Grant Pass-Throughs

### Grant Pass-Through Comptroller Object Codes

Below is a chart with the related expenditure/expense and revenue objects:

#### State Grant Pass-Throughs

Disbursing Agency		Receiving Agency	
Object Group 39	Description	Object Group 38	Description
7614	State Grant Pass-Through Expenditure, Non-operating	3725	State Grant Pass-Through Revenue, Non-operating
7615	State Grant Pass-Through Expenditure, Operating	3842	State Grant Pass-Through Revenue, Operating

#### Federal Grant Pass-Throughs

Disbursing Agency		Receiving Agency	
Object Group 39	Description	Object Group 38	Description
7971	Federal Grant Pass-Through Expenditure, Non-operating	3971	Federal Grant Pass-Through Revenue, Non-operating
7977	Medicaid ICF/MR-FED Portion	3977	Federal Medicaid Pass-Through Grant Revenues
7978	Federal Grant Pass-Through Expenditure, Operating	3978	Federal Grant Pass-Through Revenue, Operating

Object Group 39	Description	Object Group 30	Description
7667	Federal Grant Pass-Through Expenditure from Health to NHIC	3637	Federal Grant Pass-Through Revenue from NHIC to MHRM

### Agency General Ledger Accounts (AGL)

At fiscal year end, federal grant and state grant pass-throughs must be matched and then eliminated statewide to ensure that revenues and expenditures/expenses are not overstated. At the statewide level, Federal Grant Pass-Through Expenditures (7971 and 7978) must equal the corresponding Federal Grant Pass-Through Revenues (3971 and 3978). State Grant Pass-Through Expenditures (7614 and 7615) must also equal State Grant Pass-Through Revenues (3725 and 3842).

## Monthly Monitoring of USAS Pass-Through Activity

### DAFR 8680 – Detail Account Activity by Fund Report

For agencies that use the T-Codes that do not allow the AGL or for agencies that have failed to record the AGL on pass-through transactions, corrections will have to be made to ensure that the proper AGL information is recorded. The DAFR 8680 report should be requested monthly to give the agency document level detail for their pass-through transactions. Refer to the Ordering Reports section in chapter 11. Items with blank AGLs appear at the top of the report. These will be the items that will appear on the DAFR 8910 report with **NP** in the pass-through section. Note that this report is ordered at the 4th GL level to reflect AGL information.

### Recording Grant Pass-Through Expenditure

Record grant pass-through expenditure/expense in USAS in several ways. When the activity occurs **within the State Treasury**, use the RTI process with T-Code 274, Federal Grant Pass-Through Expenditure (7971 or 7978) or State Grant Pass-Through Expenditure (7614 or 7615) comptroller objects. When the pass-through is expended **to local funds from Cash in State Treasury funds**, use T-Code 270 to issue the warrant. (Refer to the RTI tables for more information). Agencies that do not expend the funds from Cash in State Treasury funds will use generic T-Code 632 or 642 to record the expenditure when reconciling their AFR to USAS.

**Note:** A USAS query can be run to assist agencies with recording pass-through grant expenditure/expenses. This query will show the amount of cash expenditures/expenses that agencies have sent with comptroller object 7971 – Federal Pass-Through Expenditures, non-operating and 7978, operating; and object 7614 – State Pass-Through Expenditures, non-operating and 7615, operating. Request the query from your financial reporting analyst.

### Correction of Grant Pass-Through Expenditure

When a warrant is generated, the AGL will be on the expenditure/expense general ledger account. If there are data entry errors for the incorrect comptroller object and/or a blank or incorrect AGL, the following sections list the correcting entries needed.

#### Correcting Blank or Incorrect AGL On Pass-Through Expenditures/Expenses

When correcting pass-through expenditures/expenses with expenditure transfer voucher T-Codes 407/408 (cash) or 467R/467 (accrual), be sure to use the recipient’s correct vendor number. This allows the Comptroller’s office to properly prepare the cash basis pass-through expenditure/expenses report to help agencies reconcile their pass-through amounts at year-end. The process to correct the AGL on pass-through expenditures/expenses is as follows:

If the entries are recorded BEFORE August 31, 20CY:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ	Amount	Vendor No	AGL	Input GL	USAS D23 Fund
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#### To Reverse the Original Pass-Through Expenditure/Expense with a Blank or Incorrect AGL

(Use the comptroller object code that was input on the original entry)

(1)	4,8	J,K	Current Date	XXX	407		XX	XXXXX	XXXX	\$ XX.XX	XXXXX XXXXXX	Blank or Incorrect	N/A	XXXX
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#### To Record the Pass-Through Expenditure/Expense with the Correct AGL

(2)	4,8	J,K	Current Date	XXX	408		XX	XXXXX	XXXX	\$ XX.XX	XXXXX XXXXXX	XXXXXXXXX0	N/A	XXXX
-----	-----	-----	--------------	-----	-----	--	----	-------	------	----------	-----------------	------------	-----	------

Accounting Effect of entries recorded BEFORE August 31, 20CY:

	Debit	Credit
<b>(1) To Reverse the Original Pass-Through Expenditure/Expense with a Blank or Incorrect AGL:</b>		
0045 Cash in State Treasury	\$ XX.XX	
5500 Expenditure Control – Cash		\$ XX.XX
<b>(2) To Record the Pass-Through Expenditure/Expense with the Correct AGL:</b>		
5500 Expenditure Control – Cash	\$ XX.XX	
0045 Cash in State Treasury		\$ XX.XX

If a USAS transaction has a blank AGL that posted to general ledger 0045 – Cash in State Treasury or 5500 – Expenditure Control-Cash and year-end has already passed, the corrections can no longer be made by reversing the original T-Codes because cash transactions cannot be backdated. Therefore, correct the transaction using the expenditure transfer process outlined as follows:

If the entries are recorded AFTER August 31, 20CY:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ	Amount	Vendor No	AGL	Input GL	USAS D23 Fund
--------	------------	----------	----------	---------	----	---	----	-----	------	--------	-----------	-----	----------	---------------

**To Accrue a Reversal of an Original Pass-Through Expenditure/Expense with a Blank or Incorrect AGL**

(Use the comptroller object code that was input on the original entry)

(1)	4,5,8	J,K	0832CY	XXX	467	R	XX	XXXXX	XXXX	\$ XX.XX	XXXXXXXX XXXXXXXX	Blank or Incorrect	N/A	XXXX
-----	-------	-----	--------	-----	-----	---	----	-------	------	----------	----------------------	-----------------------	-----	------

**Attention:** Be sure to note the use of the **R** (reversal code). This reversal code ensures that no interfund receivables/payables are set up for this transaction.

**To Accrue and Record a Pass-Through Expenditure/Expense with the Correct AGL**

(2)	4,5,8	J,K	0832CY	XXX	467		XX	XXXXX	XXXX	\$ XX.XX	XXXXXXXX XXXXXXXX	XXXXXXXXX0	N/A	XXXX
-----	-------	-----	--------	-----	-----	--	----	-------	------	----------	----------------------	------------	-----	------

Accounting Effect of entries recorded AFTER August 31, 20CY:

	Debit	Credit
<b>(1) To Accrue a Reversal of an Original Pass-Through Expenditure/Expense with a Blank or Incorrect AGL:</b>		
1049 Interfund Payable – Current	\$ XX.XX	
5501 Expenditure Control – Accrued		\$ XX.XX
<b>(2) To Accrue and Record a Pass-Through Expenditure/Expense with the Correct AGL:</b>		
5501 Expenditure Control – Accrued	\$ XX.XX	
1049 Interfund Payable – Current		\$ XX.XX

**Generated Entries Note:** These accrual T-Codes will be posted as of the effective date of this transaction and these entries will generate a cash entry that will be posted on the system management date. If this entry is backdated, the generated entry will post in the next period.

Correcting Comptroller Object Code On Pass-Through Expenditures/Expenses

Be especially cautious when correcting comptroller object code to ensure that the comptroller object code for Agency A still matches with the corresponding comptroller object code for Agency B. For example, if Agency A has already confirmed with Agency B that a federal grant pass-through comptroller object code has been used and later decides to change the object to a state grant pass-through comptroller object code, Agency B must be notified of the change before the interagency deadlines to allow the correction to be made on both sides of the pass-through.

When correcting pass-through expenditures/expenses with expenditure transfer voucher T-Codes 407/408 (cash) or 467R/467 (accrual), be sure to use the recipient’s correct vendor number. This enables the Comptroller’s office to properly prepare the cash basis pass-through expenditure report to help agencies reconcile their pass-through amounts at year-end. The process to correct the comptroller objects on pass-through expenditures/expenses is as follows:



If the entries are recorded BEFORE August 31, 20CY:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ	Amount	Vendor No	AGL*	Input GL	USAS D23 Fund
--------	------------	----------	----------	---------	----	---	----	-----	------	--------	-----------	------	----------	---------------

**To Reverse the Original Expenditure/Expense with an Incorrect COBJ** (Use the COBJ that was input on the original entry)

(1)	4,8	J,K	Current Date	XXX	407		XX	XXXXX	Wrong COBJ	\$XX.XX	XXXXXXXXXXXXXXXXXX	XXXXXXXXX0	N/A	XXXX
-----	-----	-----	--------------	-----	-----	--	----	-------	------------	---------	--------------------	------------	-----	------

**To Record the Pass-Through Expenditure/Expenses with the Correct COBJ**

(2)	4,8	J,K	Current Date	XXX	408		XX	XXXXX	Right COBJ	\$XX.XX	XXXXXXXXXXXXXXXXXX	XXXXXXXXX0	N/A	XXXX
-----	-----	-----	--------------	-----	-----	--	----	-------	------------	---------	--------------------	------------	-----	------

Accounting effect of entries recorded BEFORE August 31, 20CY:

		Debit	Credit
<b>(1) To Reverse the Original Expenditure/Expense with an Incorrect COBJ:</b>			
0045	Cash in State Treasury	\$ XX.XX	
5500	Expenditure Control – Cash		\$ XX.XX
<b>(2) To Record the Pass-Through Expenditure/Expense with the Correct COBJ:</b>			
5500	Expenditure Control – Cash	\$ XX.XX	
0045	Cash in State Treasury		\$ XX.XX

If the entries are recorded AFTER August 31, 20CY:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ	Amount	Vendor No	AGL*	Input GL	USAS D23 Fund
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**To Accrue a Reversal of an Original Expenditure/Expense with an Incorrect COBJ**

(Use the COBJ that was input on the original entry)

(1)	4,5,8	J,K	0832CY	XXX	467	R	XX	XXXXX	Wrong COBJ	\$ X.XX	XXXXXXXXXXXXXXXXXX	XXXXXXXXX0	N/A	XXXX
-----	-------	-----	--------	-----	-----	---	----	-------	------------	---------	--------------------	------------	-----	------

**Attention:** Be sure to note the use of the **R** (reversal code). This reversal code ensures that no interfund receivables/payables are set up for this transaction. If a correction needs to be made to the GAAP fund, see the following example.

**To Accrue and Record a Pass-Through Expenditure/Expense with the Correct COBJ**

(2)	4,5,8	J,K	0832CY	XXX	467		XX	XXXXX	Right COBJ	\$ X.XX	XXXXXXXXXXXXXXXXXX	XXXXXXXXX0	N/A	XXXX
-----	-------	-----	--------	-----	-----	--	----	-------	------------	---------	--------------------	------------	-----	------

\* The AGL number **MUST** be input on the lines of entry that include pass-through objects unless the original transaction had a pass-through object and a blank AGL. See the example to correct blank AGLs. If changing from one pass-through object to another, both lines must have the AGL. If changing from a pass-through object to a non-pass-through object, the AGL must be entered on the first line of entry.

Accounting effect of entries recorded AFTER August 31, 20CY:

	Debit	Credit
<b>(1) To Accrue a Reversal of an Original Expenditure/Expense with an Incorrect COBJ</b>		
<b>1049</b> Interfund Payable – Current	\$ XX.XX	
<b>5501</b> Expenditure Control – Accrued		\$ XX.XX
<b>(2) To Accrue and Record a Pass-Through Expenditure/Expense with the Correct COBJ</b>		
<b>5501</b> Expenditure Control – Accrued	\$ XX.XX	
<b>1049</b> Interfund Payable – Current		\$ XX.XX

**Generated Entries Note:** These accrual T-Codes will be posted as of the effective date of this transaction and these entries will generate a cash entry that will be posted on the system management date. If this entry is backdated, the generated entry will post in the next period.

Correcting D23 and GAAP Fund On Pass-Through Expenditures/Expenses

If at year-end an agency realizes the D23 and/or GAAP funds are incorrect for a pass-through transaction that has already been coordinated and is in balance with the other agency, the Comptroller’s office is recommending the following method to correct the error. This discrepancy may occur due to an occasional immaterial coding or data entry error. **If the incorrect D23 fund and the correct D23 fund are both within the same GAAP fund, no entry is required by the Comptroller,** although the agency may choose to do the entry if needed for internal purposes. If the GAAP fund is incorrect, the Comptroller requires the agency to make the correction. In both situations, the Comptroller’s office recommends that the agency make the correction within their own agency to avoid having to re-coordinate with the other agency. If the D23/GAAP fund is the only error, the agency may leave the Pass-Through Due To/From as is and run the GAAP fund adjustment through Other Expenditures/Other Operating Expenses using object 7970 outlined as follows:

If the entries are recorded AFTER August 31, 20CY between different GAAP funds:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ	Amount	Vendor No	AGL	Input GL	USAS D23 Fund
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**To Accrue a Reversal of an Original Pass-Through Expenditure/Expense with an Incorrect USAS D23 Fund & GAAP Fund**

<b>(1)</b>	4,5,8	J,K	0832CY	XXX	467	R	XX	XXXXX	7970	\$ XX.XX	XXXXXXXXXXXXXX	N/A	N/A	Wrong D23 Fund
------------	-------	-----	--------	-----	-----	---	----	-------	------	----------	----------------	-----	-----	----------------

**To Accrue and Record a Pass-Through Expenditure/Expense with the Correct USAS D23 Fund and GAAP Fund**

<b>(2)</b>	4,5,8	J,K	0832CY	XXX	467		XX	XXXXX	7970	\$ XX.XX	XXXXXXXXXXXXXX	N/A	N/A	Right D23 Fund
------------	-------	-----	--------	-----	-----	--	----	-------	------	----------	----------------	-----	-----	----------------

**To Record a Due From in the Wrong D23 Fund**

<b>(3)</b>	8	U	0832CY	XXX	662		XX	99999	N/A	\$ XX.XX	N/A	XXXXXXX0	0283	Wrong D23 Fund
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**To Record a Due To in the Right D23 Fund**

<b>(4)</b>	8	U	0832CY	XXX	663		XX	99999	N/A	\$ XX.XX	N/A	XXXXXXX0	1053	Right D23 Fund
------------	---	---	--------	-----	-----	--	----	-------	-----	----------	-----	----------	------	----------------

**To Eliminate System Clearing Created in Step 3**

<b>(5)</b>	5	U	0832CY	XXX	647		XX	99999	N/A	\$ XX.XX	N/A	XXXXXXX0	1049	Wrong D23 Fund
------------	---	---	--------	-----	-----	--	----	-------	-----	----------	-----	----------	------	----------------

**To Eliminate System Clearing Created in Step 4**

<b>(6)</b>	5	U	0832CY	XXX	646		XX	99999	N/A	\$ XX.XX	N/A	XXXXXXX0	1049	Right D23 Fund
------------	---	---	--------	-----	-----	--	----	-------	-----	----------	-----	----------	------	----------------

## Accounting effect of entries recorded AFTER August 31, 20CY between different GAAP funds

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Accrue a Reversal of an Original Pass-Through Expenditure with Incorrect USAS D23 Fund and/or GAAP Fund</b>		
<b>1049</b> Interfund Payable – Current	\$ XX.XX	
<b>5501</b> Expenditure Control – Accrued		\$ XX.XX
<b>(2) To Accrue and Record a Pass-Through Expenditure with the Correct USAS D23 Fund and/or GAAP Fund</b>		
<b>5501</b> Expenditure Control – Accrued	\$ XX.XX	
<b>1049</b> Interfund Payable – Current		\$ XX.XX
<b>(3) To Record a Due From in the Wrong D23 Fund</b>		
<b>0283</b> Due From Other Funds	\$ XX.XX	
<b>9999</b> System Clearing		\$ XX.XX
<b>(4) To Record a Due To in the Right D23 Fund</b>		
<b>9999</b> System Clearing	\$ XX.XX	
<b>1053</b> Due To Other Funds		\$ XX.XX
<b>(5) To Eliminate System Clearing Created in Step 3</b>		
<b>9999</b> System Clearing	\$ XX.XX	
<b>1049</b> Interfund Payable – Current		\$ XX.XX
<b>(6) To Eliminate System Clearing Created in Step 4</b>		
<b>1049</b> Interfund Payable – Current	\$ XX.XX	
<b>9999</b> System Clearing		\$ XX.XX

**Generated Entries Note:** The expenditure accrual entries will liquidate to cash and the due to/froms will reverse in the next FY based upon the system management date.

### Recording Grant Pass-Through Revenue

You can record grant pass-through revenue in USAS in several ways. When the activity occurs **within the State Treasury**, use the RTI process with:

- T-Code 273, Federal Grant Pass-Through Revenue (3971 non-operating or 3978 operating)
- State Grant Pass-Through Revenue (3725 non-operating or 3842 operating) comptroller objects.

**Note:** Refer to the RTI tables for more information.

Agencies receiving pass-through funds by warrant rather than through the RTI process use T-Code 145 or 149 when depositing the funds to the State Treasury. These T-Codes allow the pass-through comptroller object codes. Agencies not recording local funds to the State Treasury use generic T-Code 631 or 643 when reconciling their AFR to USAS.

A USAS query can be run to assist agencies with recording pass-through grant revenue. This query shows the amount of cash revenue that agencies received with:

- Comptroller object code 3971 – Federal Pass-Through Revenue, non-operating or 3978 operating
- Comptroller object 3725 – State Pass-Through Revenue, non-operating or 3842 operating.

Request the query from your financial reporting analyst.

### Correction of Pass-Through Grant Revenue

Whether the RTI process is used or a warrant is received, the correct AGL information must be recorded on the revenue general ledger account. If there are data entry errors for the incorrect comptroller object and/or a blank or incorrect AGL, the following sections list the correcting entries. If the revenue entries were originally made with generic T-Code 631 or 643, then continue to make the corrections with generic T-Codes 630, 631, or 643.

#### Correcting Blank or Incorrect AGL on Pass-Through Revenues

If a USAS transaction has a blank or incorrect AGL that posted to general ledger 0045-Cash in State Treasury or 5000-Revenue Control-Cash, correct the transaction using the revenue transfer process outlined below:

If the entries are recorded BEFORE August 31, 20CY:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ	Amount	Vendor No	AGL	Input GL	USAS D23 Fund
--------	------------	----------	----------	---------	----	---	----	-----	------	--------	-----------	-----	----------	---------------

#### To Reverse an Original Pass-Through Revenue with a Blank or Incorrect AGL

(Use the comptroller object code that was input on the original entry)

(1)	5,8	J	Current Date	XXX	406		XX	XXXXX	XXXX	\$ XX.XX	N/A	Blank or Incorrect	N/A	XXXX
-----	-----	---	--------------	-----	-----	--	----	-------	------	----------	-----	--------------------	-----	------

#### To Record the Pass-Through Revenue with the Correct AGL

(2)	5,8	J	Current Date	XXX	405		XX	XXXXX	XXXX	\$ XX.XX	N/A	XXXXXXXXX0	N/A	XXXX
-----	-----	---	--------------	-----	-----	--	----	-------	------	----------	-----	------------	-----	------

Accounting effect of entries recorded BEFORE August 31, 20CY:

												<b>Debit</b>	<b>Credit</b>
<b>(1) To Reverse an Original Pass-Through Revenue Deposit with a Blank or Incorrect AGL</b>													
5000 Revenue Control –Cash											\$ XX.XX		
0045 Cash In State Treasury												\$ XX.XX	
<b>(2) To Record the Revenue Pass-Through with the Correct AGL</b>													
0045 Cash In State Treasury											\$ XX.XX		
5000 Revenue Control – Cash												\$ XX.XX	

If a USAS transaction has a blank AGL that posted to general ledger 0045-Cash in State Treasury or 5000-Revenue Control Cash and year end has already passed, corrections can no longer be made by reversing the original T-Codes because cash transactions cannot be backdated. Therefore, correct the transaction using the revenue transfer process below:

If the entries are recorded AFTER August 31, 20CY:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ	Amount	Vendor No	AGL	Input GL	USAS D23 Fund
--------	------------	----------	----------	---------	----	---	----	-----	------	--------	-----------	-----	----------	---------------

#### To Accrue a Reversal of an Original Pass-Through Revenue with a Blank or Incorrect AGL:

(1)	4,5,8	J	0832CY	XXX	465	R	XX	XXXXX	XXXX	\$XX.XX	XXXXXXXXXXXXXXXX	Blank or Incorrect	N/A	XXXX
-----	-------	---	--------	-----	-----	---	----	-------	------	---------	------------------	--------------------	-----	------

**Attention:** Be sure to note the use of the **R** (reversal code). This reversal ensures that no interfund receivables/payables are set up for this transaction. If a correction must be made to the GAAP fund, see the example later in this section.

#### To Accrue and Record a Pass-Through Revenue with the Correct AGL:

(2)	4,5,8	J	0832CY	XXX	465		XX	XXXXX	XXXX	\$XX.XX	XXXXXXXXXXXXXXXX	XXXXXXXXX0	N/A	XXXX
-----	-------	---	--------	-----	-----	--	----	-------	------	---------	------------------	------------	-----	------

Accounting effect of entries recorded AFTER August 31, 20CY within the same GAAP fund/agency:

		<b>Debit</b>	<b>Credit</b>
<b>(1) To Accrue a Reversal of an Original Pass-Through Revenue with a Blank or Incorrect AGL</b>			
<b>5001</b>	Revenue Control – Accrued	\$ XX.XX	
	<b>0279</b> Interfund Receivable – Current		\$ XX.XX
<b>(2) To Accrue and Record a Pass-Through Revenue with the Correct AGL</b>			
<b>0279</b>	Interfund Receivable – Current	\$ XX.XX	
	<b>5001</b> Revenue Control – Accrued		\$ XX.XX

**Generated Entries Note:** These accrual T-Codes will be posted as of the effective date of this transaction and these entries will generate a cash entry that will be posted on the system management date. If this entry is backdated, the generated entry will post in the following period.

Correcting Comptroller Object Code On Pass-Through Revenues

Be especially cautious when correcting comptroller object code to ensure that the comptroller object code for Agency A still matches with the corresponding comptroller object code for Agency B. For example, if Agency A has already confirmed with Agency B that a federal pass-through comptroller object code has been used and now decides to change the object to a state grant pass-through comptroller object code or a non pass-through comptroller object code, Agency B must be notified of the change before the interagency deadlines to allow the correction to be made on both sides of the pass-through. The AGL will only need to be entered on the side of the transaction with the pass-through comptroller object code.

If the entries are recorded BEFORE August 31, 20CY:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ	Amount	Vendor No	AGL*	Input GL	Fund
--------	------------	----------	----------	---------	----	---	----	-----	------	--------	-----------	------	----------	------

**To Reverse an Original Pass-Through Revenue with an Incorrect COBJ**

*(Use the comptroller object code that was input on the original entry)*

<b>(1)</b>	5,8	J	Current date	XXX	406		XX	XXXXX	Wrong COBJ	\$ XX.XX	N/A	XXXXXXXX0	N/A	XXXX
------------	-----	---	--------------	-----	-----	--	----	-------	------------	----------	-----	-----------	-----	------

**To Record the Pass-Through Revenue with the Correct COBJ**

<b>(2)</b>	5,8	J	Current Date	XXX	405		XX	XXXXX	Right COBJ	\$ XX.XX	N/A	XXXXXXXX0	N/A	XXXX
------------	-----	---	--------------	-----	-----	--	----	-------	------------	----------	-----	-----------	-----	------

Accounting effect of entries recorded BEFORE August 31, 20CY:

		<b>Debit</b>	<b>Credit</b>
<b>(1) To Reverse an Original Pass-Through Revenue with an Incorrect COBJ</b>			
<b>5000</b>	Revenue Control – Cash	\$ XX.XX	
	<b>0045</b> Cash In State Treasury		\$ XX.XX
<b>(2) To Record the Pass-Through Revenue with the Correct COBJ</b>			
<b>0045</b>	Cash In State Treasury	\$ XX.XX	
	<b>5000</b> Revenue Control – Cash		\$ XX.XX

If the entries are recorded AFTER August 31, 20CY:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ	Amt.	Vendor No	AGL*	Input GL	USAS D23 Fund
--------	------------	----------	----------	---------	----	---	----	-----	------	------	-----------	------	----------	---------------

**To Accrue a Reversal of an Original Pass-Through Revenue with an Incorrect COBJ**

(Use the COBJ that was input on the original entry)

(1)	4,5,8	J	0832CY	XXX	465	R*	XX	XXXXX	Wrong COBJ	\$XX.XX	XXXXXXXXXXXXXXXXXX	XXXXXXXXX0	N/A	XXXX
-----	-------	---	--------	-----	-----	----	----	-------	------------	---------	--------------------	------------	-----	------

**Attention:** Be sure to note the use of the **R** (reversal code). This reversal ensures that no interfund receivables/ payables are set up for this transaction. If a correction must be made to the GAAP fund, see the example later in this section.

**To Accrue and Record a Pass-Through Revenue with the Correct COBJ**

(2)	4,5,8	J	0832CY	XXX	465		XX	XXXXX	Right COBJ	\$XX.XX	XXXXXXXXXXXXXXXXXX	XXXXXXXXX0	N/A	XXXX
-----	-------	---	--------	-----	-----	--	----	-------	------------	---------	--------------------	------------	-----	------

\* The AGL number **MUST** be input on the lines of entry that include pass-through objects unless the original transaction had a pass-through object and a blank AGL. See the example to correct blank AGLs. If changing from one pass-through object to another, both lines must have the AGL. If changing from a pass-through object to a non-pass-through object, the AGL must be entered on the first line of entry.

Accounting effect of entries recorded AFTER August 31, 20CY

		Debit	Credit
<b>(1) To Accrue a Reversal of an Original Pass-Through Revenue with an Incorrect COBJ</b>			
5001	Revenue Control – Accrued	\$ XX.XX	
0279	Interfund Receivable – Current		\$ XX.XX
<b>(2) To Accrue and Record a Pass-Through Revenue with the Correct COBJ</b>			
0279	Interfund Receivable – Current	\$ XX.XX	
5001	Revenue Control – Accrued		\$ XX.XX

**Generated Entries Note:** These accrual T-Codes will be posted as of the effective date of this transaction and these entries will generate a cash entry that will be posted on the system management date. If this entry is backdated, the generated entry will post in the following period.

Correcting D23 and GAAP Fund On Pass-Through Revenues

If at year-end, you realize the D23 and/or GAAP funds are incorrect for a pass-through transaction that has already been coordinated and is in balance with the other agency, the Comptroller’s office is recommending the following method to correct the error. This discrepancy may occur due to an occasional immaterial coding or data entry error. **If the incorrect D23 fund and the correct D23 fund are both within the same GAAP fund**, no entry is required by the Comptroller, although the agency may choose to do the entry if needed for internal purposes. If the GAAP fund is incorrect, **the Comptroller requires** the agency to make the correction. In both situations, the Comptroller’s office recommends that the agency make the correction within their own agency to avoid having to re-coordinate with the other agency. If the D23/GAAP fund is the only error, the agency may leave the Pass-Through Due To/From as is and run the GAAP fund adjustment through Other Revenues (for governmental funds)/Other Operating Revenues (for proprietary funds) using object 3970 as shown below.

If the entries are recorded AFTER August 31, 20CY between different GAAP funds:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	R	AY	PCA	COBJ	Amount	Vendor No	AGL	Input GL	USAS D23 Fund
--------	------------	----------	----------	---------	----	---	----	-----	------	--------	-----------	-----	----------	---------------

**To Accrue a Reversal of an Original Pass-Through Revenue with an Incorrect USAS D23 Fund and GAAP Fund**

(1)	4,5,8	J	0832CY	XXX	465	R	XX	XXXXX	3970	\$XX.XX	XXXXXXXXXXXXXXXXXX	N/A	N/A	Wrong D23 Fund
-----	-------	---	--------	-----	-----	---	----	-------	------	---------	--------------------	-----	-----	----------------

**To Accrue and Record a Pass-Through Revenue with the Correct USAS D23 Fund and GAAP Fund**

(2)	4,5,8	J	0832CY	XXX	465		XX	XXXXX	3970	\$XX.XX	XXXXXXXXXXXXXXXXXX	N/A	N/A	Right D23 Fund
-----	-------	---	--------	-----	-----	--	----	-------	------	---------	--------------------	-----	-----	----------------

**To Record a Due To in the Wrong D23 Fund**

(3)	8	U	0832CY	XXX	663		XX	99999	N/A	\$XX.XX	N/A	XXXXXXX0	1053	Wrong D23 Fund
-----	---	---	--------	-----	-----	--	----	-------	-----	---------	-----	----------	------	----------------

**To Record a Due From in the Right D23 Fund**

(4)	8	U	0832CY	XXX	662		XX	99999	N/A	\$XX.XX	N/A	XXXXXXX0	0283	Right D23 Fund
-----	---	---	--------	-----	-----	--	----	-------	-----	---------	-----	----------	------	----------------

**To Eliminate System Clearing Created in Step 3**

(5)	5	U	0832CY	XXX	646		XX	99999	N/A	\$XX.XX	N/A	XXXXXXX0	0279	Wrong D23 Fund
-----	---	---	--------	-----	-----	--	----	-------	-----	---------	-----	----------	------	----------------

**To Eliminate System Clearing Created in Step 4**

(6)	5	U	0832CY	XXX	647		XX	99999	N/A	\$XX.XX	N/A	XXXXXXX0	0279	Right D23 Fund
-----	---	---	--------	-----	-----	--	----	-------	-----	---------	-----	----------	------	----------------

**Generated Entries Note:** The revenue accrual entries will post to cash and the due to/from will reverse in the next FY based upon the system management date.

Accounting effect of entries recorded AFTER August 31, 20CY between different GAAP funds

	Debit	Credit
<b>(1) To Accrue a reversal of an original Pass-Through revenue with an incorrect USAS D23 Fund and GAAP Fund</b>		
5001 Revenue Control – Accrued	\$ XX.XX	
0279 Interfund Receivable – Current		\$ XX.XX
<b>(2) To Accrue and Record a Pass-Through Revenue with the Correct USAS D23 Fund and GAAP Fund</b>		
0279 Interfund Receivable – Current	\$ XX.XX	
5001 Revenue Control – Accrued		\$ XX.XX
<b>(3) To Record a Due To in the Wrong D23 Fund</b>		
9999 System Clearing	\$ XX.XX	
1053 Due To Other Funds		\$ XX.XX
<b>(4) To Record a Due From in the Right D23 Fund</b>		
0283 Due From Other Funds	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(5) To Eliminate System Clearing Created in Step 3</b>		
0279 Interfund Receivable – Current	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(6) To Eliminate System Clearing Created in Step 4</b>		
9999 System Clearing	\$ XX.XX	
0279 Interfund Receivable – Current		\$ XX.XX

### Cash Conduit – Proper Fund Type for Reporting of Pass-Throughs

(Source: GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*)

Governmental entities often receive grants and other financial assistance to transfer to, or spend on behalf of, a **secondary recipient**. These amounts are referred to as pass-through grants. Record all cash pass-through grants received by a governmental entity (referred to as a **recipient government**) in its financial statements.

As a general rule, pass-through grants should be recognized as revenue and expenditure or expenses in a governmental, proprietary, or trust fund. In those infrequent cases in which a recipient government serves only as a Cash Conduit, the grant should be reported in an agency fund (FT09).

A recipient government serves only as a cash conduit if it merely transmits grantor-supplied moneys without having administrative or direct financial involvement in the program.

A recipient government has administrative involvement if, for example, it:

- a) monitors secondary recipients for compliance with program-specific requirements
- b) determines eligible secondary recipients or projects, even if using grantor-established criteria
- c) has the ability to exercise discretion in how the funds are allocated

A recipient government has direct financial involvement if, for example, it finances some direct program costs because of a grantor-imposed matching requirement or is liable for disallowed costs.

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**Important Note:** The Governmental Accounting Standards Board (GASB) found that when considering administrative and direct financial involvement, recipient governments should report few, if any, pass-through grants in agency funds. Please see GASB 24 for more information.

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## Transfers

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GASB 34 redefined transfers as nonreciprocal interfund activity, and it included activities previously known as *operating transfers* and *residual equity transfers* as transfers. In a transfer, one fund furnishes resources to another fund with no expectation of repayment.

### Legislative Transfers In/Out (Budget Transfers) Within Fund 0001

Report budget transfers (USAS T-Codes 012 and 018) between agencies **within Fund 0001** as Legislative Transfers In/Out, **except** payroll related allocations from Agency 902. You must prepare AFR **eliminating entries for budget transfers made within your agency** with the same D23 fund but to different appropriation numbers so that legislative transfers in/out are not overstated. For AFR purposes, budget transfers must be reported if they occur between GAAP fund types **or** if they occur between different agencies. Agencies must analyze legislative amounts to determine the appropriate budget transfer amount. Budget transfers must match the general revenue reconciliation spreadsheet.

Examples of a legislative transfer are deficiency grants. Deficiency grants are budget increases, resulting from an emergency or transfer of responsibility by the legislature. The additional grant amount should be reported as a budget transfer from or to the agency that sent or received the grant. Report these transfers as Legislative Transfers In/Out on the:

- Statement of Revenues, Expenses, and Changes in Net Assets,
- Statements of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities, or
- Statement of Changes in Fiduciary Net Assets.



**Transfers Between Fund 0001 and any Appropriated Fund Other Than Fund 0001**

All transfers between Appropriated Fund 0001 and any appropriated fund other than Fund 0001 should be done as transfer of Cash in State Treasury, not a committed budget transfer. If at anytime during the year a Legislative Transfer was used and not a transfer of cash, the agency must either reverse the committed budget transfer and replace it with a transfer of cash (cash must be transferred prior to August 31, 20CY) or add collected budget T-Codes to the committed budget transfer (can be backdated). If the entry is discovered after August 31, 20CY and cash should have been transferred, a correcting entry must be done to eliminate the Legislative Transfer, record an accrued Transfer In/Out and a Due From/Due To in the CY. The agency will then transfer the cash in the following year. The following entry will correct this problem:

**Correcting Transfers Between Appropriated Fund 0001 and any Appropriated Fund Other Than Fund 0001**

These T-Codes are balancing. Enter them only for transfers within an agency.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn. No.	Fund	Input GL *
<b>To Record Reversal of Legislative Transfer Out</b>													
(1)	5	U	0832CY	XXX	456	XX	99999	9515	\$XX.XX	R	N/A	XXXX	N/A
<b>To Record Transfer Out</b>													
(2)	5	U	0832CY	XXX	654	XX	99999	Group 33	\$XX.XX		N/A	XXXX	9999
<b>To Record Due To Other Agencies/Due To Other Funds</b>													
(3)	5	U	0832CY	XXX	663	XX	99999		\$XX.XX		N/A	XXXX	*
<b>To Record Reversal of Legislative Transfer In</b>													
(4)	5	U	0832CY	XXX	462	XX	99999		\$XX.XX	R	N/A	XXXX	N/A
<b>To Record Transfer In</b>													
(5)	5	U	0832CY	XXX	655	XX	99999	Group 32	\$XX.XX		N/A	XXXX	9999
<b>To Record Due From Other Funds/Due From Other Agencies</b>													
(6)	5	U	0832CY	XXX	662	XX	99999		\$XX.XX		N/A	XXXX	**

\*1050 Due To Other Agencies/1053 Due To Other Funds

\*\*0283 Due From Other Funds/0284 Due From Other Agencies

Accounting effect of above entries:

	<b>Debit</b>	<b>Credit</b>
<b>(1) To Record Reversal of Legislative Transfer Out</b>		
9000 Legislative Appropriations	\$ XX.XX	
6053 Legislative Transfer Out		\$ XX.XX
<b>(2) To Record Transfer Out</b>		
6051 Transfer Out	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(3) To Record Due To Other Agencies/Due To Other Funds</b>		
9999 System Clearing	\$ XX.XX	
1050/1053 Due To Other Agencies/Due To Other Funds		\$ XX.XX
<b>(4) To Record Reversal of Legislative Transfer In</b>		
6013 Legislative Transfer In	\$ XX.XX	
9000 Legislative Appropriations		\$ XX.XX
<b>(5) To Record Transfer In</b>		
9999 System Clearing	\$ XX.XX	
6011 Transfer In		\$ XX.XX
<b>(6) To Record Due From Other Funds/Due From Other Agencies</b>		
0283/0284 Due From Other Funds/Due From Other Agencies	\$ XX.XX	
9999 System Clearing		\$ XX.XX

The T-Codes 663/662 automatically reverse creating a system clearing (GL 9999) balance. Agencies must move cash in the following year. The system clearing balance is cleared when the cash is moved.

### Transfers Between Agencies or Funds (Cash Transfers)

Transfers represent routine transfers of resources. Examples include transfers of dedicated receipts from Fund 0001 to those funds statutorily authorized to spend them; transfers to debt service funds; and legally required transfers of unobligated fund balances to the General Revenue Fund.

**Do not net transfers between transfer out and transfer in. Show actual activity.**

Transfers of cash on the agency's report that occur between different GAAP fund types, different funds or different agencies should be reported as transfers in or out (Agency Number, D23 Fund Number). The Agency Number and D23 Fund Number should be those of the agency to whom or from whom the agency transferred funds.

Transfers are reported in the Other Financing Sources (Uses) section for governmental fund types. In proprietary funds, transfers are reported as a separate category after the general revenues, income before contributions, and special and extraordinary items lines, respectively (as the final item before change in net assets). Transfers are reported under the Additions and Deductions sections as either Transfers of Contributions or Transfers In/Out for pension trust funds. If the agency chooses to eliminate a transfer on the hard copy AFR, the elimination must also be entered to USAS.

Coordinate the classification and amount of the transfer with the other agency involved so both sides of the transaction will be correctly reported. Within one agency's report, transfers in may not balance with transfers out; however, they should balance between the two agencies' reports. Accrual of transfers should be reported and shown as Due-From or Due-To Other Funds (agency number, D23 fund number) on the balance sheet.

### USAS Issues for Transfers

You must review the amount processed throughout the year as transfers for accuracy. USAS data overrides the amounts reported on the hard copy AFR. Review should involve both comptroller objects and general ledger accounts. Enter necessary corrections into USAS.

#### USAS Tip

Both the comptroller object and the general ledger account must show the correct accounting event. Although rare, it is possible to have a revenue comptroller object code recorded on a transfer general ledger account because USAS has two separate structures that define these elements. This type of inconsistency will need to be corrected in order for an agency's AFR to be considered reconciled. Contact your FRS analyst if you need assistance correcting this situation.

Do not use T-Codes 403 and 404 Cash Operating Transfer In/Out for cash cleanup because the general ledgers will erroneously overstate transfers. Instead use T-Codes 405/406 for cash cleanup of revenue and T-Codes 407/408 for cash cleanup of expenditures/expenses before fiscal year-end.

#### Steps to Verify Transfers are Accurate in USAS

1. Order the operating statement and determine that the correct amount is being reported for Other Sources and Uses. Order the Interfund/Interagency Activity Report (DAFR8910) and determine that the agency general ledger (AGL) field is correct. The AGL reflects the **opposite** agencies' agency number, D23 fund number and a zero.
2. Correct the cash discrepancies found above, as soon as possible. If you make the corrections before the end of the fiscal year, reverse the original T-Code with the incorrect information and enter the correcting entry. Since transfers normally involve cash, the corrections should be completed before the hard cash close on August 31, 20CY. If they are done after the end of the year, then generic T-Codes must be used. Once the cash basis reconciliation is performed, the year-end accruals must be coordinated.
3. Coordinate transfers involving other agencies. Since the cash entries were already corrected in Step 2, the accruals will be the last amount left to be coordinated. The T-Codes used for the year-end accruals involve the RTI process and T-Codes (478/479 with no cash impact and 475/476 with a cash impact).

The following are the entries needed for correcting transfers and year-end accruals of transfers.

Correcting Transfers Within An Agency

These T-Codes are balancing. Enter them only for transfers **within** an agency. These are balancing T-Codes that allow comptroller object codes that roll up to transfers.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	AGL	Fund	Input GL *
<b>To Record an Increase in Transfer Out</b>													
(1)	5	U	0832CY	XXX	654	XX	99999	XXXX	\$ XX.XX		XXXXXXXX0	XXXX	XXXX
<b>To Record a Decrease in Transfer Out</b>													
(2)	5	U	0832CY	XXX	654	XX	99999	XXXX	\$ XX.XX	R	XXXXXXXX0	XXXX	XXXX
<b>To Record an Increase in Transfer In</b>													
(3)	5	U	0832CY	XXX	655	XX	99999	XXXX	\$ XX.XX		XXXXXXXX0	XXXX	XXXX
<b>To Record a Decrease in Transfer In</b>													
(4)	5	U	0832CY	XXX	655	XX	99999	XXXX	\$ XX.XX	R	XXXXXXXX0	XXXX	XXXX

\* The allowable GL accounts for this T-Code can be found on the 28B screen.

Accounting effect of above entries:

	Debit	Credit
<b>(1) To Record an Increase in Transfer Out</b>		
6051 Transfer Out – No Post To Tables	\$ XX.XX	
XXXX Input GL		\$ XX.XX
<b>(2) To Record a Decrease in Transfer Out</b>		
XXXX Input GL	\$ XX.XX	
6051 Transfer Out – No Post To Tables		\$ XX.XX
<b>(3) To Record an Increase in Transfer In</b>		
XXXX Input GL	\$ XX.XX	
6011 Transfer In – No Post To Tables		\$ XX.XX
<b>(4) To Record a Decrease in Transfer In</b>		
6011 Transfer In – No Post To Tables	\$ XX.XX	
XXXX Input GL		\$ XX.XX

**WARNING:** System clearing must not have a balance after all transactions have been entered.

Correcting the AGL for Transfers Within an Agency

The AGL information must be verified and corrected to reflect the accurate accounting event. The AGL field is an eight-digit number. The first three digits are for the opposite agency number, the next four digits are the opposite agency D23 fund and the last digit is a zero. The AGL information should reflect from where or to where the funds moved. Thus, on a transfer in, the AGL information would include the transfer out’s agency number and D23 fund. If the corrections are processed during the fiscal year, the original T-Code can be used. There would be two lines of entry. The first entry would be to reverse the original entry using the original coding block with an **R**. The second entry would be to record the corrected AGL information.

If the corrections are processed after the fiscal year, the generic transfer T-Codes (654-655) should be used. These are balancing T-Codes that allow comptroller object codes that roll up to a transfer.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	AGL	Fund	Input GL *
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	-----	------	------------

**To Reverse the Incorrect AGL for a Transfer Out**

(1)	5	U	0832CY	XXX	654	XX	99999	XXXX	\$ XX.XX	R	Incorrect AGL	XXXX	9999
-----	---	---	--------	-----	-----	----	-------	------	----------	---	---------------	------	------

**To Record the Correct AGL for a Transfer Out**

(2)	5	U	0832CY	XXX	654	XX	99999	XXXX	\$ XX.XX		Correct AGL	XXXX	9999
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-------------	------	------

**To Reverse the Incorrect AGL for a Transfer In**

(3)	5	U	0832CY	XXX	655	XX	99999	XXXX	\$ XX.XX	R	Incorrect AGL	XXXX	9999
-----	---	---	--------	-----	-----	----	-------	------	----------	---	---------------	------	------

**To Record the Correct AGL for a Transfer In**

(4)	5	U	0832CY	XXX	655	XX	99999	XXXX	\$ XX.XX		Correct AGL	XXXX	9999
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-------------	------	------

\* The allowable GL accounts for this T-Code can be found on the 28B screen.

Accounting effect of above entries:

	Debit	Credit
<b>(1) To Reverse the Incorrect AGL for a Transfer Out</b>		
9999 System Clearing	\$ XX.XX	
6051 Transfer Out – No Post To Tables		\$ XX.XX
<b>(2) To Record the Correct AGL for a Transfer Out</b>		
6051 Transfer Out – No Post To Tables	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(3) To Reverse the Incorrect AGL for a Transfer In</b>		
6011 Transfer In – No Post To Tables	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(4) To Record the Correct AGL for a Transfer In</b>		
9999 System Clearing	\$ XX.XX	
6011 Transfer In – No Post To Tables		\$ XX.XX

**WARNING:** System clearing must not have a balance after all transactions have been entered.

**Year-End Accrued Transfers**

Enter year-end accruals for transfers with an effective date of 08-31-CY. The appropriation number and appropriation year should correctly reflect the place where the accrual will be processed. T-Codes 450 and 451 may also be used when corrections are needed to correct RTI T-Code 475.

Accruals for Funds Within the State Treasury Within an Agency

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC *	AY	PCA	COBJ	Amount	R	Appn No	AGL	Fund
--------	------------	----------	----------	---------	------	----	-----	------	--------	---	---------	-----	------

**To Record Accrual of Transfer Out**

(1)	5	U	0831CY	XXX	450	XX	99999	XXXX	\$ XX.XX		XXXXX	XXXXXXXX0	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-------	-----------	------

**To Record Accrual of Transfer In**

(2)	5	U	0831CY	XXX	451	XX	99999	XXXX	\$ XX.XX		XXXXX	XXXXXXXX0	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-------	-----------	------

Review the Uniform Statewide Accounting System (USAS) transaction code decision profile 28A and 28B screen for the transaction’s coding block information.

\* T-Codes 450/451 automatically reverse using the current system management with T-Codes 452/453 respectively.

**WARNING:** Transaction codes 450 and 451 are balancing T-Codes that allow comptroller object codes that roll up to transfers. Therefore, both transactions must be entered at the same time.

Accounting effect of above entries:

		Debit	Credit
<b>(1) To Record Accrual of Transfer Out</b>			
<b>6051</b>	Transfer Out – No Post to Tables	\$ XX.XX	
	<b>1050</b> Due To Other Agencies		\$ XX.XX
<b>(2) To Record Accrual of Transfer In</b>			
<b>0284</b>	Due From Other Agencies	\$ XX.XX	
	<b>6011</b> Transfer In – No Post to Tables		\$ XX.XX

Accruals for Funds Within The State Treasury Between Agencies Using the RTI Process

The RTI process in USAS allows agencies to enter an interagency transfer transaction that accrues and reverses or accrues and pays. The accrual for the sending and receiving agency is based on the effective date entered. The payment or reversing of a transaction is based on the system management date. This process allows agencies to establish *Due From* and *Due To* through the RTI process at fiscal year-end.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	------	----------

**To Record Accrual of a Transfer With Liquidation**

(1)	2 or 4	T	0831CY	XXX	475*	XX	XXXXX	XXXX	\$ XX.XX		XXXXX	XXXX	N/A
-----	--------	---	--------	-----	------	----	-------	------	----------	--	-------	------	-----

**To Record Accrual of a Transfer With Reversal**

(2)	2 or 4	T	0831CY	XXX	478*	XX	XXXXX	XXXX	\$ XX.XX		XXXXX	XXXX	N/A
-----	--------	---	--------	-----	------	----	-------	------	----------	--	-------	------	-----

• See the RTI T-Code section in this chapter. The system generated transactions and the general ledger impact are listed, so the correct T-Code can be selected according to the criteria given.

**USAS Tip**

When using the RTI process, remember the following.

- The agency initiating the transaction should:
  - 1 Use a PDT of *T*.
  - 2 Enter the vendor number starting with **3** (most state agency vendor numbers start with a 3).
  - 3 Enter the RTI number given by the receiving agency.
- The agency receiving the transaction should:
  - 1 Set up an RTI on the 55 screen using the appropriate corresponding T-Code.
  - 2 Enter the effective start date on the RTI of at least **08/31/CY** so the accrual can be backdated.

Transfers For Funds Held Outside The State Treasury

Use the following T-Codes to enter any balances for agencies that have local fund activity. These T-Codes would only be used if the agency has a transfer to another agency. This is a rare situation, thus these T-Codes should not be used very often statewide.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC **	AY	PCA	COBJ	Amount	R	AGL	Fund ⊗	Input GL *
--------	------------	----------	----------	---------	-------	----	-----	------	--------	---	-----	--------	------------

**To Record Transfer Out**

(1)	5	U	0832CY	XXX	628	XX	99999	XXXX	\$ XX.XX		XXXXXXXX0	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-----------	------	------

**To Record Transfer In**

(2)	5	U	0832CY	XXX	629	XX	99999	XXXX	\$ XX.XX		XXXXXXXX0	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-----------	------	------

⊗ The D23 fund must infer Appropriated Fund 9999 for recording transfers for funds held outside the state treasury.

\* The allowable GL accounts for this T-Code can be found on the USAS TRANSACTION CODE DECISION PROFILE 28B

\*\* T-Codes 628 and 629 only allow Local fund activity, see USAS TRANSACTION CODE DECISION PROFILE 28A – INTERFACE IND =

L.

Accounting effect of above entries:

	<b>Debit</b>	<b>Credit</b>
<b>(1) To Record Transfer Out</b>		
<b>6051</b> Transfer Out – No Post to Tables	\$ XX.XX	
<b>XXXX</b> Input GL		\$ XX.XX
<b>(2) To Record Transfer In</b>		
<b>XXXX</b> Input GL	\$ XX.XX	
<b>6011</b> Transfer In – No Post to Tables		\$ XX.XX

**WARNING:** System clearing must not have a balance after all transactions have been entered.

## **Balance Sheet for Interfund Activity**

### **Due From/Due To Other State Agencies**

Due From/Due To accounts must balance at a statewide level for the CAFR. There are several situations where agencies must record Due From/Due To entries from other agencies (including unemployment reimbursements), pass-throughs, and transfers between agencies or within their own agency. Use RTI T-Codes for accruals between agencies. Refer to the RTI tables presented earlier in this section. For Due From/Due To entries within the same agency, other generic T-Codes should be used as listed in this chapter.

#### **Due From/Due To for Unemployment**

RTI T-Code (485) is reimbursing to the Texas Workforce Commission for unemployment compensation. Record the accrual of unemployment compensation with T-Code 485 with an effective date of 08/31/CY. This T-Code automatically records the Due To for an agency, thus the Due To should be reflected on the agency's hard copy AFR.

Refer to the RTI charts in this chapter for the accounting event and Fiscal Policies and Procedures A.035, *Reimbursements for Unemployment Compensation Payments (APS 003)*.

#### **Due From/Due To for Federal/State Grant Pass-Throughs**

Use the pass-through RTIs to establish a Due From/Due To (asset/liability) and the accrued revenues or expenditures for accruals involving activity between other agencies. For state and federal grants, the comptroller objects should reflect the applicable Pass-Through Revenue or Pass-Through Expenditure. USAS T-Codes are listed in this chapter. There are two options, T-Codes that accrue and reverse and those that accrue and impact cash in the following year. Refer to the RTI charts in this chapter for the accounting event.

#### **Due From/Due To For Transfers**

Use the transfer RTIs to establish a Due From/Due To (asset/liability) and the accrued transfer in or transfer out for transfer accruals involving activity between other agencies.

The comptroller object selected should roll up as transfers under Other Financing Sources and Uses. The USAS T-Codes are listed in this chapter.

**Due From/Due To Within Same Agency Between Other Funds**

An agency may need to record a Due From/Due To within the same agency between D23 funds. The AGL field must record **its own** agency number, D23 fund number and a zero. Due From/Due To Other Funds should equal on the agency’s AFR. Do not net Due From/Due To activity. Review the transaction code decision profile 28A and 28B screen for the coding block information listed as follows:

- Use T-Codes 662 and 663.
- Use general ledger 0283 and 1053 – see the 28B Comptroller GL Accounts field. Do not use GL 0284 and GL 1050 when transactions are within same agency. GL 0284 and GL 1050 are used when transactions are between agencies.
- T-Code 662 balances with 663, and vice versa – see Bal TC field.
- T-Codes 662 and 663 automatically reverse with T-Codes 660 and 661 using the current system management date – see Gen TC field.
- T-Codes 662 and 663 do not allow the user to reverse the transaction – see RVRS = N field. For reversals use T-Codes 660 and 661.
- The AGL is required – see AGL field.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	AGL	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	-----	------	----------

**To Record a Due From**

(1)	5	U	0832CY	XXX	662	XX	99999	XXXX	\$ XX.XX		XXXXXXXX0	XXXX	0283
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-----------	------	------

**To Record a Due To**

(2)	5	U	0832CY	XXX	663	XX	99999	XXXX	\$ XX.XX		XXXXXXXX0	XXXX	1053
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-----------	------	------

Accounting effect of above entries:

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Record a Due From</b>		
0283 Due From Other Funds	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(2) To Record the Correct AGL for a Due From</b>		
9999 System Clearing	\$ XX.XX	
1053 Due To Other Funds		\$ XX.XX

**WARNING:** System clearing (GL 9999) must not have a balance after all transactions have posted. Typically the offset to the system clearing created by the T-Codes 662/663 is an entry to the operating statement using T-Codes 658/659 or 655/654. The T-Codes 662/663 and 658/659 automatically reverse in the following year based on the system management date. The operating statement T-Codes 655/654 do not automatically reverse. FRS advises agencies to enter the operating statement T-Codes and their reversals at the same time. The operating statement transactions will have an effective date of 08/32/CY and the reversals will have a current system management effective date.

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Record a Revenue to Offset the Due From (T/C 658)</b>		
9999 System Clearing	\$ XX.XX	
5100 Revenue Offset		\$ XX.XX
<b>(2) To Record an Expenditure to Offset the Due To (TC 659)</b>		
5600 Expenditure Offset	\$ XX.XX	
9999 System Clearing		\$ XX.XX

— or —

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Record a Transfer In to Offset the Due From (T/C 655)</b>		
9999 System Clearing	\$ XX.XX	
6011 Transfer In		\$ XX.XX
<b>(2) To Record a Transfer Out to Offset the Due To (T/C 654)</b>		
6051 Transfer Out	\$ XX.XX	
9999 System Clearing		\$ XX.XX

Correcting the AGL for Due From/Due To Other Funds

An agency may have entered a Due From/Due To with an incorrect AGL number. AGL information must be verified and corrected to reflect the accurate accounting event. The AGL consists of the agency number and the D23 fund number followed by a zero. When a transaction crosses agencies and must be corrected, call your financial reporting analyst. USAS security and T-Codes restrict users from entering a Due From/Due To Other Agencies with generic T-Codes.

Review the USAS transaction code decision profile 28A and 28B screens for transaction coding block information listed below:

- Use T-Codes 660 and 661.
- Use general ledger 0283 and 1053, see the 28B Comptroller GL Accounts field. Do not use 0284 and 1050 when transactions are within the same agency.
- T-Code 660 balances with 661, and vice versa – see Bal TC field.
- The user is allowed to reverse this transaction – see RVRS = blank field.
- The AGL is required – see AGL field.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	AGL	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	-----	------	----------

**To Reverse the Incorrect AGL for a Due From**

(1)	8	J	0832CY	XXX	661	XX	99999	XXXX	\$ XX.XX	R	Incorrect AGL	XXXX	0283
-----	---	---	--------	-----	-----	----	-------	------	----------	---	---------------	------	------

**To Record the Correct AGL for a Due From**

(2)	8	J	0832CY	XXX	661	XX	99999	XXXX	\$ XX.XX		Correct AGL	XXXX	0283
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-------------	------	------

**To Reverse the Incorrect AGL for a Due To**

(3)	8	J	0832CY	XXX	660	XX	99999	XXXX	\$ XX.XX	R	Incorrect AGL	XXXX	1053
-----	---	---	--------	-----	-----	----	-------	------	----------	---	---------------	------	------

**To Record the Correct AGL for a Due To**

(4)	8	J	0832CY	XXX	660	XX	99999	XXXX	\$ XX.XX		Correct AGL	XXXX	1053
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-------------	------	------

Accounting effect of above entries:

	<b>Debit</b>	<b>Credit</b>
<b>(1) To Reverse the Incorrect AGL for a Due From</b>		
9999 System Clearing	\$ XX.XX	
0283 Due From Other Funds		\$ XX.XX
<b>(2) To Record the Correct AGL for a Due From</b>		
0283 Due From Other Funds	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(3) To Reverse the Incorrect AGL for a Due To</b>		
1053 Due To Other Funds	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(4) To Record the Correct AGL for a Due To</b>		
9999 System Clearing	\$ XX.XX	
1053 Due To Other Funds		\$ XX.XX

**WARNING:** System clearing must not have a balance after all entries have posted.



**Agency Fund Type Due To/From Agency Fund Type**

Often GAAP agency fund types (fund type 09) contain Due From/Due To balances to other funds or other agencies. Review the USAS transaction code decision profile 28A screen for the transaction coding block information listed below:

- Use T-Codes 111 and 112
- General ledger entry is not necessary since GL accounts are within the T-Codes
- T-Code 111 balances with 112, and vice versa – see Bal TC field
- The AGL is required – see AGL field
- T-Codes 111 and 112 automatically reverse with T-Codes 113 and 114 using the current system management date – see Gen TC field

The following balancing transaction codes establish the accrued receivable and corresponding liability:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	AGL	Fund
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	-----	------

**To Record a Due From Other Funds – Agency Fund To Agency Fund**

(1)	5	U	0832CY	XXX	111	XX	XXXXX	N/A	\$ XX.XX		XXXXX	XXXXXXXXX0	XXXX
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	-------	------------	------

**To Record a Due To Other Funds – Agency Fund To Agency Fund**

(2)	5	U	0832CY	XXX	112	XX	XXXXX	N/A	\$ XX.XX		XXXXX	XXXXXXXXX0	XXXX
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	-------	------------	------

Accounting effect of above entries:

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Record A Due From Other Funds – Agency Fund to Agency Fund</b>		
0284 Due From Other Agencies	\$ XX.XX	
1149 Funds Held For Others		\$ XX.XX
<b>(2) To Record A Due To Other Funds – Agency Fund to Agency Fund</b>		
1149 Funds Held For Others	\$ XX.XX	
1050 Due To Other Agencies		\$ XX.XX

**Due From GAAP Operating Fund/Due To GAAP Agency Fund Type**

This entry records the Due From Other Agencies in an operating fund for amounts received from a GAAP agency fund:

Review the USAS transaction code decision profile 28A screen for the transaction coding block information listed below:

- Use T-Code 115 and 116
- General ledger entry is not necessary since GL accounts are within the T-Codes
- The AGL is required – see AGL field
- T-Code 115 and 116 automatically reverses with T-Code 117 and 118 using the current system management date – see Gen TC field

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	AGL	Fund
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	-----	------

**To Record a Due From a GAAP Agency Fund in a GAAP Operating Fund**

(1)	5	U	0832CY	XXX	115	XX	XXXXX	XXXX	\$ XX.XX		XXXXX	XXXXXXXXX0	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	--	-------	------------	------

**To Record a Due To a GAAP Operating Fund in a GAAP Agency Fund**

(2)	5	U	0832CY	XXX	116	XX	XXXXX	N/A	\$ XX.XX		XXXXX	XXXXXXXXX0	
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	-------	------------	--

Accounting effect of above entry:

	<b>Debit</b>	<b>Credit</b>
<b>(1) To Record a Due From a GAAP Agency Fund in a GAAP Operating Fund</b>		
<b>0284</b> Due From Other Agencies	\$ XX.XX	
<b>5001</b> Revenue Control – Accrued		\$ XX.XX
<b>(2) To Record a Due To a GAAP Operating Fund in a GAAP Agency Fund</b>		
<b>1149</b> Funds Held For Others	\$ XX.XX	
<b>1050</b> Due To Other Agencies		\$ XX.XX

**Due From/Due To Other University Components and Systems**

The Due From/Due To Other Components/Systems should balance and net to zero at the system level. These same T-Codes can also be used for Due From/Due To between components within the same system. T-Codes 666 and 667 are not balancing; therefore, the university component and the system office or two components may enter their side of the entries on separate documents independently of each other. The coordination and balancing between agencies for these entries still apply. Review the transaction code decision profile 28A and 28C screen for the transaction coding block information listed below:

- Use T-Codes 666 and 667
- Use general ledger 0282 and 1052 – see 28B Comptroller GL Account field
- T-Codes 666 and 667 automatically reverse with T-Codes 665 and 664 – see Gen TC field
- The AGL is required – see AGL field
- The user is not allowed to reverse this transaction – see RVRS = N Use T-Codes 665 and 664 if a reversal is need

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	AGL	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	-----	------	----------

**To Record a Due From Other University Components/System**

(1)	5	U	0832CY	XXX	666	CY	XXXXX	N/A	\$ XX.XX		XXXXXXXXX0	XXXX	0282
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	------------	------	------

**To Record a Due To Other University Components/System**

(2)	5	U	0832CY	XXX	667	CY	XXXXX	N/A	\$ XX.XX		XXXXXXXXX0	XXXX	1052
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	------------	------	------

Accounting effect of above entry:

	<b>Debit</b>	<b>Credit</b>
<b>(1) To Record a Due From Other Components/Systems</b>		
<b>0282</b> Due From Other Components/System	\$ XX.XX	
<b>9999</b> System Clearing		\$ XX.XX
<b>(2) To Record a Due To Other Components/Systems</b>		
<b>9999</b> System Clearing	\$ XX.XX	
<b>1052</b> Due To Other Components/Systems		\$ XX.XX

**WARNING:** System clearing must not have a balance after all entries have posted.



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## Chapter 6 – Capital Assets

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## Introduction

Capital assets are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements (GWFS). Capital assets are those defined by the State as assets with an initial cost meeting the thresholds established by the Comptroller and with an estimated useful life in excess of one year. See **Capitalization Threshold** section.

Under GASB 34/35, Capital Assets Adjustments (fund type 11) exists in USAS and is used to record the basis conversion transactions for the GWFS.

## Overview of Purchasing and Reporting of Capital Assets

The table below provides an overview of capital assets under GASB 34/35.

Process	20CY
<b>Pay for the assets</b>	a) Use T-Code 225 for Governmental Funds – Capital Asset Comp. Object rolls to capital outlay on the Statement of Revenue, Expenditure, and Changes in Fund Balance b) Use T-Code 261 or record with generics at year-end for Proprietary Funds – Capital Asset Comp. Object rolls to Backout-N/A Expenditure, T-Code 261 has a net effect of zero on the Statement of Revenues, Expenses, and Changes in Net Assets c) Use appropriate thresholds for capitalization d) Use Capital Asset comptroller object codes
<b>Enter Assets in SPA System</b>	Entry of <ul style="list-style-type: none"> <li>• Personal Property</li> <li>• Real Property</li> <li>• Infrastructure</li> <li>• Construction-in-Progress</li> </ul>
<b>Calculation of Depreciation Expense and Accumulated Depreciation</b>	SPA calculates depreciation expense and accumulated depreciation for all assets that are depreciable and meet the capitalization thresholds.
<b>Recording ending balance in USAS at year-end</b>	SPA will provide capital asset balances for each AFR category.
<b>Restatements</b>	Restatements for 20CY include: <ul style="list-style-type: none"> <li>• Errors made in the prior year</li> <li>• Any capital assets not previously reported</li> </ul>
<b>Prepare Capital Asset Note</b>	Agencies, Universities, and Component Units will prepare the Capital Asset Note using the format required by GASB 34. See chapter 7 for the note requirements and chapter 9 for a sample note disclosure.
<b>Reconciliation of SPA to USAS</b>	Amounts reported in SPA for all categories should match USAS and AFR by GAAP fund type. Contact your SPA analyst for issues related to balances reported in SPA that do not agree with balances to be reported in note 2 and USAS.

## Capital Asset Accounting Treatment

### Capital Asset Classification

Assets purchased, constructed, or donated that meet or exceed the Comptroller's established capitalization thresholds or minimum reporting requirements must be uniformly classified using the SPA class code structure (see **Appendix A** in the *SPA Process User's Guide*). Included in the SPA class code structure are codes that can be used to componentize buildings. Agencies are required to report their buildings on a component level if it meets certain conditions (see **Buildings and Building Improvements** in **Chapter 1 – Introduction to Capital Assets** of the *SPA Process User's Guide*).

AFR work papers are available to assist agencies in preparing the entries necessary to record additions, deletions, sales, transfers, and corrections to capital assets. These work papers are available on the FMX internet Web site. A brief explanation of the entries also appears throughout chapter 6.

When preparing and entering capital assets into USAS, remember to check the following:

- Ensure that all numbers tie to SPA data before booking into USAS. If all numbers do not tie, make changes/adjustments accordingly.
- Ensure that beginning asset and depreciation balances agree with the Prior Fiscal Year Ending Fund Balances (in chapter 13) for each GAAP fund.
- Verify that the Additions column on Note 2 ties to Capital Outlay plus Donations for fund type 11. If they do not tie, check to determine if capital outlay was over/understated or if the difference is included in the gain/loss object 3834. Various situations may result in part of the additions column being coded as 3834. For example, object 3834 is used to record gains on trade-ins where no cash is received.
- Verify that Capital Outlay nets to zero between fund type 11 and other governmental fund types.
- Verify that the Sale of Capital Assets in fund type 11 and Sale of Capital Assets in other governmental fund types nets to zero on the SIRS report.
- Verify that the Depreciation expense in fund type 11 in the SIRS report equals the additions column on Note 2 and SPA.
- Verify that the Interagency Transfers In/Out on the SIRS report equals Note 2 and SPA.
- Verify that the debt service principal payments and increase in obligations under capital lease expense equals zero on the SIRS report.

### Capitalization Thresholds

Standard capitalization thresholds for capitalizing assets have been established for each major class of assets. All state entities are required to use these thresholds.

Class of Asset	Threshold
Land/Land Improvements	Capitalize All
Buildings/Building Improvements	\$100,000
Facilities & Other Improvements	\$100,000
Infrastructure	\$500,000
Personal Property (equipment)	\$5,000
Library Books/Materials (collections)	Capitalize All
Library Books/Materials (professional, academic, or research library)	\$5,000
Works of Art/Historical Treasures	Capitalize All
Leasehold Improvements	\$100,000



## Capital Asset Acquisition Cost

Report and record capital assets at their historical costs. Historical cost includes the vendor's invoice (plus the value of any trade-in or educational allowance, **if** reflected on the invoice), plus sales tax, initial installation cost (excluding in-house labor), modifications, attachments, accessories, or apparatus necessary to make the asset usable and render it into service. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs, and professional fees. The costs of capital assets for *governmental activities* do not include capitalized interest.

Example:	Capital Asset	\$ 10,000
	Trade-in	2,000
	Installation Cost	250
	Freight/Transportation	<u>300</u>
	Total Cost of Asset	<u>\$ 12,550</u>

**Note:** For more information regarding incidental charges, see the *Note* and the *If/Then* table under **Capital Asset Acquisition Cost** in **Chapter 1 – Introduction to Capital Assets** of the *SPA Process User's Guide*.

## Recording Capital Asset Acquisitions into USAS

To determine the amount of assets acquired during the fiscal year run the SPA CAAB 101S report. This report presents the beginning and ending asset balances, additions, deletions, adjustments (restatements), transfer in, transfer out, and construction in progress (CIP) for all Capital Assets by AFR category and depreciable indicator. This report is sorted by and contains the GAAP fund group, depreciable code, and AFR category.

The additions column of this report should match the new assets that were added to an agencies property ledger and need to be recorded in USAS. Capital Outlay plus donations for fund type 11 should also equal the additions column on the CAAB 101S report.

### Business Type Activities

The comptroller object codes (COBJ) are not a one-to-one ratio for asset class type. A list of COBJ's is available later in this chapter. The fund used will correspond to the fund where assets are recorded. The general ledger accounts used are as follows:

#### Fund Type 05

- 0320 Land and Land Improvements
- 0380 Construction in Progress
- 0382 Other Capital Assets Non-Depreciable
- 0325 Buildings and Building Improvements
- 0327 Facilities and Other Improvements
- 0335 Infrastructure – Depreciable
- 0345 Furniture and Equipment
- 0355 Vehicles, Boats, and Aircraft
- 0383 Other Capital Assets Depreciable

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	------	----------

**To Record the Acquisition of Capitol Assets**

(1)	5	U	0832CY	XXX	633	CY	99999	XXXX	\$ XX.XX	R	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	---	------	------

Accounting effect of above entries:

										Debit	Credit
<b>(1) To Record the Acquisition of Capitol Assets</b>											
XXXX General Ledger Account for Asset Being Added										\$ XX.XX	
5600 GAAP Expenditure Offset											\$ XX.XX

**Governmental Activities**

The comptroller objects (COBJ) are not a one-to-one ratio for asset class type. A list of COBJ's is available later in this chapter. The fund used will correspond to the fund where assets are recorded. The general ledger accounts used are as follows:

**Fund Type 11**

- 0620 BC Land and Land Improvements
- 0634 BC Infrastructure Non-Depreciable
- 0680 BC Construction in Progress
- 0682 BC Other Capital Assets Non-Depreciable
- 0625 BC Buildings and Building Improvements
- 0635 BC Infrastructure Depreciable
- 0627 BC Facilities and Other Improvements
- 0645 BC Furniture and Equipment
- 0655 BC Vehicles, Boats, and Aircraft
- 0683 BC Other Capital Assets Depreciable

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	------	----------

**To Record the Acquisition of Capital Assets**

(1)	5	U	0832CY	XXX	513	CY	99999	XXXX	\$ XX.XX	R	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	---	------	------

Accounting effect of above entries:

										Debit	Credit
<b>(1) To Record the Acquisition of Capitol Assets</b>											
XXXX General Ledger Account for Asset Being Added										\$ XX.XX	
5650 BC- Expenditure Offset											\$ XX.XX

## Capital Asset Donations

GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, defines a donation as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments or one party may be a nongovernmental entity, including an individual. A voluntary contribution of resources between state agencies is not a donation. Report donated assets at their estimated fair value at the time of acquisition plus any ancillary charges.

Under GASB 33, the timing of the recognition of assets and related revenue is outlined below.

	Governmental Activities	Business Type Activities
<b>Donations</b>	<ul style="list-style-type: none"> <li>If the asset has been received but the eligibility requirements have not been met, then capital assets are debited and deferred revenue is credited in the GWFS.</li> <li>If the asset has been received and the eligibility requirements have been met, then capital assets are debited and revenue is credited in the GWFS.</li> <li>If the asset has not been received but the eligibility requirements have been met, then a receivable is debited and revenue is credited in the GWFS.</li> </ul>	<ul style="list-style-type: none"> <li>If the asset has been received but the eligibility requirements have not been met, capital assets are debited and deferred revenue is credited in the FFS.</li> <li>If the asset has been received and the eligibility requirements have been met, then capital assets are debited and revenue is credited in the FFS.</li> <li>If the asset has not been received but the eligibility requirements have been met, then a receivable (net of estimated uncollectible amounts) is debited and revenue is credited in the FFS.</li> </ul>
<b>Promises of capital asset donations</b>	<ul style="list-style-type: none"> <li>Promises should be recognized as receivables and revenues (net of estimated uncollectible amounts) on the GWFS when all applicable eligibility requirements are met, provided that the promise is verifiable and the resources are measurable<sup>1</sup> and probable<sup>2</sup> of collection.</li> </ul>	<ul style="list-style-type: none"> <li>Promises should be recognized as receivables and revenues (net of estimated uncollectible amounts) on the FFS when all applicable eligibility requirements are met, provided that the promise is verifiable and the resources are measurable and probable of collection.</li> </ul>

<sup>1</sup>Measurable – Reasonably estimable

<sup>2</sup>Probable – The future event or events are likely to occur

### Recording Capital Asset Donations

If all criteria for donated capital assets have been met, use the following to record the asset. The GL account number used will correspond with the type of asset that is donated. Select a comptroller object code from the table below.

#### Business Type Activities

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	------	----------

#### To Record Donated Asset

(1)	5	U	0832CY	XXX	657	CY	99999	XXXX	\$ XX.XX	R	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	---	------	------

Accounting effect of above entries:

	Debit	Credit
<b>(1) To Record Donated Asset</b>		
XXXX General Ledger Account for Asset Donated	\$ XX.XX	
<b>6035</b> BC- Other Financing Sources		\$ XX.XX

### Governmental Activities

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	------	----------

#### To Record Donated Asset

(1)	5	U	0832CY	XXX	516	CY	99999	XXXX	\$ XX.XX	R	XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	---	------	------

Accounting effect of above entries:

										Debit	Credit
<b>(1) To Record Donated Asset</b>											
XXXX General Ledger Account for Asset Donated										\$ XX.XX	
6135 BC- Other Financing Sources											\$ XX.XX

### Contributions – Cash and Capital Assets

COBJ	COBJ Title	Purpose	GWFS GSO	GWFS GSO title	Govt GSO	Govt GSO Title	Prop GSO	Prop GSO Title	CNA GSO	CNA GSO title
3833	Cash Rcpt-Cap Cont-Cap G&C-Other Grt Rev	To record cash deposits and make accrual adjustments for funds restricted to capital uses in a specific program.	3290	Cap G&C-Other Capital Grant Revenue (Program Revenue)	0080	Other Revenue	1310	Capital Contributions	2900	Back Out Not-Applicable
3881	Cash Rcpt-Cap Cont-GR Cap Cont	To record cash deposits and make accrual adjustments for funds that are not restricted to a specific program.	3930	GR Capital Contributions/ (Distributions)	0080	Other Revenue	1310	Capital Contributions	2900	Back Out Not-Applicable
3892	Cap Asset-Cap Cont-Cap G&C Gft & Donation	To record the donation of a Capital Asset that is restricted for use in a specific program.	3240	Cap G&C-Gifts & Donations (Program Revenue)	0900	Back Out Not-Applicable	1310	Capital Contributions	2900	Back Out Not-Applicable
3894	Cap Asset-Cap Cont/GR Capital Contributions	To record the donation of a Capital Asset that is NOT restricted for use in a specific program.	3930	GR Capital Contributions/ (Distributions)	0900	Back Out Not-Applicable	1310	Capital Contributions	2900	Back Out Not-Applicable

### Sale of a Donated Capital Asset

GWFS are to be used to report spendable assets and not capital assets. However, there may be instances when a government receives a gift of a capital asset that it intends to sell. In such cases, the donation will be reported as revenue on the GWFS if the asset is either:

- Sold prior to the end of the fiscal period and the proceeds of the sale are considered available<sup>1</sup> or
- The asset is sold (or the government has entered into a contract to sell the asset) prior to the issuance of the financial statements and the proceeds of the sale are considered available.

If the proceeds of the sale are not considered available, then offset the related receivable by a liability for deferred revenue on the FFS.

1 Available – Collected within the current 60-day period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

## Leased Property

The lease should be capitalized if any of the following four criteria is a characteristic of the lease transaction:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property.

Leases that do not meet any of the above criteria should be recorded as an operating lease and reported in the notes to the financial statements. Operating leases should not be capitalized.

Entries for Capital Leases for Governmental Fund*	SPA Entries for Capital Leases (Non-MLPP)
<p><b>FFS</b>  <b>Expenditures (Lease object codes):</b></p> <ul style="list-style-type: none"> <li>• Debt Service – Principal – Capital Leases</li> <li>• Interest</li> </ul> <p><b>GWFS</b>  <b>Noncurrent Assets:</b></p> <ul style="list-style-type: none"> <li>• Capital Asset AFR Category</li> </ul> <p><b>Liabilities:</b></p> <ul style="list-style-type: none"> <li>• Capital Leases Payable</li> </ul>	<p>Acquisition Method <b>08</b> (Other Debt Instruments)  Debt Finance Method <b>01</b> (Capital Lease)  Paid-Off Flag (Default Value) <b>N</b></p> <hr/> <p><b>Note:</b> Upon liquidation of lease obligations, the agency should change the Paid Off flag to <b>Y</b>.</p> <hr/>

\* See chapter 7, Notes 5 and 6 for additional guidance.

## Recording Capital Asset Leased Property

The following entries for Governmental Activities are to record the asset being leased and the lease obligation. All the lines must be done in order for leases and the associated capital assets to be recorded correctly.

Sequence number 2 is to record the capital asset, the general ledger account number and comptroller object for this line will correspond to the type of asset that is being leased. For a list of appropriate comptroller object codes, see a chart later in this chapter.

### Governmental Activities

**T-Code 513** This T-Code is used to eliminate capital outlay and record the asset. Use a FT11 fund number.

**T-Code 516** This T-Code is used to eliminate the other financing source and record the capital lease payable. Use a FT 12 fund number.

**T-Code 503** and **T-Code 537** Use a FT 12 fund number.

**Seq No 2** Use FT 11 general ledger account numbers for the input GL. Comptroller object codes will correspond to the type of asset being leased. See chart later in this chapter for a list of appropriate comptroller object codes.

**Seq No 3** Comptroller object codes that can be used are as follows:

- 3893 Increase in Obligation — Capital Leases
- 7337 RP Facility & Other Improv/Capital Lease
- 7350 RP Building/Capital Lease
- 7351 Pers Prop Passenger Cars/Capital Lease
- 7352 Pers Prop Other Motor Veh/Capital Lease
- 7366 Pers Prop Capital Lease
- 7376 Pers Prop Furn & Equip/Capital Lease
- 7385 Pers Prop Computer Equip/Capital Lease
- 7519 RP Infrastructure/Telecomm/Capital Lease

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
<b>To Record BC NC Capital Lease Additions (non-current) (FT 12)</b>												
(1)	5	U	0832CY	XXX	516	CY	99999	3893	\$ XX.XX		XXXX	1715
<b>To Record the Capital Asset and Eliminate Capital Outlay (FT11)</b>												
2)	5	U	0832CY	XXX	513	CY	99999	7XXX	\$ XX.XX		XXXX	XXXX
<b>To record the BC NC Capital Lease Reductions (non-current) (FT12)</b>												
(3)	5	U	0832CY	XXX	503	CY	99999	7XXX	\$ XX.XX		XXXX	1715
<b>To Record BC CL Capital Lease Obligations (current/due in one year) (FT12)</b>												
(4)	5	U	0832CY	XXX	537	CY	99999	N/A	\$ XX.XX		XXXX	1625
<b>To Reverse Portion of BC CL (due in one year) out of BC NC (non-current) Capital Leases (FT12)</b>												
(5)	5	U	0832CY	XXX	537	CY	99999	N/A	\$ XX.XX	R	XXXX	1715

Accounting effect of above entries:

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Record BC NC Capital Lease Additions (non-current)</b>		
6135 BC- Other Financing Sources	\$ XX.XX	
1715 BC NC Capital Lease Obligations		\$ XX.XX
<b>(2) To Record the Capital Asset and Eliminate Capital Outlay</b>		
XXXX General Ledger account for asset	\$ XX.XX	
5650 BC-Expenditure Control		\$ XX.XX
<b>(3) To record the BC NC Capital Lease Reductions (non-current)</b>		
1715 BC NC Capital Lease Obligations	\$ XX.XX	
5650 BC-Expenditure Control		\$ XX.XX
<b>(4) To Record BC CL Capital Lease Obligations (current/due in one year)</b>		
9992 BC System Clearing	\$ XX.XX	
1625 BC CL Capital Lease Obligations		\$ XX.XX
<b>(5) To Reverse Portion of BC CL (due in one year) out of BC NC (non-current) Capital Leases</b>		
1715 BC NC Capital Lease Obligations	\$ XX.XX	
9992 BC System Clearing		\$ XX.XX

## Master Lease Purchase Program (MLPP)

Enter assets acquired under the Master Lease Purchase Program (MLPP) into SPA using the capital lease acquisition method if the asset meets the capitalization threshold.

### Purchase of MLPP

SPA Entries Made by Agencies using MLPP	
Acquisition Method	08 (Other Debt Instruments)
Debt Finance Method	02 (MLPP)
Paid-Off Flag (Default Value)	N

### Reporting Assets Under MLPP Lease Obligation

Agencies report MLPP capital assets on their books.

AFR Note 2	SPA Entries Made by Agencies
<b>Agencies (In first year of MLPP only)</b> Show increase in <i>additions</i> column for related asset category.	Paid-Off Flag – Stays the same <i>N</i>

For more information on fund financial statement accounting entries related to MLPP, see the *Master Lease Purchase Program (MLPP)* section in chapter 3. To record MLPP property use entries under capital asset leased property to record MLPP in USAS.

## Gains/Losses from Sale, Disposal, or Interagency Transfer of Capital Assets

A gain or loss must be recognized when the sale price, in any, does not equal the net book value of the asset. A gain is realized when the sale price plus accumulated depreciation is greater than the historical cost of the asset being sold. A loss is realized when the sale price plus accumulated depreciation is less than the historical cost of the asset being sold.

When an asset is transferred between state agencies a net increase or decrease is realized instead of a gain or loss. A net increase is realized if the value of the asset plus accumulated depreciation is greater than the historical cost of the asset being transferred. A net decrease is realized if the value of the asset plus accumulated depreciation is less than the historical cost of the asset being transferred. When an asset is transferred both agencies must agree and book the same value for the asset that is being transferred.

### Recording Gains/Losses on Sale or Disposal of Capital Assets

Run SPA report CAAB 105 to show the amount of disposals for an agency. This report contains disposals of property to parties external to the state. It includes all “hard” disposal methods other than interagency transfers, completed CIP and assets added in error. This report is sorted by GAAP fund group, depreciable code, AFR category, GAAP fund type, GAAP fund, AFR fund, SPA agency fund, property number, component number, and depreciable entity FY. Subtotals are at the GAAP fund group, depreciable code, and AFR category levels.

The amount for the Sale of Capital Assets should match the amount in Sale of Capital Assets reported in Governmental fund types. When the entry is made the balance between the two fund types must net to zero. Run 201 or 201D report to verify the amounts net to zero. If your agency does not have access to this report, contact your financial reporting analyst to run this report.

#### Example Information

Historical Cost	10,000
Accum Deprec'n	7,000
Net Book Value	3,000
Sales Price	2,000

#### Treatment of External Sale to Non State Agency

Agency A		Non State Agency	
Accum Deprec'n	7,000	Capital Asset or Materials & Supplies (1)	2,000
Cash	2,000	Cash	2,000
Loss on Sale of Capital Asset	1,000		
Capital Asset	10,000		

(1) Note: If the asset meets capitalization threshold, then the debit w/b to capital asset

This treatment is according to GASB 34 Implementation Guide #2, Q # 101 which states: "...If the assets transferred are capital assets, however, the Enterprise fund would report the transaction as a Capital Contribution and the Gov't fund would not report the event, because there has been no flow of current financial resources. In the Statement of Activities, both sides of the capital asset transfer would be reported as "transfers"...."

### Business Type Activities

Use T-Code 657 if there is a gain on the sale of assets.

Use T-Code 657 R if there is a loss on the sale of assets.

The GL account number used corresponds to the asset (and related depreciation) that is sold.

COBJ's that can be used for these entries are as follows:

- 3349 Sale of Land
- 3750 Sale of Furniture and Equipment
- 3751 Sale of Buildings
- 3839 Sale of Vehicles, Boats, and Aircraft
- 3841 Sale of Other Capital Assets



Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	------	----------

**To Record the Sale of the Asset**

(1)	5	U	0832CY	XXX	657	CY	99999	XXXX	\$ XX.XX	R	XXXX	9999
-----	---	---	--------	-----	-----	----	-------	------	----------	---	------	------

**To Reverse the Depreciation Associated with Asset Sold**

2)	5	U	0832CY	XXX	644	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

**To Reverse the Historical Cost of the Asset**

(3)	5	U	0832CY	XXX	645	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

**To Record the Gain or Loss**

(4)	5	U	0832CY	XXX	657	CY	99999	3834	\$ XX.XX		XXXX	9999
-----	---	---	--------	-----	-----	----	-------	------	----------	--	------	------

Accounting effect of above entries:

	Debit	Credit
<b>(1) To Record the Sale of the Asset</b>		
6035 Other Financing Sources	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(2) To Reverse the Depreciation Associated with Asset Sold</b>		
XXXX General Ledger account for asset depreciation	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(3) To Reverse the Historical Cost of the Asset</b>		
9999 System Clearing	\$ XX.XX	
XXXX General Ledger account for asset		\$ XX.XX
<b>(4) To Record the Gain or Loss (a loss will be 657R, entry below will be reversed)</b>		
6035 Other Financing Sources	\$ XX.XX	
9999 System Clearing		\$ XX.XX

**Government Activities**

Use T-Code 516 R if there is a gain on the sale of assets.

Use T-Code 516 if there is a loss on the sale of assets.

The GL account number used corresponds to the asset (and related depreciation) that is sold.

COBJ's that can be used for these entries are as follows:

- 3349 Sale of Land
- 3750 Sale of Furniture and Equipment
- 3751 Sale of Buildings
- 3839 Sale of Vehicles, Boats, and Aircraft
- 3841 Sale of Other Capital Assets

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	------	----------

**To Record the Sale of the Asset**

(1)	5	U	0832CY	XXX	516	CY	99999	XXX	\$ XX.XX		XXXX	9992
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

**To Reverse the Depreciation Associated with Asset Sold**

2)	5	U	0832CY	XXX	534	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

**To Reverse the Historical Cost of the Asset**

(3)	5	U	0832CY	XXX	535	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

**To Record the Gain or Loss**

(4)	5	U	0832CY	XXX	516	CY	99999	3834	\$ XX.XX		XXXX	9992
-----	---	---	--------	-----	-----	----	-------	------	----------	--	------	------

Accounting effect of above entries:

	Debit	Credit
<b>(1) To Record the Sale of the Asset</b>		
<b>6135</b> BC Other Financing Sources	\$ XX.XX	
<b>9992</b> BC System Clearing		\$ XX.XX
<b>(2) To Reverse the Depreciation Associated with Asset Sold</b>		
XXXX General Ledger account for asset depreciation	\$ XX.XX	
<b>9992</b> BC System Clearing		\$ XX.XX
<b>(3) To Reverse the Historical Cost of the Asset</b>		
<b>9992</b> BC System Clearing	\$ XX.XX	
XXXX General Ledger account for asset		\$ XX.XX
<b>(4) To Record the Gain or Loss (a loss will be 516, entry below will be reversed)</b>		
<b>9992</b> BC System Clearing	\$ XX.XX	
<b>6135</b> BC Other Financing Sources		\$ XX.XX

## Recording Gains/Losses on Interagency Transfers of Capital Assets

When transferring capital assets between state agencies instead of recognizing a gain or loss a net increase or decrease is realized. In the entries below it is important to note there are two sequence number fours. When figuring the effect of the transfer the transferring out agency must determine if there is a net increase in the transfer of the asset or a net decrease of the asset. Depending on which type the agency realizes will determine which t-code needs to be used for sequence number 4.

Run SPA report CAAB 106 to show the amount of Transfers In for an agency. This report includes transfers in of property; however, the disposal method on the sending agency drives this report. The historical cost value of the asset is taken from the AB table from the month prior to the transfer date. Since Transfers are reflected, asset balances and accumulated depreciation are increased.

Run SPA report CAAB 107 to show the amount of Transfers Out for an agency. This report includes the transfers out of property. The historical cost value of the asset is taken from the AB table from the month prior to the transfer date. Since transfers out are reflected, asset balances and accumulated depreciation are decreased.

Both these reports are sorted by GAAP fund group, depreciable code, AFR category, GAAP fund type, GAAP fund, AFR fund, SPA agency fund, property number, component number, and depreciable entity FY. Subtotals are at the GAAP fund group, depreciable code, and AFR category levels.

## Recording Transfers-In of Capital Assets

### Example Information

Historical Cost	10,000
Accum Deprec'n	7,000
Net Book Value	3,000
Example 1 – Sales Price	2,000 (Selling agency transferred at a loss)
Example 2 – Sales Price	4,000 (Selling agency transferred at a gain)

### Treatment of Internal Sale between State Agencies or Universities (Transfers)

<b>Example 1 – Agency A (selling agency/Trans Out)</b>		<b>Agency B (buying agency/Trans In)</b>	
Selling agency transferred at a loss		Capital Asset	10,000
Accum Deprec'n	7,000	Increase Net Asset D/T Interagency transf Cap Asset	1,000
Cash	2,000	Cash	2,000
Decrease Net Asset D/T Interagency transf Cap Asset	1,000	Accum Deprec'n	7,000
Capital Asset	10,000	(3) Use COBJ 3843	
(2) Use COBJ 7858			
<b>Example 2 – Agency A (selling agency/Trans Out)</b>		<b>Agency B (buying agency/Trans In)</b>	
Selling agency transferred at a gain		Capital Asset	10,000
Accum Deprec'n	7,000	Decrease Net Asset D/T Interagency transf Cap Asset	1,000
Cash	4,000	Cash	4,000
Increase Net Asset D/T Interagency transf Cap Asset	1,000	Accum Deprec'n	7,000
Capital Asset	10,000	(5) Use COBJ 7858	
(4) Use COBJ 3843			

This treatment is according to GASB 34 Implementation Guide #2, Q # 101 which states: "...If the assets transferred are capital assets, however, the Enterprise fund would report the transaction as a Capital Contribution and the Gov't fund would not report the event, because there has been no flow of current financial resources. In the Statement of Activities, both sides of the capital asset transfer would be reported as "transfers"...."

### Business Type Activities

Use T-Code 657 with COBJ 3843 if there is a Net Increase in Interagency Transfers.

Use T-Code 632 with COBJ 7858 if there is a Net Decrease in Interagency Transfers.

The GL account number used corresponds to the asset (and related depreciation) that is transferred.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
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#### To Record the Transfer In of Asset

(1)	5	U	0832CY	XXX	657	CY	99999	XXX	\$ XX.XX	R	XXXX	9999
-----	---	---	--------	-----	-----	----	-------	-----	----------	---	------	------

#### To Record the Depreciation Associated with Asset Transferred In

2)	5	U	0832CY	XXX	645	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

#### To Record the Historical Cost of the Asset Transferred In

(3)	5	U	0832CY	XXX	644	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

#### To Record a Net Increase on the Transfer of Assets

(4)	5	U	0832CY	XXX	657	CY	99999	3843	\$ XX.XX		XXXX	9999
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#### To Record a Net Decrease on the Transfer of Assets

(4)	5	U	0832CY	XXX	632	CY	99999	7858	\$ XX.XX		XXXX	9999
-----	---	---	--------	-----	-----	----	-------	------	----------	--	------	------

Accounting effect of above entries:

	Debit	Credit
<b>(1) To Record the Transfer In of Asset</b>		
9999 System Clearing	\$ XX.XX	
6035 Other Financing Sources		\$ XX.XX
<b>(2) To Record the Depreciation Associated with Asset Transferred In</b>		
9999 System Clearing	\$ XX.XX	
XXXX General Ledger account for asset depreciation		\$ XX.XX
<b>(3) To Record the Historical Cost of the Asset Transferred In</b>		
XXXX General Ledger account for asset	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(4) To Record a Net Increase on the Transfer of Assets</b>		
9999 System Clearing	\$ XX.XX	
6035 Other Financing Sources		\$ XX.XX
<b>(4) To Record a Net Decrease on the Transfer of Assets</b>		
5600 GAAP Expenditure Offset	\$ XX.XX	
9999 System Clearing		\$ XX.XX

### Governmental Activities

Use T-Code 516R with COBJ 3843 if there is a Net Increase in Interagency Transfers.

Use T-Code 512 with COBJ 7858 if there is a Net Decrease in Interagency Transfers.

The GL account number used corresponds to the asset (and related depreciation) that is transferred.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
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**To Record the Transfer In of Assets**

(1)	5	U	0832CY	XXX	516	CY	99999	XXX	\$ XX.XX	R	XXXX	9992
-----	---	---	--------	-----	-----	----	-------	-----	----------	---	------	------

**To Record the Depreciation Associated with Asset Transferred In**

2)	5	U	0832CY	XXX	535	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

**To Record the Historical Cost of the Asset Transferred In**

(3)	5	U	0832CY	XXX	534	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

**To Record Net Increase on the Transfer of Assets**

(4)	5	U	0832CY	XXX	516	CY	99999	3843	\$ XX.XX	R	XXXX	9992
-----	---	---	--------	-----	-----	----	-------	------	----------	---	------	------

**To Record Net Decrease on the Transfer of Assets**

(4)	5	U	0832CY	XXX	512	CY	99999	7858	\$ XX.XX		XXXX	9992
-----	---	---	--------	-----	-----	----	-------	------	----------	--	------	------

Accounting effect of above entries:

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Record the Transfer In of Assets</b>		
9992 BC System Clearing	\$ XX.XX	
6135 BC Other Financing Sources		\$ XX.XX
<b>(2) To Record the Depreciation Associated with Asset Transferred In</b>		
9992 BC System Clearing	\$ XX.XX	
XXXX General Ledger account for asset depreciation		\$ XX.XX
<b>(3) To Record the Historical Cost of the Asset Transferred In</b>		
XXXX General Ledger account for asset	\$ XX.XX	
9992 BC System Clearing		\$ XX.XX
<b>(4) To Record a Net Increase on the Transfer of Assets</b>		
9992 BC System Clearing	\$ XX.XX	
6135 BC Other Financing Sources		\$ XX.XX
<b>(4) To Record a Net Decrease on the Transfer of Assets</b>		
5650 BC Expenditure Control	\$ XX.XX	
9992 BC System Clearing		\$ XX.XX

## Recording Transfers Out of Capital Assets

When transferring capital assets between state agencies instead of recognizing a gain or loss a net increase or decrease is realized. In the entries below it is important to note there are two sequence number fours. When figuring the effect of the transfer the transferring out agency must determine if there is a net increase in the transfer of the asset or a net decrease of the asset. Depending on which type the agency realizes will determine which t-code needs to be used for sequence number 4.

*Example Information*

Historical Cost	10,000
Accum Deprec'n	7,000
Net Book Value	3,000
Example 1 – Sales Price	2,000 (Selling agency transferred at a loss)
Example 2 – Sales Price	4,000 (Selling agency transferred at a gain)

*Treatment of Internal Sale between State Agencies or Universities (Transfers)*

<b>Example 1 – Agency A (selling agency/Trans Out)</b>	Agency B (buying agency/Trans In)
Selling agency transferred at a loss	Capital Asset 10,000
Accum Deprec'n 7,000	Increase Net Asset D/T Interagency transf Cap Asset 1,000
Cash 2,000	Cash 2,000
Decrease Net Asset D/T Interagency transf Cap Asset 1,000	Accum Deprec'n 7,000
Capital Asset 10,000	(3) Use COBJ 3843
(2) Use COBJ 7858	

<b>Example 2 – Agency A (selling agency/Trans Out)</b>				<b>Agency B (buying agency/Trans In)</b>			
Selling agency transferred at a gain				Capital Asset			10,000
Accum Deprec'n	7,000			Decrease Net Asset D/T Interagency transf Cap Asset	1,000		
Cash	4,000			Cash		4,000	
Increase Net Asset D/T Interagency transf Cap Asset		1,000		Accum Deprec'n			7,000
Capital Asset		10,000		(5) Use COBJ 7858			
(4) Use COBJ 3843							

This treatment is according to GASB 34 Implementation Guide #2, Q # 101 which states: ....If the assets transferred are capital assets, however, the Enterprise fund would report the transaction as a Capital Contribution and the Gov'tl fund would not report the event, because there has been no flow of current financial resources. In the Statement of Activities, both sides of the capital asset transfer would be reported as "transfers"....

### Business Type Activities

Use T-Code 657 with COBJ 3843 if there is a Net Increase in Interagency Transfers.

Use T-Code 632 with COBJ 7858 if there is a Net Decrease in Interagency Transfers.

The GL account number used corresponds to the asset (and related depreciation) that is transferred.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
<b>To Record the Transfer Out of Assets</b>												
(1)	5	U	0832CY	XXX	657	CY	99999	XXX	\$ XX.XX	R	XXXX	9999
<b>To Reverse the Depreciation Associated with Asset Transferred Out</b>												
2)	5	U	0832CY	XXX	644	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
<b>To Reverse the Historical Cost of the Asset Transferred Out</b>												
(3)	5	U	0832CY	XXX	645	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
<b>To Record a Net Increase on the Transfer of Assets</b>												
(4)	5	U	0832CY	XXX	657	CY	99999	3843	\$ XX.XX		XXXX	9999
<b>To Record a Net Decrease on the Transfer of Assets</b>												
(4)	5	U	0832CY	XXX	632	CY	99999	7858	\$ XX.XX		XXXX	9999

Accounting effect of above entries:

	<b>Debit</b>	<b>Credit</b>
<b>(1) To Record the Transfer Out of Assets</b>		
6035 Other Financing Sources	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(2) To Reverse the Depreciation Associated with Asset Transferred Out</b>		
XXXX General Ledger account for asset depreciation	\$ XX.XX	
9999 System Clearing		\$ XX.XX
<b>(3) To Reverse the Historical Cost of the Asset Transferred Out</b>		
9999 System Clearing	\$ XX.XX	
XXXX General Ledger account for asset		\$ XX.XX
<b>(4) To Record a Net Increase on the Transfer of Assets</b>		
9999 System Clearing	\$ XX.XX	
6035 Other Financing Sources		\$ XX.XX
<b>(4) To Record a Net Decrease on the Transfer of Assets</b>		
5600 GAAP Expenditure Offset	\$ XX.XX	
9999 System Clearing		\$ XX.XX

### Governmental Activities

Use T-Code 516R with COBJ 3843 if there is a Net Increase in Interagency Transfers.

Use T-Code 512 with COBJ 7858 if there is a Net Decrease in Interagency Transfers.

The GL account number used corresponds to the asset (and related depreciation) that is transferred.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	------	----------

**To Record the Transfer Out of Assets**

(1)	5	U	0832CY	XXX	516	CY	99999	XXXX	\$ XX.XX		XXXX	9992
-----	---	---	--------	-----	-----	----	-------	------	----------	--	------	------

**To Reverse the Depreciation Associated with Asset Transferred Out**

2)	5	U	0832CY	XXX	534	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

**To Reverse the Historical Cost of the Asset Transferred Out**

(3)	5	U	0832CY	XXX	535	CY	99999	N/A	\$ XX.XX		XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	-----	----------	--	------	------

**To Record Net Increase on the Transfer os Assets**

(4)	5	U	0832CY	XXX	516	CY	99999	3843	\$ XX.XX	R	XXXX	9992
-----	---	---	--------	-----	-----	----	-------	------	----------	---	------	------

**To Record a Net Decrease on the Transfer of Assets**

(4)	5	U	0832CY	XXX	512	CY	99999	7858	\$ XX.XX		XXXX	9992
-----	---	---	--------	-----	-----	----	-------	------	----------	--	------	------

Accounting effect of above entries:

	Debit	Credit
<b>(1) To Record the Transfer Out of Assets</b>		
6135 BC Other Financing Sources	\$ XX.XX	
9992 BC System Clearing		\$ XX.XX
<b>(2) To Reverse the Depreciation Associated with Asset Transferred Out</b>		
XXXX General Ledger account for asset depreciation	\$ XX.XX	
9992 BC System Clearing		\$ XX.XX
<b>(3) To Reverse the Historical Cost of the Asset Transferred Out</b>		
9992 BC System Clearing	\$ XX.XX	
XXXX General Ledger account for asset		\$ XX.XX
<b>(4) To Record a Net Increase on the Transfer of Assets</b>		
9992 BC System Clearing	\$ XX.XX	
6135 BC Other Financing Sources		\$ XX.XX
<b>(4) To Record a Net Decrease on the Transfer of Assets</b>		
5650 BC Expenditure Control	\$ XX.XX	
9992 BC System Clearing		\$ XX.XX

## Assets Held in Trust

Capital assets held by an agency on behalf of a non-state entity (such as art collections owned by families, estates, and others) and under the temporary control of the agency should be accounted for in SPA. Also, include in SPA all assets owned by the federal government that have been loaned to the agency. Below is a chart explaining the treatment of common scenarios with Assets Held in Trust.

Scenario	Description	Report	De-preciate	Applicable GASB Standard
Equipment or Historical Treasures “Loaned” to the State	Capital assets held by the state on behalf of a non-state entity and not used in agencies’ operations. For example: <ul style="list-style-type: none"> <li>• Art collections owned by families, estates, and others</li> <li>• Assets owned by the federal government loaned to the state for display</li> </ul> Assets Held in Trust and not used in operations should be reported by debiting GL account # 0435 and crediting GL account # 1400,.	Yes, these assets should be reported in the financial statements. Assets held for others should be reported in agency funds (fund type 09), except for colleges and universities (report in fund type 05).	No	Comptroller Policy
	If used in operations	Report as an appropriate asset and depreciate if depreciable	Yes	Question 26 of the GASB Implementation Guide – Volume II
Assets Donated, Government’s intent is to keep the asset	GASB 33 – A voluntary nonexchange transaction entered into willingly by two or more parties. A voluntary contribution of resources between state agencies is not a donation.	Yes – different requirements for different fund types.	Yes	GASB 33
Assets Donated – Government’s intent is to sell the asset	GASB 33 – A voluntary nonexchange transaction entered into willingly by two or more parties. A voluntary contribution of resources between state agencies is not a donation.	Yes – different requirements for different fund types.	No	GASB 34 GFOA Bluebook
Capital Assets Purchased with Federal Grants/Awards – Federal government retains a “residual interest” in the asset	<ul style="list-style-type: none"> <li>• Equipment purchased by the state with federal funds where the federal government retains a residual interest in the equipment.</li> <li>• The state uses the equipment in its operations (activities) and makes the decisions regarding when and how the asset will be used and managed.</li> </ul>	Yes – the historical cost of these assets should be reported in the state or local government’s statement of net assets. The agency will show a cash inflow and federal revenue and a cash outflow with the asset. Depreciation expense for these assets should be included in the expenses for the function that uses the assets.	Yes	Question 26 of the GASB Implementation Guide – Volume II
Capital Assets Purchased with Federal Grants/Awards – Federal government retains or is silent on the “ownership/title” to the asset	<ul style="list-style-type: none"> <li>• Equipment purchased with federal funds by the state where the federal government retains ownership of the equipment per the grant/award.</li> <li>• The state uses the asset in its operations and makes the decisions regarding when and how the asset will be used and managed.</li> <li>• Per the grant/award, equipment must be returned to the federal government at the completion of the grant/research.</li> <li>• As a matter of practice, even if the contract doesn’t state explicitly that the asset belongs to the agency, the asset is usually retained by the agency. Thus, it should be capitalized and depreciated.</li> </ul>	Yes – the historical cost of these assets should be reported in the state or local government’s statement of net assets, and depreciation expense for these assets should be included in the expenses for the function that uses the assets.	Yes	Professional judgment and Question 26 of the GASB Implementation Guide – Volume II

## Controlled Assets

Controlled assets are assets of the state, identified by the Comptroller's office that **must** be secured and tracked on the State Property Accounting (SPA) system. A controlled asset's value is below the capitalization threshold and is not depreciated or reported on the balance sheet.

Agencies that secure and track controlled assets must report those assets to the SPA system using reporting rules promulgated by the Comptroller. In addition to the controlled assets identified by the Comptroller, an agency may secure and track assets it considers to be high risk or for management purposes. For a list of current controlled assets, see **Appendix A** in the *SPA Process User's Guide*.



## Capital Asset Categories

### Land and Land Improvements

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The costs associated with improvements to land are added to the cost of the land. All acquisitions of land and land improvements will be capitalized. Land and land improvements are inexhaustible assets and do not depreciate over time.

### Buildings and Building Improvements

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A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Buildings that are an ancillary part of the state's highway network, such as rest area facilities and toll buildings, will be reported as infrastructure rather than as buildings.

Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. Also, building improvements should be capitalized if the expenditure for the improvement meets the capitalization threshold.

Buildings designated as *historical* by the Texas Historical Commission will not be depreciated unless used in the operations of the state. However, any improvements not deemed *historical* by the Texas Historical Commission will be depreciated using the same methodology as any other improvements made to a building.

### Facilities and Other Improvements

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Use this category for assets (other than general use buildings) built, installed or established to enhance the quality or facilitate the use of land for a particular purpose.

Examples of expenditures to be capitalized as Facilities and Other Improvement include:

- Fencing and gates
- Landscaping
- Parking lots/driveways/parking barriers
- Outside sprinkler systems
- Recreation areas and athletic fields (including bleachers)
- Golf courses
- Paths and trails
- Septic systems
- Stadiums
- Swimming pools, tennis courts, and basketball courts
- Fountains
- Plazas and pavilions
- Retaining walls

## Infrastructure

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Infrastructure are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are often linear and continuous in nature and they have the following requirements:

- Beginning in fiscal 2002, prospective reporting of general infrastructure assets with a value of \$500,000 or more.
- The retroactive reporting of infrastructure assets purchased, constructed, or donated in fiscal years ending after June 30, 1980 or that received major renovations, restorations, or improvements during that period.
- Infrastructure paid for jointly by the state and other governmental entities should be capitalized by the entity responsible for future maintenance.

Infrastructure assets reported using the modified approach are not depreciated. **The state highway system (excluding bridges) administered by the Texas Department of Transportation (TxDOT) is the only network reported by the state using the modified approach.**

Infrastructure assets can have three types of costs:

**Maintenance costs** – allows an asset to continue to be used during its originally established useful life. Maintenance costs are expensed in the period incurred, regardless of the amount of the expense.

**Preservation costs** – are generally considered to be those outlays that extend the useful life of an asset beyond its original estimated useful life, but do not increase the capacity or efficiency of the asset. Preservation costs should be expensed under the modified approach and capitalized under the depreciation approach if they meet the capitalization threshold.

**Additions and Improvements** – Additions and improvements are those capital outlays that increase the capacity or efficiency of the asset. A change in capacity increases the level of service provided by an asset. For example, additional lanes can be added to a highway or the weight capacity of a bridge could be increased. A change in efficiency maintains the same service level, but at a reduced cost. For example, a heating and cooling plant could be reengineered so that it produces the same temperature changes at reduced cost. The cost of additions and improvements should be capitalized under both the modified and depreciation approaches to reporting infrastructure if they meet the capitalization threshold.

Examples of Expenditures to be Capitalized as Infrastructure:

- Highway and rest areas
- Roads, streets, curbs, gutters, sidewalks, and fire hydrants
- Bridges, railroads, and tressels
- Canals, waterways, wharf, docks, sea walls, bulkheads, and boardwalks
- Dam, drainage facility
- Radio or television transmitting tower
- Electric, water, and gas (main lines, distribution lines, and tunnels)
- Fiber optic and telephone distribution systems (between buildings)
- Light system (traffic, outdoor, street, etc.)
- Signage
- Airport runway/strip/taxiway/apron

## Personal Property

Personal property is defined as fixed or movable tangible assets placed into service for operations and the benefits of which extend beyond one year from date of acquisition.

- Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.
- Personal property paid for jointly by the state and other governmental entities should be capitalized by the entity responsible for future maintenance.

Examples of Expenditures to be Capitalized as Personal Property:

- Original contract or invoice price
- Freight charges
- Import duties
- Handling and storage charges
- In-transit insurance charges
- Sales, use, and other taxes imposed on the acquisition
- Installation charges
- Charges for testing and preparation for use
- Costs of reconditioning used items when purchased
- Parts and labor associated with the construction of equipment

## Library Books and Reference Materials

A library book is generally a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library reference materials are information sources other than books which include journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items which provide information essential to the learning process or which enhance the quality of academic, professional, or research libraries.

A library may be reported on a composite basis. Additions to a library should be reported as a separate component (layer) in SPA. Deletions should be made using the FIFO method.

- All purchases of books and materials for a professional, academic, or research library should be capitalized if the annual purchases meet the \$5,000 threshold.
- Professional, academic, and research library books and materials should be depreciated.
- A book or collection of books deemed to be a historical art or treasure should not be depreciated.
- Library acquisitions are valued at cost or other reasonable basis; deletions are valued at annually adjusted average cost.
- Books, periodicals and other materials purchased but not used in a library should be expensed unless they constitute a capital event.

## Works of Art and Historical Treasures

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These are collections or individual items of significance that are owned by a state agency which are not held for financial gain, but rather for public exhibition, education, or research in furtherance of public service. Collections or individual items that are protected and cared for or preserved are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Exhaustible collections or items – items whose useful lives are diminished by display, educational, or research applications. Exhaustible collections are depreciated.

Inexhaustible collection or items – items whose economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. Because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value. Inexhaustible items are not depreciated.

- All works of art and historical treasures acquired or donated are capitalized unless held for financial gain.
- Collections already capitalized as of June 30, 1999 will remain capitalized and all additions to those collections will be capitalized, even if they meet the conditions for exemption from capitalization.
- If a collection is held for financial gain and not capitalized, disclosures must be made in the notes that provide a description of the collection and the reasons these assets are not capitalized. The collection should be classified as an “investment” and should not be recorded in SPA. When donated collection items are added to noncapitalized collections, program expense equal to the amount of revenues should be recognized.

## Computer Software

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Comptroller policies relating to the capitalization of purchased computer software for state agencies will not change. State agencies will record the payment for the purchase of computer software whose unit value cost is \$5,000 or greater and has an estimated useful life of more than one year. Capitalization of computer software includes software license fees if the total dollar amount of the fee divided by the number of units served (terminals) meets the criteria to capitalize the purchase.

Colleges and universities that were required by the National Association of College and University Business Officers to adopt the AICPA Statement of Position 98-1, *Software Developed or Obtained for Internal Use* (SOP 98-1) will not be required to adopt this SOP.

If a college or university elects to implement SOP 98-1, then values must be reported to SPA using a property number for each application developed.

## Leasehold Improvements

This is construction of new buildings or improvements made to existing structures by the lessee, who has the right to use these leasehold improvements over the term of the lease. These improvements **will revert to the lessor** at the expiration of the lease. Moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement. Leasehold improvements do not have a residual value.

Leasehold improvements are capitalized by the lessee and are amortized over the shorter of (1) the remaining lease term, or (2) the useful life of the improvement. Improvements made in lieu of rent should be expensed in the period incurred. If the lease contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be written off over the life of the initial lease term or useful life of the improvement, whichever is shorter.

Once a leasehold improvement has been fully amortized, the improvement must be removed from the financial records (see the **Leasehold Improvements** section in **Chapter 1 – Introduction to Capital Assets** of the *SPA Process User's Guide*).

## Construction in Progress

Construction in Progress reflects the economic construction activity status of buildings and other structures, infrastructure (highways, energy distribution systems, pipelines, etc.), additions, alterations, reconstruction, installation, and maintenance and repairs, which are substantially incomplete.

- Depreciation is not applicable while assets are accounted for as Construction in Progress.
- Construction in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the asset is placed into service. The reduction in the construction in progress account and increase in the appropriate asset account should be reported in the reclassification column of the capital asset note.

**Note:** On the SPA report CAAB 101S, the Construction in Progress (CIP) column must net to zero. If it does not net to zero, contact your SPA analyst to determine what corrections/adjustments need to be made.

## Capital Asset Object Codes

ASSET CATEGORIES	Capitalize/ Expense	Object Code Number and Title
Land and Land Improvements	CAPITALIZE	7345 – Real Property – Land
		7346 – Real Property – Land Improvements
		7348 – Real Property – Land/Highway Right-of-Way (Restricted to TxDot use only)
	EXPENSE	7271 – Real Property – Land/Maintenance and Repair
Buildings and Building Improvements	CAPITALIZE	7342 – Real Property – Buildings
		7343 – Real Property – Building Improvements
	EXPENSE	7266 – Real Property – Buildings/Maintenance and Repair
		7340 – Real Property and Improvements (To be used for buildings, facilities, infrastructure, and related improvements)
		7936 – Real Property – Building and Improvements/ Depreciation Expense
Facilities and Other Improvements	CAPITALIZE	7336 – Real Property – Facilities and Other Improvements
	EXPENSE	7338 – Real Property – Facilities and Other Improvements / Maintenance and Repair
		7340 – Real Property and Improvements
		7937 – Real Property – Facilities and Other Improvements / Depreciation Expense

ASSET CATEGORIES	Capitalize/ Expense	Object Code Number and Title
Infrastructure	CAPITALIZE	7356 – Real Property – Infrastructure
		7357 – Real Property – Infrastructure/Preservation Cost
		7520 – Real Property – Infrastructure/Telecommunications
	EXPENSE	7270 – Real Property – Infrastructure/Maintenance and Repair
		7340 – Real Property and Improvements
		7358 – Real Property – Infrastructure/Preservation Cost (Restricted to TxDot use only)
		7514 – Real Property – Infrastructure/ Telecommunications/Maintenance and Repair
		7521 – Real Property – Infrastructure/Telecommunications
	7938 – Real Property – Infrastructure/ Depreciation Expense	
Personal Property	CAPITALIZE	7361 – Personal Property
		7365 – Personal Property – Boats
		7371 – Personal Property – Passenger Cars
		7372 – Personal Property – Other Motor Vehicles
		7373 – Personal Property – Furnishings and Equipment
		7375 – Personal Property – Aircraft
		7379 – Personal Property – Computer Equipment
		7386 – Personal Property – Animals
		7512 – Personal Property – Telecommunications Equipment
	EXPENSE	7262 – Personal Property – Maintenance and Repair – Computer Software
		7263 – Personal Property – Maintenance and Repair – Aircraft
		7267 – Personal Property – Maintenance and Repair – Computer Equipment
		7334 – Personal Property – Furnishings, Equipment, and Other
		7335 – Parts – Computer Equipment
		7367 – Personal Property – Maintenance and Repair
		7368 – Personal Property – Maintenance and Repair/ Motor Vehicles
		7374 – Personal Property – Furnishings and Equipment
		7377 – Personal Property – Computer Equipment
		7378 – Personal Property – Computer Equipment – Controlled
		7380 – Personal Property – Computer Software
7384 – Personal Property – Animals		
7517 – Personal Property – Telecommunications Equipment		
7939 – Personal Property – Depreciation Expense		
Library Books & Reference Materials	CAPITALIZE	7389 – Personal Property – Books and Reference Materials
	EXPENSE	7382 – Personal Property – Books and Reference Materials
		7939 – Personal Property – Depreciation Expense
Works of Art and Historical Treasures	CAPITALIZE	7369 – Personal Property – Works of Art and Historical Treasures
Computer Software	CAPITALIZE	7387 – Personal Property – Computer Software
Leasehold Improvements	CAPITALIZE	7344 – Leasehold Improvements
	EXPENSE	7354 – Leasehold Improvements
Construction in Progress	CAPITALIZE	7341 – Real Property – Construction in Progress
		7347 – Real Property – Construction in Progress/Highway Network (Restricted to TxDot use only)
		7388 – Personal Property – Construction in Progress – Fabrication of Equipment
Capital Leases		7350 – Real Property – Buildings/Capital Lease
		7337 – Real Property – Facilities and Other Improvements/Capital Lease
		7519 – Real Property – Infrastructure /Telecommunications/Capital Lease
		7351 – Personal Property – Passenger Cars/Capital Lease
		7352 – Personal Property – Other Motor Vehicles/Capital Lease
		7366 – Personal Property – Capital Lease
		7376 – Personal Property – Furnishings and Equipment/Capital Lease
	7385 – Personal Property – Computer Equipment/ Capital Lease	

## Impairment of Capital Assets and Insurance Recoveries

The Governmental Accounting Standards Board (GASB) released Statement No. 42 – *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* in November 2003. It establishes accounting and reporting requirements for impairment of capital assets and insurance recoveries. Below is a summary of GASB 42 as it pertains to capital assets. For more information, see Fiscal Policies and Procedures FPP G.002, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* on FMX at <<https://fmx.cpa.state.tx.us/fmx/finrpt/gasb42/index.php>>.

### Testing for Significance of an Impairment

When a damaging event or changing circumstance becomes apparent, the asset should be tested for impairment. To be reportable, an impairment must meet **two** factors to qualify under GASB 42. The decline in service utility must be:

- 1) *significant*. That is, given reduced service utility, the cost of continuing operation and maintenance or of restoration is significant.
- 2) *unexpected*. That is, the life cycle of the capital asset would not normally include the cost of restoration or of added expense for operation and maintenance.

Since the first factor—determining significance of the decline in service utility—is subjective, the Comptroller’s office has developed this guideline:

A decline in service utility is significant if it decreases the asset’s net book value by \$500,000 or more. If it becomes apparent that an asset may have been impaired, **but** it fails to meet the two criteria above **or** it meets the two criteria but the impairment is less than \$500,000, then the depreciable factors should be reevaluated. Apply the changes in estimate, such as estimated useful life and residual value, on a prospective basis.

### Reporting Impairment amounts in the AFR and in USAS

In your AFR and in USAS, report the total impairment losses as reported in SPA for the fiscal year.

Report the total loss on the Government-wide Statement of Activities as a Program Expense, Special Item, or Extraordinary Item. If the impairment loss occurs in a Proprietary Fund, report it on the Statement of Revenues, Expenses, and Changes in Fund Net Assets as an Operating Expense, Special Item, or Extraordinary Item.

If the impairment loss occurs in a Governmental Fund, **do not** report it on the Fund Financial Statements, **but only** on the Government-wide Statement of Activities.

Refer to the FPP to ensure the correct comptroller object codes and roll ups for impairment losses are used. Each impairment must be disclosed with a general description and amount of the loss in Note 2—Capital Assets of the Annual Financial Report. With implementation of GASB 42, agencies should report restatements for assets with a pre-existing impairment.

### Reporting Impairment amounts in SPA

Report to SPA impairment amounts determined to be **significant**. Enter information in three new fields that have been added to the SPA Update Property (PAPUPD) screen:

- Impairment Indicator **Y/N**
- Impairment Amount **Decimal 11,2**
- Impairment Date **MM/DD/YYYY**

Also reduce the asset balance by the impairment amount. Enter a decrease using the Update Fund Value (PAUVAL) screen and the effective date reported in the Impairment Date field.

If the **net impairment loss** from your spreadsheet calculation results in an amount greater than or equal to the **net book value**, the asset should be disposed of. Enter the disposal into SPA using the Disposal of Property (PADLET) screen, the Impairment Date from above, and one of the following Disposal Methods:

28 – Damaged by Nature

30 – Damaged by Other

Report an impaired capital asset at net book value or the fair market value, whichever is lower, if the asset is impaired due to a construction stoppage or has been damaged and no longer will be used. In certain circumstances, you may need to report an impairment loss greater than the amount calculated.

### **Insurance Recoveries**

Report payment for an insurance recovery only when it is realized and as a separate transaction from restoration or replacement of the impaired asset. If the insurance payment has not been realized, and your AFR will not include it, then do not include it in impairment calculations. Refer to the FPP to ensure the correct comptroller object codes and roll ups for insurance recoveries are used.

For governmental fund financial statements report a recovery as an other financing source or as an extraordinary item. Report restoration or replacement costs as repairs and maintenance or as capital outlay, as appropriate.

For proprietary fund financial statements and government-wide financial statements report a recovery when it is realized as follows:

- If recoveries occur in the same fiscal year as the loss, report the impairment loss net of any insurance recovery.
- If in a fiscal year after the loss, report the recovery separately as a non-operating revenue or an extraordinary item for proprietary fund financial statements, and as program revenue or an extraordinary item for government-wide financial statements.

Report restoration or replacement costs as Repairs and Maintenance or as Capital Assets, as appropriate.



# Depreciation

Under GASB 34, paragraph 22, governmental entities must report depreciation expense in the statement of activities. The Comptroller's office will calculate and store depreciation data in SPA for each eligible asset. Accumulated depreciation will be summarized for posting to the USAS general ledger. Agencies that already calculate depreciation expense will be allowed to submit the depreciation information on their Capital Asset Note.

Depreciable Assets	Non-Depreciable Assets
Buildings and Building Improvements (includes historical buildings used in the operations of the state)	Historical Buildings that are not used in the operations of the state
Facilities and Other Improvements	Land and Land Improvements
Infrastructure	Infrastructure – State Highway System
Personal Property	Historical Arts and Treasures
Leasehold Improvements	Library Books/Materials (historical/rare)
Library Books/Materials (Professional)	

Capital Assets not being depreciated should be reported separately from Capital Assets being depreciated and their associated accumulated depreciation.

## Depreciable Entity

The Depreciable Entity in SPA represents the level where the depreciable factors, such as the capitalization indicator, useful life, residual percentage, depreciable indicator, and historical indicator, will be stored. Depreciation will be calculated at the Depreciable Entity level and allocated between all funds of a component based on each fund's percentage of the total component value.

### Definition

The depreciable entity is defined as the sum of all financial transactions impacting a unique component of a unique property number within a single fiscal year. Each depreciable entity exists as a separate layer of the component. Each depreciable entity may have the same depreciable factors, but different beginning points for depreciation calculations. Therefore, for a single component, one depreciable entity (layer) may be fully depreciated, while another depreciable entity (representing a later fiscal year) may still be depreciating.

### Capitalization Threshold Evaluation

Depreciable entities may or may not be capitalized based on criteria established by the Comptroller's office. Property will be evaluated against capitalization thresholds using the following criteria:

- The sum of all financial transactions
- Having effective dates within the same fiscal year
- For all components
- Within a unique property number

### Determining Whether to Capitalize a Depreciable Entity

- When a financial transaction is entered, SPA will sum all existing depreciable entities for a property number across all components that exist for the fiscal year of the effective date of the transaction.
- This sum would be compared to the threshold for the component's class code.
- If the sum as calculated above is equal to or greater than the threshold, all depreciable entities in the summation would be capitalized regardless of their individual dollar amounts.
- If the sum as calculated above is less than the threshold, all depreciable entities in the summation would be expensed regardless of their individual dollar amounts.

### Decreasing Value

If a given financial transaction decreases the total value of all depreciable entities having the same fiscal year for a property number to an amount below the threshold, one of two situations can occur:

1. If the decrease occurs in the same fiscal year as the initial creation of the depreciable entity:
  - SPA will sum all existing depreciable entities for the property number across all components that exist for the fiscal year of the effective date of the transaction.
  - If the sum does not meet the capitalization threshold, then all depreciable entities in the summation would be expensed.
  - If the sum does meet the capitalization threshold, then all depreciable entities in the summation would be capitalized.
2. If the decrease in value occurs outside of the fiscal year that the depreciable entity was created:
  - SPA will sum all existing depreciable entities for a property number across all components that exist for the fiscal year in which the financial transaction is effective.
  - Regardless of whether the summation calculated above meets the threshold, *capitalized* depreciable entities will not be subsequently expensed. Therefore, once outside the fiscal year that a depreciable entity was created, any decreases that cause the value of all depreciable entities within the property number with similar fiscal years to fall below the capitalization threshold, will *not* result in a previously capitalized property being expensed.

## Recording Depreciation of Capital Assets

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To determine the amount of assets acquired during the fiscal year run the SPA CAAB 201S report. This report presents the beginning and ending accumulated depreciation balances, additions, deletions, adjustments (restatements), transfer in, transfer out, and construction in progress (CIP) for all capital assets by AFR category and depreciable indicator. This report excludes property with acquisition methods assets held in trust, suspense, surplus, and inventoried property. Amounts are signed as on the Note 2 with Debits + and Credits -. Therefore, a negative in the additions column is an increase in accumulated depreciation.

The additions column of this report should match the new depreciation for each asset category that was added to an agencies property ledger and needs to be recorded on USAS.

### Business Type Activities

The general ledger accounts used are as follows:

#### Fund Type 05

- 0328 Accum Deprec Facilities and Other Improvements
- 0330 Accum Deprec Buildings and Building Improvements
- 0340 Accum Deprec Infrastructure
- 0350 Accum Deprec Furniture and Equipment
- 0356 Accum Deprec Vehicles, Boats, and Aircraft
- 0384 Accum Deprec Other Capital Assets

**Comptroller object codes** that can be used for these entries are as follows:

- 7937 RP Facility & Other Improvements/Depreciation Exp
- 7936 RP Building and Building Improvements/Depreciation Exp
- 7938 RP Infrastructure/Depreciation Expense
- 7939 Personal Property/Depreciation Expense

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**Note:** Furniture and Equipment, Vehicles, Boats, and Aircraft, and Other Capital Assets should be posted to comptroller object code 7939.

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Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
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**To Record the Depreciation of Assets**

(1)	5	U	0832CY	XXX	632	CY	99999	7XXX	\$ XX.XX		XXXX	XXXX
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Accounting effect of above entries:

											<b>Debit</b>	<b>Credit</b>
<b>(1) To Record the Depreciation of Assets</b>												
<b>5600</b> GAAP Expenditure Offset											\$ XX.XX	
XXXX General Ledger Account for Asset Depreciating												\$ XX.XX

**Governmental Activities**

The general ledger accounts used are as follows:

**Fund Type 11**

- 0628 Accum Deprec Facilities and Other Improvements
- 0630 Accum Deprec Buildings and Building Improvements
- 0640 Accum Deprec Infrastructure
- 0650 Accum Deprec Furniture and Equipment
- 0656 Accum Deprec Vehicles, Boats, and Aircraft
- 0684 Accum Deprec Other Capital Assets

**Comptroller object codes** that can be used for these entries are as follows:

- 7937 RP Facility & Other Improvements/Depreciation Exp
- 7936 RP Building and Building Improvements/Depreciation Exp
- 7938 RP Infrastructure/Depreciation Expense
- 7939 Personal Property/Depreciation Expense

**Note:** Furniture and Equipment, Vehicles, Boats, and Aircraft, and Other Capital Assets should be posted to comptroller object code 7939.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	------	----------

**To Record the Depreciation of Assets**

(1)	5	U	0832CY	XXX	512	CY	99999	7XXX	\$ XX.XX		XXXX	XXXX
-----	---	---	--------	-----	-----	----	-------	------	----------	--	------	------

Accounting effect of above entries:

											<b>Debit</b>	<b>Credit</b>
<b>(1) To Record the Depreciation of Assets</b>												
<b>5650</b> BC-Expenditure Control											\$ XX.XX	
XXXX General Ledger Account for Asset Depreciating												\$ XX.XX

**SPA Calculations**

SPA will calculate accumulated depreciation and depreciation expense for all depreciable property records in SPA. It is imperative that agencies ensure that SPA properly reflects their capital asset balances.

After agencies have completed their reconciliations, they should contact their assigned SPA analyst to close their accounting period and request a final depreciation report. Agencies may request additional reports during the AFR reconciliation process from their assigned SPA analyst.

## Reconciliation of SPA to AFR and Internal System

### Reconciliation Requirements

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To ensure the state has accurate financial information that complies with GASB reporting requirements, the following must be complete.

Reconciliations for Capital Assets should include the following:

- Comparison of data in SPA and agency's internal system to a physical inventory of Capital Assets.
- Comparison of data entered in SPA to agency's internal system.
- Comparison of the data elements entered in SPA to purchase vouchers and other sources that define a capital asset cost, service date, class, acquisition method, and depreciation method.
- Comparison of data entered in SPA to AFR.
  - For AFR purposes, at year-end, SPA balances must equal the hard-copy AFR. Reconciliation of SPA to AFR should start at the summary level and drill down to the detail level until the financial categories are in agreement.
  - Gross method – total capital assets on SPA vs. total assets on AFR.
  - Fund type – proprietary, governmental in SPA and AFR.
  - Class code – Compare class codes in SPA to GL accounts in USAS – SPA allows the use of all class codes including those for real property, buildings, and improvements. The ad hoc SPA reports include the real property class codes and are a valuable tool in the reconciliation process.
  - Comptroller object codes in SPA and USAS.
  - Depreciation data elements in SPA – so accumulated depreciation and depreciation expense will be calculated correctly in SPA.
  - Additions, deletions, and adjustments in SPA compared to AFR.
  - Gains and Losses on AFR compared to SPA ad hoc reports.
  - All differences should be corrected in the AFR, internal system, and SPA during the reconciliation process. Also, any corrections to SPA and/or AFR should be made by the due date of the SPA certification. Contact your SPA analyst for any corrections needed to your SPA balances in order to agree to your AFR.

### Reconciliation Steps

The balance for all capitalized property at 08/31/CY must reconcile with the total property values in the SPA System. Agency's AFR line items must tie to their SPA balances or changes will be made during CAFR preparation. Contact your SPA analyst if you need corrections to your SPA balances in order tie to your AFR.

- Verify the property listed in SPA accurately reflects the agency's inventory as of 08/31/CY.
- Order SPA adhoc reports from your SPA analyst.

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**Note:** Capitalized (C) property is reported on the AFR; Inventoried (I) property is not. Any transfer not completed by the receiving agency will continue to be reflected in the sending agency's balances.

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If you have questions regarding State Property Accounting, please contact Phillip Ashley at (512) 463-4275 or by e-mail at <[phillip.ashley@cpa.state.tx.us](mailto:phillip.ashley@cpa.state.tx.us)>.

# SPA/AFR Reconciliation Procedures and SPA Ad Hoc Reports List

## Reconciliation Procedures

- 1 Complete the following tasks **before** the Capital Asset Note is prepared and the reconciliation is completed:
  - Ensure all assets, including those financed by payables, reported at year-end in the AFR have been reported to SPA .
  - Ensure all active property has an appropriate class code, acquisition cost, useful life, fund number, and effective date .
  - Ensure all disposals have been entered into SPA for property that has been sold, salvaged, lost, or stolen.
- 2 Request ad hoc reports from your SPA analyst. Reconcile year-end balances with SPA using the reports.

Below is a list of SPA ad hoc reports that you can request:

SPA Ad Hoc Report	Column on Capital Asset Note (if applicable)
SPA15A_CAPONLY – Summary by AFR Category: Capitalized Property	Ending Balance
SPA15B_CAPONLY – Summary by Class Code: Capitalized Property	Ending Balance
SPA15C_CAPONLY – Detail by Class Code: Capitalized Property	Ending Balance
SPA15D_CAPONLY – Detail in Property Number Order: Capitalized Property	Ending Balance
CAAB101D – Asset Balance Detail in Note 2 Format	Beginning Balance, Restatement/Adjustment, CIP Completed, Transfers In, Transfers Out, Additions, Deletions, Ending Balance
CAAB101S – Asset Balance Summary in Note 2 Format	Beginning Balance, Restatement/Adjustment, CIP Completed, Transfers In, Transfers Out, Additions, Deletions, Ending Balance
CAAB201D – Accumulated Depreciation Detail in Note 2 Format	Beginning Balance, Restatement/Adjustment, Transfers In, Transfers Out, Additions, Deletions, Ending Balance
CAAB201S – Accumulated Depreciation Summary in Note 2 Format	Beginning Balance, Restatement/Adjustment, Transfers In, Transfers Out, Additions, Deletions, Ending Balance
CAAB105 – Gains and Losses on External Sales	For use on the operating statement
CAAB106 – Interagency Transfers In	For use on the operating statement
CAAB107 – Interagency Transfers Out	For use on the operating statement

- 3 Complete the Capital Asset Note and the reconciliation using the beginning balance amounts issued in the Reporting Requirements for Annual Financial Reports of State Agencies and Universities.
- 4 When the SPA/AFR year-end balances are reconciled to your Capital Asset Note, contact your SPA analyst and request to have the Agency's fiscal 2007 accounting period closed. The Agency's fiscal 2007 ending SPA balances can change until the accounting period is closed.
- 5 Complete the *Certification (Reconciliation) of SPA Fiscal Balances* (form 74-198) and submit all required documents to the Comptroller's office to the attention of your SPA analyst.

The only categories that should be included in the Capital Asset Note (if applicable) are:

- Land and Land Improvements
- Buildings and Building Improvements
- Infrastructure (depreciable)
- Furniture and Equipment
- Vehicles, Boats, and Aircraft
- Construction in Progress
- Infrastructure (non-depreciable)
- Other Capital Assets (Historical Arts and Treasures, Leasehold Improvements, Libraries)
- Facilities and Other Improvements

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**Note:** If your agency will be calculating its own accumulated depreciation, depreciation expense, and gains and losses, you must submit detailed Agency calculations to the Comptroller's office for review.

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## **Impact of Threshold on Indirect Cost Plans**

The state of Texas increased the capitalization threshold for personal property from \$1,000 to \$5,000 effective September 1, 2001. The ability to expense assets up to \$5,000 significantly increases the amount and timely recovery of costs. Prior to September 1, 2001, Texas agencies had to either depreciate their assets or apply an asset use allowance of 6.67% on assets over \$1,000 when determining the cost of assets to be recovered on federally funded programs.

The asset policy requires agencies to continue to maintain asset records on assets purchased prior to September 1, 2001 that cost less than \$5,000. Agencies that have been recovering the cost of assets either as direct costs or indirect costs from federally funded programs are required to continue to depreciate or apply a use charge on assets under \$5,000 purchased prior to September 1, 2001. If an agency does not maintain these records, then it will probably not be able to recover the federal share of these costs.

The U. S. Department of Health and Human Services does not permit the balance of unclaimed depreciation or use allowance to be recovered as a current year or one time expense. The determination of whether to maintain asset records for cost recovery should be reconciled with the amount of cost that may ultimately be recovered.

If an agency continues to recover the cost of assets purchased prior to September 1, 2001, it will need to maintain asset cost records until the asset is fully depreciated or no longer in use. For agencies utilizing the use allowance, this requires maintaining records for fifteen years after the purchase date or until the asset is no longer in use and continuing to recover based on the 6.67% use allowance.

Another option which can be negotiated with an agency's cognizant federal agency is to determine the balance of the assets purchased prior to September 1, 2001 under \$5,000 which has not been claimed. This balance can then be depreciated and written off over a negotiated period.







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# Chapter 7 – Requirements for Notes to the Financial Statements

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## Introduction

The Notes to the Financial Statements should communicate information that is necessary for a fair presentation of financial position and results of operations, but is not readily apparent from, or not included in, the financial statements themselves.

This chapter provides instructions on how to prepare some of the more involved notes. A complete set of sample notes is shown in **Chapter 9 – Sample Agency Financial Report**.

## Requirements

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The notes shown in **Chapter 9 – Sample Agency Financial Report** show what is required for fair presentation in conformance with GAAP. The disclosures within each note will vary based on each agency's situation. Your agency **must** sequence notes as indicated in the following discussion. The sample notes include **required** schedule formats for certain disclosures. Use these formats, including the note number sequence, as these schedules are critical to the consolidation process of the notes to the statewide financial statements. If you do not use a note, label it **Not Applicable**.

To reduce the number of disclosures to prepare for your agency's report, eliminate any duplicate disclosures such as the following:

- If the accounting policy for employees' compensable leave has been stated in the Summary of Significant Accounting Policies, do not repeat that policy in the note on Employees' Compensable Leave.
- Refer to detail information that is presented in the Supplementary Bond Schedules.
- If your agency does not have investments carried on the balance sheet and all of the cash of your agency is deposited in the State Treasury, you will indicate the Deposits, Investments, and Repurchase Agreements note is Not Applicable. If any cash or investments are held in a local bank, a note disclosure **is required**.

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### **NOTE 1: Summary of Significant Accounting Policies**

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## General Introduction

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This paragraph presents a brief narrative discussing the agency and any components.

## Fund Structure

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This section includes descriptions of all the different fund types and funds used by the agency. Describe only those fund types and funds actually used by your agency. Be specific for your agency by including the fund title, fund number, and a brief description of how the fund is financed and used.

### **Governmental Fund Types**

#### General Fund

Include all the principal operating funds used to account for the state's general activities. The General fund accounts for all financial resources except those accounted for in other funds.

#### Special Revenue Funds

Include all Special Revenue funds used to account for the proceeds of specific revenue sources (other than for private-purpose trusts or for major capital projects) that are legally restricted to use for specified purposes.

### Debt Service Funds

Describe Debt Service Funds used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

### Capital Project Funds

Describe Capital Project Funds used to account for financial resources used for the acquisition, repair, renovation, or construction of major capital facilities (other than those financed by proprietary or similar trust funds).

### Permanent Funds

Describe Permanent Funds used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

## **Proprietary Fund Types**

### Enterprise Funds

Describe Enterprise Funds that account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as Enterprise Funds if any one of the following criteria is met.

- 1) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- 2) Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges.
- 3) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

### Internal Service Funds

Describe Internal Service Funds that account for the financing of goods or services provided by one department or agency to other departments or agencies of a governmental unit, or to other governmental units, on a cost reimbursement basis.

## **Fiduciary Fund Types**

### Agency Funds

Describe Agency Funds that account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

### Pension Trust Funds

Describe Pension Trust Funds that account for resources held in trust for the member and beneficiaries of defined benefit pension plans.

### External Investment Trust Funds

Describe External Investment Trust Funds that account for the state's external portion of investment pools reported by the sponsoring government.

### Private-Purpose Trust Funds

Describe Private-Purpose Trust Funds that account for all other trust arrangements whose principal and interest benefit individuals, private organizations, or other governments.

## Component Units

### Blended or Discretely Presented Component Units

The agency must disclose whether or not it has component units. **If no component units exist, include a statement to this effect.** Specific component unit information should be disclosed in Note 17.

The fund types of the individual discretely presented component units are available from the component units' separately issued financial statements.

## Basis of Accounting

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This paragraph informs the reader that revenues and expenditures are being recognized on a modified accrual basis for governmental funds and an accrual basis for proprietary, pension trust funds, external investment trust funds, and private-purpose trust funds.

## Restricted Net Assets

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This paragraph confirms that when both restricted and unrestricted net assets are available for use, restricted resources are used first, then unrestricted resources are used as they are needed.

## Budgets and Budgetary Accounting

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This paragraph notes funds subject to appropriated budgetary control and encumbrances information. If a budget statement is included then these funds should be presented.

## Assets, Liabilities and Fund Balances/Net Assets

---

This section describes **significant** or **unusual** accounting treatment for **MAJOR** account balances or transactions. Examples often included are the following.

- Cash and Cash Equivalents
- Investments
- Inventories and Prepaid Items

---

**Attention:** Agencies are required to use the consumption method to report inventories and prepaid items in governmental funds. The consumption method requires reporting inventories and prepaid items as assets and deferring the recognition of expenditures until the period in which inventories and prepaid items are used or consumed.

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- Current Receivables

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**Attention:** Balances of receivables reported as *Current Assets Other Receivables* (GL 0270) on the balance sheet/statement of net assets may be aggregations of different components, such as balances due from vendors or customers. Agencies should provide details of **significant components** or **different liquidity characteristics** which have been obscured by aggregation. Make the disclosure in Note 25 with a reference to the disclosure in this note.

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- Non-current Receivables

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**Attention:** Significant receivable balances not expected to be collected within one year of fiscal year end should be disclosed as Non-current Receivables. Agencies with balances in *Other Non-Current Receivables* (GL 0467) should provide details of the **significant components** which have been obscured by aggregation. Make the disclosure in Note 25 with a reference to the disclosure in this note.

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- Restricted Assets – Use of restricted assets (Cash, Investments, Receivables) by proprietary fund types should be described here, including reasons for restrictions.
- Capital Assets – If capital assets are reported, the general policy for capitalizing assets and for estimating the useful lives of depreciable assets should be disclosed here. Present reported infrastructure assets as a separate line item. Do not include land with infrastructure assets. Report it as a separate line item.

- Long-Term Liabilities

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**Attention:** Rebutable arbitrage should not be treated as a reduction of revenues in governmental funds; it should instead be treated in the same way as any other claim or judgment. That is, there should be no recognition in the governmental fund financial statements until rebatable amounts are actually due and payable to the federal government. Basis conversion entries will be required for rebatable arbitrage if amounts are not reported in governmental funds.

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- Current Payables

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**Attention:** Balances of payables reported as *Current Liabilities Other Payables* on the balance sheet/ statement of net assets may be aggregations of different components, such as balances due to vendors or customers. Agencies with balances in *Other Current Payables* (GL 1150) should provide details of **significant components** which have been obscured by aggregation. Make the disclosure in Note 25 with a reference to the disclosure in this note.

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- Non-current Payables

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**Attention:** Significant payable balances not expected to be paid within one year of fiscal year end should be disclosed as Non-Current Payables. Agencies with balances in *Other Non-Current Payables* (GL 1450) should provide details of **significant components** which have been obscured by aggregation. Make the disclosure in Note 25 with a reference to the disclosure in this note.

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- Employees' Compensable Leave Balances

- 1) Annual Leave
- 2) Overtime and Compensatory Leave for FLSA
- 3) Employee Sick Leave

- Capital Lease Obligations

- Encumbrances

- Net Assets

- Reservations of Fund Balance

- Interfund Activity and Transactions

- 1) Interfund activity refers to financial interaction between funds, including blended component units and is related to internal events.
- 2) Interfund transaction refers to interactions with legally separate entities (discretely presented component units, other governments, other legally separate entities, and individuals) and is restricted to external events.
- 3) Reciprocal interfund (internal) activity is analogous to exchange and exchange-like transactions and includes (a) loans (includes activity previously termed *advances*) and (b) interfund services provided and used (interfund sales and purchases, previously called *quasi-external transactions*). Interfund loans are reported as interfund receivables and payables on the balance sheets. Interfund sales and purchases are reported as interfund services provided (revenues) and interfund services used (expenditures or expenses) on the operating statement.
- 4) Nonreciprocal interfund (internal) activity is analogous to nonexchange transactions or other events and includes (a) transfers (redefined to include activities previously known as *operating transfers* and *residual equity transfers*) and (b) reimbursements.
- 5) Interfund transfers represent the flow of assets (cash or goods) without equivalent flow of assets in return or a requirement for repayment. In governmental funds, transfers are reported as other financing uses or sources. Transfers are reported in proprietary funds after nonoperating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.
- 6) Interfund reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements are not displayed in the financial statements.

- Risk Financing – Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred, but not reported.

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## NOTE 2: Capital Assets

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### General Introduction

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Under GASB 34 and 35, general capital assets are reported in the governmental activities column in the Government-wide Statement of Net Assets. Capital assets of proprietary funds are reported in both the government-wide and fund financial statements. Capital assets of fiduciary funds are reported only in the Statement of Fiduciary Net Assets.

GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* establishes accounting and financial reporting standards for impairment of capital assets and establishes accounting requirements for insurance recoveries. See chapter 6 for a summary as it pertains to Capital Assets. Also see FPP.002 for the full statement.

Present a summary of changes in Capital Assets for the fiscal year in this note. It has separate columns for beginning balances, adjustments, reclassifications, additions, deletions, and the calculated ending balances for Governmental activities, Business-Type activities, and Component Units. Also include a breakdown of non-depreciable and depreciable assets. Below is a description of the columns required in the note.

- 1) Beginning balance – Beginning balances reported on the AFR must equal the prior year's ending balances. See *List of Beginning Capital Assets* section in **Chapter 13 – List of Beginning Balances**.
- 2) Adjustment – Use the adjustment column to report loss recovery, restatements, error corrections, or similar items and change in asset type.
- 3) Reclassification – Use the appropriate reclassification column (completed CIP, Increase Interagency Transfer, or Decrease Interagency Transfer) to reflect interagency transfers of the book value of capitalized property and completed construction in progress. Agencies must coordinate the transfers of capital assets so that the transfer out of capitalized assets matches the transfer in of capitalized assets. See chapter 9, *Note 2* for table format example.
- 4) Addition – Use the addition column for purchases and current year depreciation expense.
- 5) Deletion – Use the deletion column for sales of capital assets and their associated accumulated depreciation.
- 6) Calculated Ending Balance – The calculated ending balance should tie to SPA.

In this note, include separate rows for those capital assets that are depreciated and those that are not being depreciated. Do not depreciate assets that are inexhaustible. Inexhaustible assets are those whose economic benefit or service potential is used up at a low pace and the estimated useful lives are extraordinarily long. The following are examples of capital assets that are *not* depreciated:

- Land and land improvements
- Infrastructure – Depreciation is not reported for infrastructure assets reported using the modified approach. Only infrastructure assets that comprise a network or subsystem of a network can be reported using the modified approach. The state highway system (excluding bridges) administered by the Texas Department of Transportation (TxDOT) will be the only network reported by the State using the modified approach.
- Rare books, manuscripts, and other historical items
- Works of Art and Historical Treasures that are inexhaustible
- Construction in Progress

Balances of capitalized property accounts at 08/31/CY must reconcile to balances reflected on the State Property Accounting (SPA) system. You can order system generated reports to assist you in the reconciliation process by contacting SPA functional staff. Additionally, custom made reports or tape downloads of SPA data can be provided. For more detailed information, see *Reconciliation of SPA to AFR and Internal System* section in **Chapter 6 – Capital Assets**.

## USAS Transaction Entries

### Governmental Funds

#### Sale of Capital Assets

To record the sale of furniture and equipment in Governmental Funds, use T-Code 191 with object code 3750; for the sale of buildings, use object code 3751. This T-Code will record the accounting events as an *Other Financing Sources* instead of revenue on the Statement of Revenues, Expenditures, and Changes in Fund Balances. Sale of Capital Assets is a separate line item that should be reported under Other Financing Sources (Uses). Since the proceeds from the sale of a capital asset are typically appropriated, record the entries to adjust budget with T-Codes 006/009 when your agency receives the money.

**Attention:** Corrections for fiscal 20CY using T-Code 191 must be made before August 31st. Correction after August 31 can be made with generic T-Codes. See **Chapter 6 – Capital Assets** for generic T-Codes and entries.

#### Corrections Before August 31, 20CY

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL
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#### To Reverse Incorrect Deposit Before August 31, 20CY

(1)	2	J	Current Date	XXX	***	XX	99999	3750 or 3751	\$ XX.XX	R	XXXXX	XXXX	N/A
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#### To Record Other Sources for Sale of Capital Asset Before August 31, 20CY

(2)	2	J	Current Date	XXX	191	XX	99999	3750 or 3751	\$ XX.XX		XXXXX	XXXX	N/A
-----	---	---	--------------	-----	-----	----	-------	--------------	----------	--	-------	------	-----

\*\*\* First entry should be reversing the original T-Code (195, 179, etc.).

#### Accounting Effect of above entries:

										Debit	Credit
<b>(1) To Reverse Incorrect Deposit (if T-Code 179 was used originally)</b>											
5000	Revenue Control – Cash									\$ XX.XX	
0045	Cash in State Treasury										\$ XX.XX
9060	Appropriation Control									\$ XX.XX	
9055	Budgetary Fund Balance										\$ XX.XX
<b>(2) To Record Other Sources for Sale of Capital Asset</b>											
0045	Cash in State Treasury									\$ XX.XX	
5000	Revenue Control – Cash										\$ XX.XX
5100	GAAP Revenue Offset									\$ XX.XX	
6035	Other Financing Sources										\$ XX.XX

#### Corrections After August 31, 20CY

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL
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#### To Reverse Incorrect Revenue After August 31, 20CY

(1)	5	U	0832CY	XXX	630	XX	99999	3750	\$ XX.XX		N/A	XXXX	9999
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#### To Record Other Sources for Sale of Capital Asset

(2)	5	U	0832CY	XXX	657	XX	99999	3750	\$ XX.XX		N/A	XXXX	9999
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Accounting Effect of above entries:

	Debit	Credit
<b>(1) To Reverse Incorrect Revenue</b>		
<b>5100</b> GAAP Revenue Offset	\$ XX.XX	
<b>9999</b> System Clearing		\$ XX.XX
<b>(2) To Record Other Sources for Sale of Capital Asset</b>		
<b>9999</b> System Clearing	\$ XX.XX	
<b>6035</b> Other Financing Sources		\$ XX.XX

**WARNING:** System clearing must not have a balance after all transactions have been entered.

Modified to Full Accrual Adjustments for Capital AssetsCapital Asset Adjustment Fund Type (11)

Capital Asset Adjustment fund type will be used to convert governmental fund types from modified accrual to full accrual. The basis conversion entries for capital assets will be entered in USAS to the agency fund in this fund type. This fund type will also correspond to the column titled *Capital Assets Adjustments* on all agencies' Financial Statements or Schedule 4.

Working papers with the capital asset adjustment (FT 11) basis conversion entries are available on the FMX Web site at <<https://fmx.cpa.state.tx.us/fmx/finrpt/afri/index.php>>.

**Proprietary and Fiduciary Funds**Recording Capital Asset Balances

Proprietary and fiduciary funds (pension trust and private-purpose trust) report capital assets by using full accrual accounting.

Sale of Capital Assets

For proprietary and fiduciary funds, record a gain (loss) on the sale of capital assets using T-Code 195 with object code 3834. See **Chapter 6 – Capital Assets** for details on calculating the gain or loss amount.

**SPA Capital Assets Reports**

The balance for all capitalized property at 08/31/CY must reconcile with the total property values in the SPA System. Agency's AFR line items must tie to their SPA balances. Please contact your SPA analyst if your agency needs corrections to the SPA balances. If the balances do not tie, changes are made during CAFR preparation.

- Verify the property listed in SPA accurately reflects the agency's inventory as of 08/31/CY.
- Order SPA adhoc reports from your SPA analyst.

**Note:** Report capitalized (C) property on the AFR; but not Inventoried (I) property. Any transfer not completed by the receiving agency will continue to be reflected in the sending agency's balances. Unpaid TPFA leases will be included in the SPA report.

The CAAB 101 and CAAD 201 reports can be used to assist during the Note 2 process. These reports reflect SPA balances in Note 2 format. You can request these reports online or you can contact your SPA analyst who can order it for the fiscal year.

For questions regarding State Property Accounting, contact Phillip Ashley at (512) 463-4275 or by e-mail at <[phillip.ashley@cpa.state.tx.us](mailto:phillip.ashley@cpa.state.tx.us)>.

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## **NOTE 3: Deposits, Investments and Repurchase Agreements**

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### **Introduction**

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This AFR note applies to all agencies that have local bank accounts and/or accounts for investments (including repurchase agreements) on their AFR. The Treasury is responsible for all disclosures relating to the funds held in the Treasury.

All State Agencies and Universities, including Component Higher Education Agencies, must submit a hard copy AFR note 3 in the format detailed in **Chapter 9 – Sample Agency Financial Report, Note 3: Deposits, Investments, and Repurchase Agreements**. When the required format is not the same as the format the agency wants to use in its published AFR, the agency can submit the required format as a separate supplement to the AFR.

**In addition**, for Higher Education Systems only, Independent Higher Education Agencies, and State Agencies (Simplified Reporting Agencies and Full Reporting Agencies) must also **submit and certify** certain Note 3 disclosures using the Deposit and Investment Note Submission System, see the section titled *Deposit and Investment Note Submission System*.

Component Higher Education Agencies are **exempt** from using the Deposit and Investment Note Submission System and must **NOT** submit and certify Note 3 disclosures using the Deposit and Investment Note Submission System.

**Below is an outline of the sections to follow:**

- 1 General
  - Information about the AFR note deposit and investments disclosures
  - Information about all GASB 40 deposit and investment risk disclosures
  - Information about the GASB 28 Securities Lending disclosures
  - Information about Derivative disclosures
- 2 USAS transaction entries
  - Details about investment transactions for USAS entry
- 3 Deposit and Investment Note Submission System instructions:
  - The Deposit and Investment Note Submission System **in addition to** the hard copy AFR note is submitted by the following agencies:
    - i. Higher Education Systems,
    - ii. Independent Higher Education Agencies, and
    - iii. State Agencies (Simplified Reporting Agencies and Full Reporting Agencies)
  - The Deposit and Investment Note Submission System is **not** submitted by the following agencies and **only** the hard copy AFR note is submitted:
    - i. Component Higher Education Agencies
  - The Deposit and Investment Note Submission System **and** the hard copy AFR note include the following disclosures:
    - i. Cash in Bank Carry Amount,
    - ii. Cash in Bank Bank Balance,
    - iii. Deposit Custodial Credit Risk,
    - iv. Deposit Foreign Currency Risk,
    - v. Investment Fair Value,
    - vi. Investment Custodial Credit Risk,
    - vii. Investment Foreign Currency Risk, and
    - viii. Investment Credit Risk S&P.



- The hard copy AFR note is the only way to submit the following disclosures (i.e., not included in the Deposit and Investment Note Submission System):
  - i. Securities lending disclosures,
  - ii. Derivative disclosures,
  - iii. Concentration of Credit Risk, and
  - iv. Interest Rate Risk for agencies required to prepare their AFR note in accordance with GAAP, the Treasury – Fiscal, Texas Education Agency, Texas A&M University System, and The University of Texas System. These agencies should submit an electronic copy of their interest rate risk disclosure as a separate attachment in an e-mail sent to their financial reporting analyst or [roberto.vasquez@cpa.state.tx.us](mailto:roberto.vasquez@cpa.state.tx.us).

## General

- Amounts held in the Texas Treasury Safekeeping Trust Company should be reported and disclosed as follows.
  - Uninvested balances should be reported as cash in bank and disclosed as a deposit identified as *Texas Treasury Safekeeping Trust*.
  - Invested balances should be reported as a cash equivalent and disclosed by type of investment and identified as *Texas Treasury Safekeeping Trust*. The type of investment is determined by how the Trust Company has invested the cash.
- Cash collateral on securities lending transactions should be reported as Securities Lending Collateral and disclosed as follows.
  - If not reinvested, the amount should be disclosed as a deposit.
  - If reinvested, the amount should be disclosed by type of investment.
- CDs should be reported as a cash equivalent and disclosed as follows.
  - Nonnegotiable CDs are placed directly with financial institutions and are generally subject to penalty for early redemption and should be disclosed in the Cash in Bank Carry Amount as a deposit.
  - Negotiable CDs are securities that can be traded in a secondary market and should be disclosed as an investment in the miscellaneous investment type.
- Money market deposit accounts should be treated like any other deposit account.
- Mutual funds (including money market investment funds) should be disclosed as an investment in the fixed income and bond mutual fund, or the other commingled fund investment type as applicable.
- Bankers' acceptances should be reported as a cash equivalent or a short term investment and disclosed as an investment in the miscellaneous investment type. Bankers' acceptances are money market investments and should not be treated the same as money market deposit accounts.
- Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to cash and so near to maturity that they present insignificant risk of changes in value because of changes in interest rates. Examples of items commonly considered to be cash equivalents are Treasury Bills, commercial paper, CDs, money market funds, and cash management pools. With the exception of a nonnegotiable CD, cash equivalents should be disclosed as an investment.
- For foreign securities, use the custodial arrangements to identify whether there is custodial credit risk. Specifically, determine the mechanics of the clearing process, whether the securities are held in paper or book entry form, and the function of any intermediaries in the process.

For more information on this note, refer to the following GASB Statements, Interpretation, Technical Bulletins, and GASB Implementation Guides.

- GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*
- GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*
- GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*

- GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*
- GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*
- GASB Statement No. 40, *Deposit and Investment Risk Disclosures*
- Interpretation No. 3 of the Governmental Accounting Standards Board, *Financial Reporting for Reverse Repurchase Agreements – an interpretation of GASB Statement No. 3*
- Technical Bulletin 87-1, *Applying Paragraph 68 of GASB Statement 3*
- Technical Bulletin 94-1, *Disclosures about Derivatives and Similar Debt and Investment Transactions*
- Technical Bulletin 97-1, *Classification of Deposits and Investments into Custodial Credit Risk Categories for Certain Bank Holding Company Transactions*
- Technical Bulletin 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*
- *Implementation Guide of GASB Statement 3 on Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*
- *Implementation Guide of GASB Statement 31 on Accounting and Financial Reporting for Certain Investments and for External Investment Funds*
- *Implementation Guide of GASB Statement 40 on Deposit and Investment Risk Disclosures*

GASB 40 was implemented in fiscal year 2005. This statement establishes and modifies disclosure requirements related to investment risks: credit risk including custodial credit risk and concentrations of credit risk, interest rate risk, and foreign currency risk. The statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk. This statement does not require disclosure of how the above risks are managed through hedge transactions. **Under GASB 40, disclosure of carry value of investments is not required.**

Component units should have implemented the requirements of GASB 40 in fiscal year 2005.

Investment disclosures in the note are organized by investment type. Investments with significantly different risk profiles should not be aggregated into a single investment type. Agencies should disclose the following investment types in their AFR.

- U.S. Government:
  - U.S. Treasury Securities
  - U.S. Treasury Strips
  - U.S. Treasury TIPS
- U.S. Government Agency Obligations
- Corporate Obligations
- Corporate Asset and Mortgage Backed Securities
- Equity
- International Obligations
- International Equity
- International Other Commingled Funds
- Repurchase Agreements
- Fixed Income Money Market and Bond Mutual Fund
- Other Commingled Funds
- Commercial Paper
- Securities Lending Collateral Investment Pool
- Real Estate
- Alternative Investments
- Miscellaneous

<b>Investment Type</b>	<b>Examples of what the type includes (not all inclusive)</b>
U.S. Treasury Securities	U.S. Treasury Bills, Notes, or Bonds
U.S. Treasury Strips	U.S. Treasury Strips
U.S. Treasury TIPS	U.S. Treasury TIPS
U.S. Government Agency Obligations	Asset and mortgage backed securities issued by government sponsored enterprises (GSE) such as Fannie Mae, Freddie Mac, Sallie Mae, or Ginnie Mae
Corporate Obligations	Domestic corporate obligations
Corporate Asset and Mortgage Backed Securities	Collateralized Mortgage Obligation (CMO), Mortgage Backed Securities (MBS), or Commercial Mortgage Backed Securities (CMBS)
Equity	Domestic equity
International Obligations	Foreign obligations issued by governments and corporations or ADRs
International Equity	Foreign equity (including foreign securities that are U.S. Dollar denominated)
Repurchase Agreements	Repurchase Agreements
Fixed Income Money Market and Bond Mutual Fund	Pooled investments of fixed income securities
Other Commingled Funds	Other commingled funds
International Other Commingled Funds	Foreign securities of other commingled funds.
Commercial Paper	Commercial Paper
Securities Lending Collateral Investment Pool	Securities Lending Collateral Investment Pool
Real Estate	Real Estate
Alternative Investments	Alternative Investments
Miscellaneous	Political subdivisions and other investments

Agencies should disclose the following.

- A brief description of the types of investments (including repurchase agreements) authorized by legal or contractual provisions for your agency. This includes authorization provided in your agency's investment policy and any statutory investment authority.
- A brief description of deposit and investment policies that are related to the risks being disclosed. An agency should not include all details of its deposit and investment policies. If an agency has no deposit or investment policy that addresses a specific type of risk that it is exposed to, the note should disclose that fact. GASB 40 considers the investment policy to be a formally adopted policy that sets forth an agency's allowable deposits or investments. An investment policy may be formally adopted through legal or contractual provisions or by other means, usually by the governing board. An agency's general investment practices or informal policies are not a required disclosure.
- **The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices.**
- Any significant violations of legal or contractual provisions during the period for deposits and investments. This includes any inadequate collateralization of deposits that occurred at any time during the year, regardless of the status at year-end. Federal depository insurance funds, such as those maintained by the FDIC and FSLIC, currently insure up to \$100,000 per deposit. However, separately named accounts of a governmental entity in a single financial institution may not be treated as separate deposits for purposes of applying the \$100,000 limit. Your agency should investigate the extent to which it is covered by the federal depository insurance at each financial institution.
- A brief description of the legal or contractual provisions for Reverse Repurchase Agreements.
- Any significant violations of legal provisions relating to Reverse Repurchase Agreements during the period.

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### Deposits of Cash in Bank

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- A. Do not include Cash on Hand, Petty Cash on Hand, Travel Cash on Hand, and Imprest Cash on Hand in this note.
- B. Include the principal of Petty, Travel, and Imprest Cash in the Cash in Bank balance if the money is deposited to, or paid out of, a local bank. If the money is not deposited in a bank, report it as Cash on Hand. *Principal* includes all outstanding reimbursements. Outstanding reimbursements should not be reported as Accounts Receivable.
- C. Provide the carrying amount (the amount shown per agency's books) of the cash balance in the bank. This amount must be reconciled to the balance of cash in bank, restricted cash in bank, and petty cash in bank accounts.
- D. Provide the bank balance (the amount shown on the financial institution's records).
- E. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are:
  - Uncollateralized,
  - Collateralized with securities held by the pledging financial institution, or
  - Collateralized with securities held by the pledging financial institution's trust department or agent but not in the agency's name.

If the agency has deposits at fiscal year-end that are exposed to custodial credit risk, disclose the amount of those bank balances, the fact that the balances are uninsured, and whether the balances are exposed on the basis of the bullets above.

- F. Foreign currency risk for bank balances is the risk that changes in exchange rates will adversely affect the deposit. If your agency has deposits denominated in foreign currency, disclose the U.S. dollar balances of such deposits organized by currency denomination.

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### Investments and Repurchase Agreements

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- A. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* is applicable to all investments held by external investment pools and some investments for non-external investment pools. All investments, except as noted below should be reported at fair value on the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets. The change in fair value of investments should be reported as a net increase (decrease) in the fair value of investments on the Statement of Activities, Statement of Revenues, Expenses, and Changes in Net Assets and/or Statement of Changes in Fiduciary Net Assets. The investments included in the exceptions below may be reported at amortized cost which approximates fair value.

For non-external investment pools, other than pensions, GASB 31 does not apply to such investments as real estate, mortgages, venture capital, limited partnerships, or nonparticipating interest-earning investment contracts. This statement applies to all funds except pension trust funds, unless the pension trust fund holds any of the following investments:

- Securities subject to purchased put option contracts and written call option contracts
- Open-end mutual funds
- External Investment Pools
- Interest-earning investment contracts

For these four investment types, pension trust funds follow GASB 31. Pension trust funds report all other investments in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. See chapter 9, **Note 3: Deposits, Investments, and Repurchase Agreements** section.

Exceptions to reporting investments at fair value:

- Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, should be reported using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors.
- Governmental entities other than external investment pools may report at amortized cost money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors.
- For investments in open-end mutual funds, determine fair value by the fund's current share price.
- Investment positions in 2a7-like pools should be determined by the pool's share price. 2a7-like pools may report their investments at amortized cost.

External investment pools are defined as an arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio, **and** one or more of the participants is not part of the sponsor's reporting entity. Texpool is an example of an external investment pool.

The agency that provides investment pool services should report the external portion of each pool as a separate fund. Fund type 18 has been established for this purpose.

Provide the fair value of investments (including repurchase agreements) as of the reporting date (include both current and non-current). Non-external investment pools **may** report at amortized cost the following:

- money market investments
- participating, interest-earning investment contracts that have a remaining maturity, **at time of purchase**, of one year or less.

You may use amortized cost if the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Asset-backed securities, derivatives, and structured notes do not fall under this classification. The policy for determining which investments if any are reported at amortized cost should be disclosed in Note 3.

Report the change in fair value of investments as net increase (decrease) in the fair value of investments on the Statement of Activities, Statement of Revenues, Expenses, and Changes in Net Assets and/or Statement of Changes in Fiduciary Net Assets except for those investments excluded from GASB 31 treatment mentioned above. Realized gains and losses are not separately reported on the statements.

Defined benefit pension plans should report plan investments at fair value at the reporting date. The net appreciation (depreciation) in the fair value of plan investments should be included in the net investment income, which is reported in the addition section of the Statement of Changes in Fiduciary Net Assets.

- B.** How marketable securities are classified depends to a large extent on management's intent. If management intends to dispose of the securities and the proceeds for operations in the next fiscal year, classify the securities as a current asset.
- C.** For all investments reported in accordance with GASB 31, report interest income at the stated interest rate; do not amortize any premiums or discounts on debt securities.
- D.** Provide the Fair Value of investments disclosed by type of investment as previously shown in the **General** section of this note. The fair value of a repurchase agreement generally is the principal plus accrued interest of the agreement. It is not based on the value of the underlying securities.

- E.** Prepare a reconciliation tying the total fair value presented in the Investment Table to current and non-current investments presented on the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets. This reconciliation, however, will not tie directly to the balance sheet line item amounts if CDs are included as investments on the balance sheet and are appropriately included as Deposits in the note.
- F.** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the agency's name, and are held by either:
- The counterparty, or
  - The counterparty's trust department or agent but not in the agency's name.

If the agency has investment securities at fiscal year-end that are exposed to custodial credit risk, disclose the investments' type, the carry value, and whether the securities are exposed on the basis of the bullets above.

Investments in external investment pools and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments in venture capital, limited partnerships, real estate, annuity contracts, and guaranteed investment contracts are not exposed to custodial credit risk because these are investments that are evidenced by contracts rather than securities. Securities underlying reverse repurchase agreements are not exposed to custodial credit risk because they are held by the buyer-lender. Custodial credit risk includes the portion of the fair value of any repurchase agreement that exceeds the fair value of the underlying securities.

Collateral on securities lending that is reported in the Statement of Net Assets, Balance Sheet and/or Statement of Fiduciary Net Assets is subject to custodial credit risk disclosure requirements unless it has been invested in a securities lending collateral investment pool or another type of investment that is not exposed to custodial credit risk. The underlying securities are not subject to custodial credit risk disclosure requirements if the collateral for those loans is reported in the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets.

If the collateral on securities lending is not reported in the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets the underlying securities on those loans should follow the custodial credit risk disclosure requirements. This disclosure should be based on the type of collateral and the custodial arrangements for the collateral.

- G.** Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. If your agency has investments denominated in foreign currency, disclose the U.S. dollar carry value of such investments organized by currency denomination and either International Obligations, International Equity, or International Other Commingled Funds investment type as applicable.

Provided an agency does not hold a significant portion of its assets in an international mutual fund, an investment in an international mutual fund does not require disclosure of the individual investments within the fund.

- H.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Agencies should provide information about the credit risk associated with their investments by disclosing the credit quality ratings of investments by type of debt security as described by Standard & Poor's as of fiscal year-end. Credit quality rating downgrades after fiscal year-end may expose the agency to a significantly higher level of credit risk exposure that may require disclosure as a subsequent event.

Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government (for example, Ginnie Mae) are not considered to have credit risk and do not require disclosure of credit quality. **Note** that GSEs such as Fannie Mae have implicit U.S. Government guarantees and therefore are considered to have credit risk and do require disclosure of credit quality. Agencies should disclose the credit quality ratings of

external investment pools, money market funds, and other pooled investments of fixed-income securities in which they invest. The credit quality rating disclosure is required for an investment in a mutual fund that is restricted to obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government. If a credit quality disclosure is required and the investment is unrated, the disclosure should indicate that fact.

Government sponsored enterprises are subject to credit risk disclosures. This differs from the explicit guarantee for certain GSE securities (i.e., Ginnie Mae) which states that the securities are backed by the full faith and credit of the U.S. Government.

If a debt investment is unrated but the issuer is rated, agencies should indicate that the debt investment is unrated. Disclosing the credit quality ratings of issuers may be misleading as to the credit risk of the individual debt investment.

Repurchase agreements are not subject to credit risk if the securities underlying the repurchase agreement are exempt from credit risk disclosures.

Agencies should disclose the credit quality ratings of external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities in which they invest. Bankers' acceptances are subject to credit risk disclosure.

- I. Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. Concentration of credit risk is disclosed on the hard copy AFR note. Agencies should disclose, by fair value and issuer, investments in any one issuer that represent five percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- J. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Agencies should disclose information about the interest rate risk of their debt investments.

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**Attention:** For CAFR purposes, interest rate risk disclosure is only required for agencies required to prepare their AFR in accordance with GAAP (audited AFR) as well as and the Treasury – Fiscal (Agency 311), Texas Education Agency (Agency 701), Texas A&M University System (Agency 798), and The University of Texas System (Agency 799). For audited AFRs, the agency can submit, as a supplement to the AFR, the interest rate risk disclosure in compliance with the required format shown in **Chapter 9 – Sample Agency Financial Report**, in the **Note 3: Deposits, Investments, and Repurchase Agreements** section.

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Interest rate risk information should be organized by type of investment and amount using an acceptable method. Acceptable methods are a) segmented time distribution, b) specific identification, c) weighted average maturity, d) duration, and e) simulation model. If a method requires an assumption regarding timing of cash flows, interest rate changes, or other factors that affect interest rate risk information, that assumption should be disclosed. Agencies with investments in mutual funds, external investment pools, or other pooled investments that do not meet the definition of a 2a7-like pool should disclose interest rate risk information according to one of the methods above.

An agency may choose to use different interest rate risk disclosure methods in succeeding years. Any agency choosing to change interest rate risk disclosure methods should also disclose the nature and reason for the change in the year of the change.

Agencies using more than one interest rate risk disclosure method should use only one method per type of debt investment.

Agencies using the duration interest rate risk disclosure method should also disclose whether they are using Macaulay duration, Modified duration, or Effective duration.

The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. Some of the acceptable interest rate risk disclosure methods above incorporate sufficient information about these investments with fair values that are highly sensitive to interest rate changes. To the extent investment terms are not considered in the interest rate risk disclosure requirements, the terms and fair value of that investment should be disclosed. Terms include such information as coupon multipliers, benchmark indexes, reset dates, and embedded options.

Interest rate risk disclosure methods can adequately communicate the effects of call options with the exception of the specific identification method. Therefore, agencies using the specific identification method are required to make disclosure of call options.

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### Reverse Repurchase Agreements

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- A.** For reverse repurchase agreements other than yield maintenance agreements, disclose the credit risk by comparing the total amount of obligations under the agreements (including accrued interest) with the aggregate fair value (including accrued interest) of the securities underlying those agreements.
- B.** For commitments as of the reporting date to repurchase securities under yield maintenance agreements, disclose the fair value of the securities to be repurchased and a description of the terms of the agreements (such as settlement price ranges, agreed-on yields, maturity dates, etc.)
- C.** Disclose losses recognized during the period due to default by counterparties to reverse repurchase agreements and amounts recovered from prior-period losses if not separately displayed on the operating statement.
- D.** The assets and liabilities arising from reverse repurchase and fixed coupon reverse repurchase agreements should not be netted on the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets. Report these agreements as a fund liability captioned *Obligations under Reverse Repurchase Agreements*, and report the underlying securities as *Investments*.
- E.** Report income from repurchase and fixed coupon repurchase agreements as interest income. Report interest cost as interest expenditure/expense. Do not net interest cost associated with these instruments with interest earned on any related investments.
- F.** Account for yield maintenance repurchase and reverse repurchase agreements as purchases and sales, and sales and purchases of securities, respectively, and recognize gains or losses.

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### Securities Lending Transactions

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In securities lending transactions, governmental entities transfer their securities (the underlying securities) to broker-dealers and other entities for collateral—which may be cash, securities, or letters of credit—and simultaneously agree to return the collateral for the same securities in the future. Governmental lenders invest the cash received as collateral and, if the returns on those investments exceed the *rebate* paid to the borrowers of the securities, the securities lending transactions generate income for the government. When securities or letters of credit are the collateral, the borrower will pay the lender a *loan premium or fee* for the securities loan. In some cases, the government may have the ability to pledge or sell the collateral securities before being required to return them to the borrower at the end of the loan.

The following information should be disclosed for securities lending transactions.

- A.** Report underlying securities (the securities lent by the lender to the borrower) as assets on the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets.  
Select underlying securities custodial risk, if applicable, when the collateral is not reported on the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets.  
**Select the risk exposure by the type of collateral and the custodial arrangements for the collateral securities.**
- B.** Report cash received as collateral on securities lending transactions, and investments made with that cash, as Securities Lending Collateral in the assets section of the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets.

In agent-managed programs, investments of cash collateral in separate accounts often will be subject to custodial credit risk because the custodian is the counterparty (the custodian acquires the securities). Select the risk exposure by how the cash collateral is reinvested.

A lender may not have the right to invest cash collateral. Specifically, a borrower may be allowed to replace securities collateral with cash collateral during the business day. When the borrower delivers cash that the lender does not have the right to invest, account for the transaction as involving securities collateral rather than cash collateral as detailed in the following paragraph “C.”



- C.** Report securities collateral the agency can pledge or sell without borrower default as Securities Lending Collateral in the asset section of the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets and classified by category of custodial risk. Also report liabilities resulting from these securities lending transactions in the liability section of the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets.
- Governmental lenders are considered to have the ability to pledge or sell collateral securities without borrower default if the securities lending contract specifically allows it. If the contract does not address whether the lender can pledge or sell the collateral securities without borrower default, it should be deemed not to have the ability to do so unless it has previously demonstrated that ability or there is some other indication of the ability to pledge or sell the collateral securities.
- D.** Securities lending transactions collateralized by letters of credit or securities that the governmental entity does not have the ability to pledge or sell unless the borrower defaults should not be reported as assets and liabilities in the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets. Select underlying securities custodial credit risk, if applicable, when the collateral for those loans is not reported in the balance sheet.
- E.** Disclose Fair values of both collateral securities reported on the Statement of Net Assets, Balance Sheet, and/or Statement of Fiduciary Net Assets and the underlying securities.
- Include a narrative description of participation in a security-lending program. Disclose the amount of securities out on loan to brokers/dealers as of August 31, 20CY. If title to the securities changes hands during the transaction, report the securities as reverse repurchase agreements.
- F.** Disclose the source of legal or contractual authorization for the use of securities lending transactions and any significant violations of those provisions that occurred during the period.
- G.** Provide a brief description for **ALL** of the following items for security lending transactions (if not in the body of the note, a separate attachment must be sent with the note).
- Types of securities lent.
  - Types of collateral received.
  - Whether the government has the ability to pledge or sell collateral securities without borrower default.
  - The amount by which the value of the collateral provided is required to exceed the value of the underlying securities.
  - Any loss indemnification provided by the security lending agents.
  - Restrictions on loan amounts.
  - Any significant violations of contract provisions.
  - Whether the maturities of investments made with cash collateral generally match the maturities of loan agreements.
  - Amount of losses from default related to security lending transactions.
  - Amount of recovered losses from previous periods.
  - Amount of credit risk as of the reporting date. If no credit risk exists, this fact should be disclosed. Credit risk exists when the amount owed the governmental entity exceeds the amount the governmental entity owes the broker/dealer.
- H.** Report income earned from investing cash collateral separately from costs reported as expenditures or expenses (e.g. borrower rebates or agent fees).

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### Derivatives

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- A.** Include in the Summary of Significant Accounting Policies note a discussion of the relevant accounting policies related to derivatives.
- B.** Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. Derivative securities cover a broad range of financial instruments including forward contracts, futures, options, interest rate swaps, and collateralized mortgage obligations. GASB Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, provides guidance on the type of disclosures that should be presented in the financial statements.

If derivatives have been used, held or written during the period covered by the financial statements (regardless of whether the assets or liabilities resulting from these transactions are reported on the financial statement), explain the **nature** of the transactions and the **purpose** for entering into them. Also include a discussion of the entity's exposure to credit risk, market risk, and legal risk to the extent that these risks are above and beyond the risks that are apparent in the financial statements or otherwise disclosed in the notes.

Disclose any violations of legal, regulatory, or contractual provisions by holding or writing (selling) certain derivatives.

To the extent that information is available, disclose any risk exposure by indirectly using, holding or writing derivatives, such as through participation in a mutual fund or investment pool that holds derivatives. If this information is not available, that fact should be disclosed.

#### Attention: GASB Technical Bulletin No. 2003-1 Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets

The disclosures required by the Technical Bulletin are limited to derivatives not presented at fair value on the balance sheet/statement of net assets. Many derivatives are already presented at fair value. For example, defined benefit pension plans present all investments, and consequently investment derivatives, at fair value. Embedded derivatives in an investment that GASB 31 requires to be reported at fair value are also already presented on the balance sheet/statement of net assets. In those cases, the need for derivative disclosures is diminished. GASB 40 requires disclosure of interest rate risk and credit risk of those instruments. The reporting requirements apply to all other derivatives. These derivatives may or may not be presented on the balance sheet/statement of net assets.

For example, a premium may have been paid or received for a swaption. Or a government may have entered into a prepaid interest rate swap—a derivative for which an up-front payment has been made. These derivatives may be reported on the balance sheet/statement of net assets, but not at fair value. On the other hand, a derivative entered into without an up-front payment may represent a commitment of the entity that may not have been reported on the balance sheet/statement of net assets.

#### Definition of Derivatives

A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

- 1 It has (1) one or more underlyings and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.
- 2 It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- 3 Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Derivative instruments embedded in other contracts are addressed in FASB 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, paragraphs 12-16.

#### Types of Derivatives

Common derivative transactions that are not generally reported at fair value on the balance sheet/statement of net assets are as follows. The following list is not comprehensive:

- 1 An interest rate swap that is intended to effectively or synthetically convert variable-rate debt to fixed-rate debt.
- 2 An interest rate swap that is intended to effectively or synthetically convert fixed-rate debt to variable-rate debt.

- 3 A basis swap in which counterparties exchange payments based on the changes of two variable rates. For example, a basis swap could be constructed that calls for one party to make payments to the counterparty based on the Bond Market Association Municipal Swap Index™ (BMA) and the other party to make payments based on a percentage of the London Interbank Offered Rate (LIBOR).
- 4 An option on an interest rate swap—a swaption—that gives the purchaser the right but not the obligation to enter into an interest rate swap. The purchaser pays a premium to the issuer or writer.
- 5 An interest rate cap that gives the purchaser protection against rising rates, or other indexes, above a given level.
- 6 A commodity swap that is intended to reduce an agency’s exposure to a commodity’s price risk.
- 7 A derivative that is intended to reduce an agency’s investment exposure to foreign currency changes.

The following table provides guidance as to where the derivative disclosures required by the bulletin should be presented in the notes to the financial statements.

If...	Then...
the derivative is related to an investment such as a Foreign Currency Exchange Contract,	the disclosure would be presented in an Investment note.
the derivative is related to a bond issuance such as a variable-rate debt to a fixed-rate debt,	the disclosure should be presented in a Bond Indebtedness note.
the derivative is related to fixing the price of a certain commodity.	the disclosure should be presented in a Contingent Liability note.

#### Details

For further detail regarding the topics of *Disclosure*, or *Computing Fair Value*, or *Types of Risks*, or *Terminology* please refer to appropriate section presented in Note 13 of this chapter.

## USAS Transaction Entries

Post investments recorded in USAS to the applicable investment GL account that most closely reflects the specific type of investment and designated as either current or non-current. Report investments in USAS when purchased or sold. FPP C.011, *Implementation of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (FM 97-111), provides guidance in applying GASB 31. During the year, changes in the fair value of investments must be recorded in USAS within **seven working days after the close of each month**. For fiscal year-end balances, post investments in USAS by September 14, 20CY.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* requires reporting of investments at **fair value** that replaces the previously used term *market value*. **Fair value** is defined by GASB 31 as:

*Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, or other than in a forced or liquidation sale. If a quoted market price is available for an investment, the fair value to be used in applying this Statement is the total of the number of trading units of the instrument times the market price per unit.*

GASB 31 applies to the following types of investments:

- Interest-earning investment contracts
- External investment pools
- Open-end mutual funds
- Debt securities
- Equity securities (including unit investment trusts and closed-end mutual funds), option contracts, stock warrants and stock rights that have readily determinable fair values.

Recognize all investment income, including changes in the fair value of investments, as revenue in the Statement of Activities, Statement of Revenues, Expenses, and Changes in Net Assets and/or as additions in the Statement of Changes in Fiduciary Net Assets. When identified separately as an element of investment income, caption the **change in the fair value of investments as net increase (decrease) in the fair value of investments**. Do not display realized gains and losses separately from the net increase (decrease) in the fair value of investments in the financial statements; however, you may separately display **realized gains and losses** in the separate reports of governmental external investment pools.

GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* supersedes GASB 2 and amends GASB 31. This Statement reflects the change in laws governing deferred compensation plans as originally stated in GASB 2. As of August 20, 1996, new plans are not considered eligible plans *unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries*. This Statement amended GASB 31, paragraph 2, by removing the exclusion of IRC Section 457 plans from that paragraph.

GASB 25 provides guidance for the reporting of defined benefit pension plans and notes disclosures for defined contribution plans. This Statement requires that *plan investments, whether equity or debt securities, real estate, or other investments (excluding insurance contracts), should be reported at their fair value at the reporting date. The fair value of an investment should reflect brokerage commissions and other costs normally incurred in a sale, if determinable*. The net appreciation (depreciation) in the fair value of pension plan investments should include realized gains and losses on investments that were both bought and sold during the year. Do not display realized and unrealized gains and losses separately in the financial statements.

Investment Transactions In Local Funds (Excluding Senate Bill 701, 75th Legislature, Regular Session)

Record investments purchased from local funds not covered by S.B. 701 as an asset at year-end using the following T-Code:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL*
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**To Record Investments Purchased From Local Funds**

(1)	5	U	0832CY	XXX	646	XX	XXXXX	N/A	\$ XX.XX		N/A	XXXX	XXXX
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**To Record Income on Investments From Local Funds**

(2)	5	U	0832CY	XXX	658	XX	XXXXX	3XXX	\$ XX.XX		N/A	XXXX	9999
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\* The allowable GL accounts for the T-Code can be found on the 28B screen.

Accounting Effect of above entries:

	Debit	Credit
<b>(1) To Record Investments Purchased From Local Funds</b>		
<b>XXXX</b> Input GL (Specific Investment GL Account)	\$ XX.XX	
<b>9999</b> System Clearing		\$ XX.XX
<b>(2) To Record Income on Investments From Local Funds</b>		
<b>9999</b> System Clearing	\$ XX.XX	
<b>5100</b> GAAP Revenue Offset		\$ XX.XX

**WARNING:** System clearing must not have a balance after all transactions have been entered.

Investment Transactions in Funds Covered by Senate Bill 701, (75th Legislature, Regular Session)

Agencies with funds covered by SB 701 should have signed a Memorandum of Understanding providing details on the entries to be made in USAS.

Enter year-end entries for agencies using required T-Codes 642-643 during the year in USAS to zero out the cumulative effect of the comptroller object codes.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ*	Amount	R	Appn No	Fund	Input GL**
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**To Eliminate Cumulative Revenue Comptroller Object Codes on Sales of Investments**

(1)	5	U	0832CY	XXX	630	XX	XXXXX	3811/ 3812	\$ XX.XX		N/A	XXXX	9999
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**To Eliminate Cumulative Expenditure Comptroller Object Codes from Purchases of Investments**

(2)	5	U	0832CY	XXX	633	XX	XXXXX	7713/ 7714	\$ XX.XX		N/A	XXXX	9999
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\* Comptroller object codes 3811/7713 are for short-term investments.  
Comptroller object codes 3812/7714 are for long-term investments.

\*\* The allowable GL accounts for the T-Code can be found on the 28B screen.

Accounting Effect of above entries:

		<u>Debit</u>	<u>Credit</u>
<b>(1) To Eliminate Cumulative Revenues</b>			
<b>5100</b> GAAP Revenue Offset		\$ XX.XX	
<b>9999</b> System Clearing			\$ XX.XX
<b>(2) To Eliminate Cumulative Expenditures</b>			
<b>9999</b> System Clearing		\$ XX.XX	
<b>5600</b> GAAP Expenditure Offset			\$ XX.XX

**WARNING:** System clearing must not have a balance after all transactions have been entered.

Investment Transactions in GAAP Agency Fund Types

GASB 31 is only for instruments that are held primarily for the purpose of income and profit. Because the assets in GAAP agency fund types do not belong to the reporting agency, there are no revenues to the agency. Agency fund types, therefore, would not fall under GASB 31. Also, this statement does not apply to seized securities the agency holds as evidence or holds as a potential fine. Report investments purchased or held in a GAAP Agency fund type (FT09) as an asset at year end using the following T-Code:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL*
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	------	-----------

**To Record Investments Purchased In A GAAP Agency Fund**

(1)	5	U	0832CY	XXX	109**	XX	XXXXX	N/A	\$ XX.XX		XXXXX	XXXX	XXXX
-----	---	---	--------	-----	-------	----	-------	-----	----------	--	-------	------	------

\* The allowable GL accounts for the T-Code can be found on the 28B screen.

\*\* USAS automatically reverses T-Code 109 with T-Code 110 using the current system management date.

Accounting Effect of above entry:

		<u>Debit</u>	<u>Credit</u>
<b>(1) To Record Investments Purchased In A GAAP Agency Fund</b>			
XXXX Input GL (Specific Investment GL Account)		\$ XX.XX	
1149 Funds Held For Others			\$ XX.XX

Securities Held in the Treasury

Non-cash securities are sometimes placed in the State Treasury for collateral. Record them as a GAAP agency fund type asset. Use the following T-Code to record these securities:

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL
--------	------------	----------	----------	---------	----	----	-----	------	--------	---	---------	------	----------

**To Record Securities Held In The State Treasury**

(1)	5	U	0832CY	XXX	109**	XX	XXXXX	N/A	\$ XX.XX		XXXXX	XXXX	0390*
-----	---	---	--------	-----	-------	----	-------	-----	----------	--	-------	------	-------

\* Although this GL is discussed here in relation to investments, it is profiled in USAS to roll to other assets on the balance sheet and should not be included in the Deposit Note.

\*\* USAS automatically reverses T-Code 109 with T-Code 110 using the current system management date.

Accounting Effect of above entry:

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Record Securities Held In The State Treasury</b>		
<b>0390</b> Securities Held In Trust	\$ XX.XX	
<b>1149</b> Funds Held For Others		\$ XX.XX

## **Deposit and Investment Note Submission System**

### **General Description**

The Deposit and Investment Note Submission System will provide a user friendly and intuitive method to electronically submit certain GASB disclosures and will ensure uniformity of these disclosures for the CAFR. This submission system will automatically extract USAS general ledger account balances for deposits and investments. Agencies will be able to save work in progress to the Deposit and Investment Note Submission System at any time and later recall a record for edit or delete. Reports will be in the form of HTML or PDF format as well as a download into an excel file. For the Financial Reporting Section, this system will produce a statewide database and statewide reports for the CAFR disclosures. This system is **in addition to** and does not replace the hard copy AFR Note 3 for specific state agencies and universities.

### **Which State Agencies and Universities are Required to Use the Deposit and Investment Note Submission System**

The Deposit and Investment Note Submission System is in addition to and does not replace any of the submission requirements for the hard copy AFR Note 3 with which all State Agencies and Universities must comply.

**Higher Education Systems only, Independent Higher Education Agencies, and State Agencies** (Simplified Reporting Agencies and Full Reporting Agencies) **must** use the Deposit and Investment Note Submission System in addition to the hard copy AFR Note 3.

Component Higher Education Agencies' deposit and investment CAFR disclosures are made through the Higher Education Systems. Therefore, **Component Higher Education Agencies** are exempt from using and **must not** use the Deposit and Investment Note Submission System. Component Higher Education Agencies must submit only the hard copy AFR Note 3.

### **Disclosures that Must be Entered and Certified on the Deposit and Investment Note Submission System and Submitted on the Hard Copy AFR Note**

The Internet Deposit and Investment Note Submission System **and** the hard copy AFR note are used for the following AFR Note 3 disclosures.

- Cash in Bank Carry Amount
- Cash in Bank Bank Balance
- Deposit Custodial Credit Risk
- Deposit Foreign Currency Risk
- Investment Fair Value
- Investment Custodial Credit Risk
- Investment Foreign Currency Risk
- Investment Credit Risk S&P

## Disclosures Only on the Hard Copy AFR Note (Not Entered on the Deposit and Investment Note Submission System)

The hard copy AFR note is the only way to submit the following disclosures (the Deposit and Investment Note Submission System does not include the following disclosures).

- Concentration of Credit Risk
- For CAFR purposes, interest rate risk disclosure is only required for agencies required to prepare their AFR in accordance with GAAP (audited AFR) as well as and the Treasury – Fiscal (Agency 311), Texas Education Agency (Agency 701), Texas A&M University System (Agency 798), and The University of Texas System (Agency 799). For audited AFRs, the agency can submit, as a supplement to the AFR, the interest rate risk disclosure in compliance with the required format shown in **Chapter 9 – Sample Agency Financial Report**, in the **Note 3: Deposits, Investments, and Repurchase Agreements** section.

These agencies should submit an electronic copy of their interest rate risk disclosure as a separate attachment to an e-mail sent to their financial reporting analyst or may send it directly to Roberto Vasquez at: [roberto.vasquez@cpa.state.tx.us](mailto:roberto.vasquez@cpa.state.tx.us).

- Securities Lending
- Derivative disclosures

## Web Site for the Deposit and Investment Note Submission System

A link to the Deposit and Investment Note Submission System is provided on the Annual Financial Report Preparation Resources Web page under the **AFR Web Applications** section at <https://fmx.cpa.state.tx.us/fmx/finrpt/aftr/index.php>.

## User Security Requirements for the Deposit and Investment Note Submission System

Please ensure that you have proper security to access the Deposit and Investment Note Submission System. Security for this submission system is obtained in the same manner as requesting security for the General Revenue Reconciliation system. To get security, ask your agency's security coordinator for Deposit and Investment Note Submission System access for each agency number you will be reporting.

You will need two components to obtain security access to the Deposit and Investment Note Submission System.

- 1 You need the Comptroller's mainframe security access. This type of security access is called Resource Access Control Facility (RACF) access. If you do not have RACF access, contact your agency's security coordinator to request RACF access.
- 2 You need a USAS Titles Profile (D53) screen to be added. Sign onto the Uniform Statewide Accounting System (USAS) and access the Titles Profile (D53) screen, as shown below. A USAS Titles Profile (D53) under Table ID of *INVS* for *Deposit and Investment Note Submission System* security must exist with your user ID which was set up in the previous step. The agencies a user is granted access to is controlled on the D53 profile screen. On the D53 enter *R* in the Action field, *INVS* in the Table ID field and the user identification number in the Key. The Key is comprised of your identification number in the first seven digits followed by your agency number in the last three. To verify security authority this way, you must have access to USAS. If you do not have USAS access, see number 1 above. Financial reporting analysts' key consists of *000* after their user identification number to allow access to all agencies. **Once the security area in the Comptroller's office has added a User ID on the D53 screen, it requires one overnight cycle to run before the user can access the Deposit and Investment Note Submission System. The user should ensure that the proper security exists as early in the process as possible.**

```

TEXASD53          UNIFORM STATEWIDE ACCOUNTING SYSTEM          MM/DD/YYYY  PM
LINK TO:          TITLES PROFILE                          PROD
ACTION: R        (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
TABLE ID: INVS
KEY: JSMI413777
TITLE: JOE SMITH

Note: The Key above enables User ID JSMI413 access to agency 777

F1-HELP  F3-END  F4-INTERRUPT  F6-PROCESS

```

## General Information about the Deposit and Investment Note Submission System

### System Records

Individual records are saved to the system based on the unique combination of Agency, Fund Type and GAAP Fund number.

### Agency Number

You may change to a different agency number (if you have established security for that agency) at any time. Click **Select New Agency** and the system returns you to the Agency Selection screen.

### USAS General Ledger Account Balances

USAS general ledger account balances are those balances from the previous USAS cycle. The only way to change a USAS general ledger account balance on a record is to exit the Deposit and Investment Note Submission System and enter a USAS transaction. You must wait until USAS has cycled and the transaction has posted in USAS.

### Screen Formats

Agency input boxes display below the Fund Type and GAAP Fund sections within the purple shaded table. The USAS general ledger account balances and calculated amount boxes display in the yellow shaded table.

### Screen Navigation

Press the **Tab** key to move between input boxes and to calculate amounts without saving the record. If you press the **Enter** key, the system saves the record with the data you have entered up to that point.

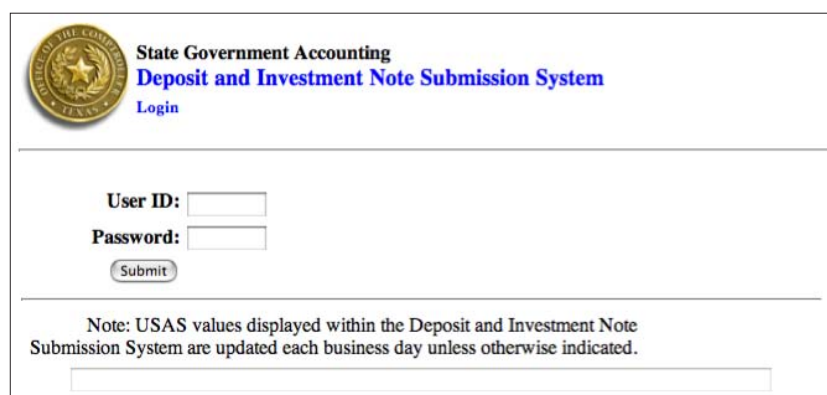
### Save Feature

You can save a record at any time. Click **Save** and the status box displays the message *Saving data*. Once a record is saved, you must click **Edit/Delete** on the Note Disclosures navigation bar to make any changes to the existing record.

## Logging Into the Deposit and Investment Note Submission System

Once proper security authorization is established, you may log into the Deposit and Investment Note Submission System. A link to the system is provided on the Annual Financial Report Preparation Resources Web page under the **AFR Web Applications** section at <https://fmx.cpa.state.tx.us/fmx/finrpt/afr/index.php>.

- 1 Enter the User ID.  
The User ID used for the Deposit and Investment Note Submission System is the same ACID used to access the Comptroller's mainframe and USAS.
- 2 Enter the Password. This is your USAS password.



The screenshot shows a login page for the State Government Accounting Deposit and Investment Note Submission System. It features the state seal of Texas on the left, followed by the text "State Government Accounting" and "Deposit and Investment Note Submission System" in blue. Below this is a "Login" link. The login form consists of two input fields: "User ID:" and "Password:", each followed by a text box. A "Submit" button is located below the password field. At the bottom, there is a note: "Note: USAS values displayed within the Deposit and Investment Note Submission System are updated each business day unless otherwise indicated." Below the note is a small, empty rectangular box.



**3 Click Submit.**

The status box displays the message *Loading your investment data... This could take a couple of minutes*. This indicates the system is processing. The system takes you to the Agency Selection screen. If your login has expired, been suspended, or was incorrectly entered, you will receive an error message. Contact your security coordinator if any of these has occurred.

**Selecting an Agency**

Your security allows you to access only those agencies for which you have security. A drop-down menu provides a list of all those agencies.

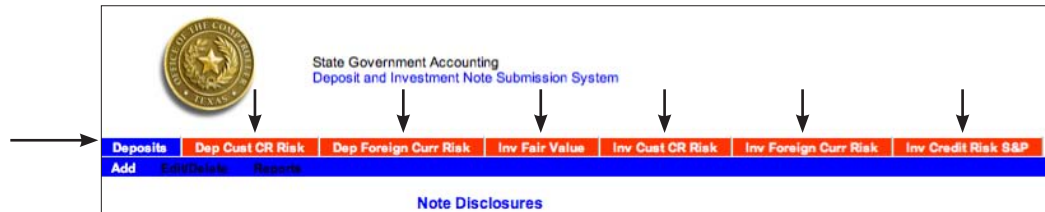
- 1 Select the agency from the drop down menu.
- 2 Click **Go**. The status box displays the message *Loading. Please wait*. This indicates the system is processing.



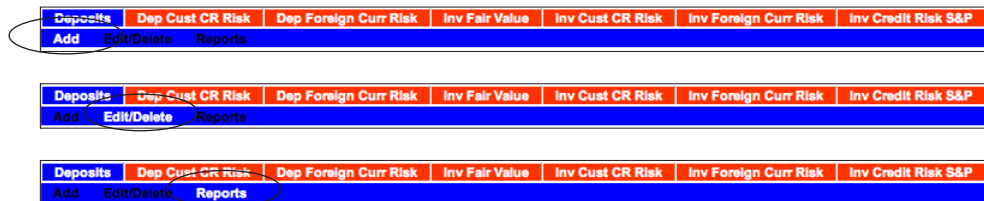
**Note Disclosures Navigation Bar**

Once you have logged into the system and selected an agency, the system automatically displays the Note Disclosures navigation bar.

The top navigation bar contains a tab for each disclosure. Each time you log on, the system defaults to the **Deposits** Note Disclosure tab.



Each disclosure has three actions; Add, Edit/Delete and Reports. Each time you navigate to a particular disclosure, the system defaults to the Note Disclosures' Add action.



The disclosures menu displays the various deposit and investments note disclosures to be submitted over the Deposit and Investment Note Submission System.

## General Information Applicable to All Disclosure Screens

Some disclosure screens require agency input amounts in dollars and cents because the input amounts are reconciled to USAS general ledger account balances. Some disclosure screens require agency input amounts rounded to the nearest thousand.

### Agency input amounts in dollars and cents

Agency input amounts are in dollars and cents for these screens. Agency input amounts are reconciled to USAS general ledger account balances in dollars and cents. *Differences between agency input amounts and USAS balances must equal zero before the agency can certify.*

- Deposits
- Investment Fair Value

### Agency input amounts rounded to the nearest thousand

Agency input amounts are rounded to the nearest thousand for these screens.

Agency input amounts are reconciled to USAS general ledger account balances which have been rounded to the nearest thousand. *Differences between agency input amounts and USAS balances rounded to thousands must be no greater than plus or minus 1 (i.e., +1 or -1) before the agency can certify.*

- Investment Credit Risk S&P is verified against Total Investment Fair Value

Agency input amounts are reconciled to agency input amounts saved on a different disclosure screen. *Differences between agency input amounts and amounts pulled from the related disclosure screen must be no greater than plus or minus 1 (i.e., +1 or -1) before the agency can certify.*

- Investment Foreign Currency Risk is verified against Investment Fair Value by foreign investment type

Agency input amounts do not reconcile to USAS balances nor to a different disclosure screen. There is no difference to be verified before the agency can certify.

- Deposit Custodial Credit Risk
- Deposit Foreign Currency Risk
- Investment Custodial Credit Risk

## Reports

One of the actions available on all disclosure screens is to view reports. Reports are available in HTML or PDF format as well as a download into an Excel file. You may print a report for any agency you have established security. Click **Agency** and the system will provide a drop down menu. Depending on the format of the report you want, click the **Generate Report** button.

## Certification

Agencies confirm that they have completed all disclosures by clicking the **Certify** button. Once certified, only the report action will be available.

*Certification will not be allowed until all disclosure screens meet the following requirements.*

Some disclosure screens reconcile to USAS general ledger account balances. Some disclosure screens reconcile to input amounts saved on a different disclosure screen. Agencies will not be able to certify and submit their disclosures over the submission system unless these reconciliations are complete.

The submission system shows all unreconciled records on the Edit/Delete action menu screen and on the report with a red star next to the Fund Type/GAAP Fund combination.

For the following disclosure screens, agency input amounts are reconciled to USAS general ledger account balances in dollars and cents. *Differences between agency input amounts and USAS balances must equal zero before the agency can certify. The agency must have no records on the Edit/Delete action menu screen with a red star before you will be able to submit.*

- Deposits
- Investment Fair Value

For the following disclosure screen, agency input amounts are reconciled to USAS general ledger account balances rounded to the nearest thousand. *Differences between agency input amounts and USAS balances rounded to thousands must be no greater than plus or minus 1 (i.e., +1 or -1) before the agency can certify.* The agency may have records on the Edit/Delete action menu screen with a red star.

- Investment Credit Risk S&P is verified against Total Investment Fair Value

For the following disclosure screen, agency input amounts are reconciled to agency input amounts saved on a different disclosure screen. *Differences between agency input amounts and amounts pulled from the related disclosure screen must be no greater than plus or minus 1 (i.e., +1 or -1) before the agency can certify.* The agency may have records on the Edit/Delete action menu screen with a red star.

- Investment Foreign Currency Risk is verified against Investment Fair Value by foreign investment type

### Deposits Disclosure Screen

<b>Disclosure</b>	Deposit Carry Amount Deposit Bank Balance
<b>Reconcile to USAS?</b>	Yes Cash in Bank USAS GL Account Classes Differences between agency input amounts and USAS balances must equal zero before the agency can certify.
<b>Amounts</b>	All amounts in dollars and cents

The agency input Cash in Bank Carry Amount must be adjusted in order to reconcile to the total Cash in Bank USAS GL Account balances. These adjustments subtract amounts included in the agency input amounts as Cash in Bank Carry Amount but which are recorded to USAS investment general ledger accounts. [Adjustments include non-negotiable CDs](#) that are placed directly with financial institutions and are generally subject to penalty for early redemption, uninvested securities lending cash collateral, and securities lending collateral in the form of a nonnegotiable CD are these adjustments.

Deposits (dollars and cents)	
Field Title	Action
Cash in Bank Carry Amount	Enter/edit amount as a positive(A)
Less: Nonnegotiable CDs included in Carry Amount	Enter/edit amount as a positive (B)
Less: Uninvested Cash Collateral Included in Carry Amount	Enter/edit amount as a positive (C)
Less: CD Collateral Included in Carry Amount	Enter/edit amount as a positive (D)
Cash in Bank Bank Balance	Enter/edit amount as a positive

Total Cash in Bank per AFR	Calculated amount (E) = A-B-C-D
GL Acct Class 002 CA Cash in Bank	Extracted from USAS (F)
GL Acct Class 011 CA Restricted Cash in Bank	Extracted from USAS (G)
GL Acct Class 120 NC Restricted Cash in Bank	Extracted from USAS (H)
Difference Between CIB and USAS GL balances (must be zero to certify)	Calculated amount = E-F-G-H

Determine whether you need to add a record, edit a record or delete a record

- 1 Click the **Edit/Delete** action on the Note Disclosures navigation bar. All saved records are displayed.
- 2 If the Agency, Fund Type and GAAP Fund number combination is not listed, then you need to add a record. Click the **Add** action on the Note Disclosures navigation bar. The system takes you to the Note Disclosures screen. For instructions, read the **Add a record** section.  
—or—  
If the Agency, Fund Type and GAAP Fund number combination is listed, then you have previously saved this record to the system. Only an edit or a delete to this record is allowed. Click the **edit** or **del** button for this record. For instructions, read the **Edit a record** or **Delete a record** section.

Add a record

- 1 Click the **Add** action on the Note Disclosures navigation bar.
- 2 Select a Fund Type and GAAP Fund number from the drop down menu. The status box displays the message *Processing. Please wait*. This indicates that the Deposit and Investment Note Submission System is extracting the USAS general ledger account balances from the prior USAS cycle.

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**Note:** If you do not have Javascript, click **Calc Totals**. If you have Javascript, the system calculates totals automatically.

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- 3 To enter the agency input amount:
  - a Press the **Tab** key until your cursor is in the agency input box you want to enter.
  - b Enter the amounts in dollars and cents.
  - c Press the **Tab** key.  
The Deposit and Investment Note Submission System automatically recalculates the Total Cash In Bank per AFR amount and the Difference Between CIB and USAS GL balances amount.
  - d Click the **Save** button.  
The status box displays the message *Saving data* and the system takes you to the Edit/Delete screen.
- 4 If the USAS general ledger account balances are correct, click **log out** to exit the Deposit and Investment Note Submission System.  
—or—  
If the USAS general ledger account balances are incorrect, click **log out** to exit the Deposit and Investment Note Submission System. You need to **enter a USAS transaction** to change the incorrect USAS general ledger account balance. **Wait** for a USAS cycle to process in order for the Deposit and Investment Note Submission System to update with the new USAS balance.

Edit a record

- 1 Click the **edit** button for that record.  
The system takes you to the Edit an Existing Deposit screen which displays the agency input amounts as currently saved and the USAS general ledger account balances from the prior USAS cycle.
- 2 Press the **Tab** key until your cursor is in the agency input box you want to enter.
- 3 Edit the amount in dollars and cents.
- 4 Press the **Tab** key  
The Deposit and Investment Note Submission System automatically recalculates the Total Cash In Bank per AFR amount and the Difference Between CIB and USAS GL balances amount.

---

**Note:** If you do not have Javascript, click **Calc Totals**. If you have Javascript, the system calculates totals automatically.

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You can edit and **Tab** advance as many times as needed before proceeding to the next step. The Deposit and Investment Note Submission System recalculates each time you press **Tab**.

- 5 Click the **Save** button.  
The status box displays the message *Saving, Please wait*. The system takes you back to the Edit/Delete screen.
- 6 Select another record to edit or click **log out** to exit the system.

#### Delete a record

- 1 Click the **del** button for that record.  
The system takes you to the Delete an Existing Deposit screen which displays the agency input amounts as currently saved and USAS general ledger account balances from the prior USAS cycle.
- 2 Click the **Confirm Delete** button.  
The status box displays the message *Deleting, Please wait*. The system takes you back to the Edit/Delete screen. You may select another record to delete or click **log out** to exit the system.

### Deposits Custodial Credit Risk Disclosure Screen

<b>Disclosure</b>	Deposit Custodial Credit Risk
<b>Reconcile to USAS?</b>	No
<b>Amounts</b>	All amounts rounded to the nearest thousand

Deposits Custodial Credit Risk (in thousands)	
Field Title	Action
Bank Balance that is uninsured and uncollateralized	Enter/edit amount
Bank Balance that is uninsured and collateralized with securities held by the pledging financial institution	Enter/edit amount
Bank Balance that is uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the agency's name	Enter/edit amount

#### Determine whether you need to add a record, edit a record or delete a record

- 1 Click the **Edit/Delete** action on the Note Disclosures navigation bar. All saved records are displayed.
- 2 If the Agency, Fund Type and GAAP Fund number combination is not listed, then you need to add a record. Click the **Add** action on the Note Disclosures navigation bar. The system takes you to the Note Disclosures screen. For instructions, read the **Add a record** section.  
—or—  
If the Agency, Fund Type and GAAP Fund number combination is listed, then you have previously saved this record to the system. Only an edit or a delete to this record is allowed. Click the **edit** or **del** button for this record. For instructions, read the **Edit a record** or **Delete a record** section.

#### Add a record

- 1 Click the **Add** action on the Note Disclosures navigation bar.
- 2 Select a Fund Type and GAAP Fund number from the drop down menu.
- 3 To enter the agency input amount:
  - a Press the **Tab** key until your cursor is in the agency input box you want to enter.
  - b Enter the amounts in thousands.
  - c Click the **Save** button.  
The status box displays the message *Saving data* and the system takes you to the Edit/Delete screen.

Edit a record

- 1 Click the **edit** button for that record.  
The system takes you to the Edit an Existing Deposit Custodial Credit Risk screen which displays the agency input amounts as currently saved.
- 2 Press the **Tab** key until your cursor is in the agency input box you want to enter.
- 3 Edit the amount in thousands.
- 4 Press the **Tab** key
- 5 Click the **Save** button.  
The status box displays the message *Saving, Please wait*. The system takes you back to the Edit/Delete screen.
- 6 Select another record to edit or click **log out** to exit the system.

Delete a record

- 1 Click the **del** button for that record.  
The system takes you to the Delete an Existing Deposit Custodial Credit Risk screen which displays the agency input amounts as currently saved.
- 2 Click the **Confirm Delete** button.  
The status box displays the message *Deleting, Please wait*. The system takes you back to the Edit/Delete screen. You may select another record to delete or click **log out** to exit the system.

**Deposits Foreign Currency Risk Disclosure Screen**

<b>Disclosure</b>	Deposit Foreign Currency Risk
<b>Reconciles to USAS?</b>	No
<b>Amounts</b>	All amounts rounded to the nearest thousand

Deposits Foreign Currency Risk (in thousands)	
Field Title	Action
Bank Balance Held in Foreign Currency	Enter/edit amount

Determine whether you need to add a record, edit a record or delete a record

- 1 Click the **Edit/Delete** action on the Note Disclosures navigation bar. All saved records are displayed.
- 2 If the Agency, Fund Type and GAAP Fund number combination is not listed, then you need to add a record. Click the **Add** action on the Note Disclosures navigation bar. The system takes you to the Note Disclosures screen. For instructions, read the **Add a record** section.  
—or—  
If the Agency, Fund Type and GAAP Fund number combination is listed, then you have previously saved this record to the system. Only an edit or a delete to this record is allowed. Click the **edit** or **del** button for this record. For instructions, read the **Edit a record** or **Delete a record** section.

Add a record

- 1 Click the **Add** action on the Note Disclosures navigation bar.
- 2 Select a Fund Type and GAAP Fund number from the drop down menu.
- 3 To enter the agency input amount:
  - a Press the **Tab** key until your cursor is in the agency input box you want to enter.
  - b Enter the amounts in thousands.
  - c Click the **Save** button.  
The status box displays the message *Saving data* and the system takes you to the Edit/Delete screen.

Edit a record

- 1 Click the **edit** button for that record.  
The system takes you to the Edit an Existing Deposit Foreign Currency Risk screen which displays the agency input amounts as currently saved.
- 2 Press the **Tab** key until your cursor is in the agency input box you want to enter.
- 3 Edit the amount in thousands.
- 4 Press the **Tab** key
- 5 Click the **Save** button.  
The status box displays the message *Saving, Please wait*. The system takes you back to the Edit/Delete screen.
- 6 Select another record to edit or click **log out** to exit the system.

Delete a record

- 1 Click the **del** button for that record.  
The system takes you to the Delete an Existing Deposit Foreign Currency Risk screen which displays the agency input amounts as currently saved.
- 2 Click the **Confirm Delete** button.  
The status box displays the message *Deleting, Please wait*. The system takes you back to the Edit/Delete screen. You may select another record to delete or click **log out** to exit the system.

**Investments Fair Value Disclosure Screen**

<b>Disclosure</b>	Investment fair value by Investment Type
<b>Reconciles to USAS?</b>	Yes Investment Type USAS GL Account Classes Differences between agency input amounts and USAS balances must equal zero before the agency can certify.
Amounts	All amounts in dollars and cents

The agency input Total Investment Fair Value must be adjusted in order to reconcile to the total Investment USAS GL Account balances. These adjustments add amounts **not** included in the agency input amounts for Investment Fair Value but which are recorded to USAS investment general ledger accounts. Nonnegotiable CDs that are placed directly with financial institutions and are generally subject to penalty for early redemption, uninvested securities lending cash collateral, and securities lending collateral in the form of a nonnegotiable CD are these adjustments.

Investments Fair Value (dollars and cents)	
Field Title	Action
Investment Type	Enter/edit amount as a positive (A)
Plus: Nonnegotiable CDs not included in Investment FV	Pulled from the Disclosures Menu Deposit Tab as a positive (B)
Plus: Uninvested Cash Collateral not included in Investment FV	Pulled from the Disclosures Menu Deposit Tab as a positive (C)
Plus: CD Collateral not included in investment FV	Pulled from the Disclosures Menu Deposit Tab as a positive (D)
Total Investment Fair Value per AFR	Calculated amount (E) = A+B+C+D
GL Acct Class 005 Securities Lending Collateral	Extracted from USAS (F)
GL Acct Class 006 CA Cash Equivalent	Extracted from USAS (G)
GL Acct Class 008 CA Short Term Investments	Extracted from USAS (H)
GL Acct Class 014 CA Restricted Cash Equivalent	Extracted from USAS (I)
GL Acct Class 016 CA Restricted Short Term Investments	Extracted from USAS (J)
GL Acct Class 123 NC Restricted Cash Equivalent	Extracted from USAS (K)
GL Acct Class 128 NC Restricted Short Term Investments	Extracted from USAS (L)
GL Acct Class 130 NC Restricted Investments	Extracted from USAS (M)
GL Acct Class 147 NC Investments	Extracted from USAS (N)
Difference Between Investments Fair Value and USAS GL balances (must be zero to certify)	Calculated amount = E-F-G-H-I-J-K-L-M-N

Determine whether you need to add a record, edit a record or delete a record

- 1 Click the **Edit/Delete** action on the Note Disclosures navigation bar. All saved records are displayed.
- 2 If the Agency, Fund Type and GAAP Fund number combination is not listed, then you need to add a record. Click the **Add** action on the Note Disclosures navigation bar. The system takes you to the Note Disclosures screen. For instructions, read the **Add a record** section.  
—or—  
If the Agency, Fund Type and GAAP Fund number combination is listed, then you have previously saved this record to the system. Only an edit or a delete to this record is allowed. Click the **edit** or **del** button for this record. For instructions, read the **Edit a record** or **Delete a record** section.

Add a record

- 1 Click the **Add** action on the Note Disclosures navigation bar.
- 2 Select a Fund Type and GAAP Fund number from the drop down menu. The status box displays the message *Processing. Please wait.* This indicates that the Deposit and Investment Note Submission System is extracting the USAS general ledger account balances from the prior USAS cycle.

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**Note:** If you do not have Javascript, click **Calc Totals**. If you have Javascript, the system calculates totals automatically.

---

- 3 To enter the agency input amount:
  - a Press the **Tab** key until your cursor is in the agency input box you want to enter.
  - b Enter the amounts in dollars and cents.
  - c Press the **Tab** key.  
The Deposit and Investment Note Submission System automatically recalculates the Total Inv Fair Value per AFR amount and the Difference Between Inv Fair Value and USAS GL Balances amount.
  - d Click the **Save** button.  
The status box displays the message *Saving data* and the system takes you to the Edit/Delete screen.
- 4 If the USAS general ledger account balances are correct, click **log out** to exit the Deposit and Investment Note Submission System.  
—or—

If the USAS general ledger account balances are incorrect, click **log out** to exit the Deposit and Investment Note Submission System. You need to **enter a USAS transaction** to change the incorrect USAS general ledger account balance. **Wait** for a USAS cycle to process in order for the Deposit and Investment Note Submission System to update with the new USAS balance.

Edit a record

- 1 Click the **edit** button for that record.  
The system takes you to the Edit an Existing Investment Fair Value screen which displays the agency input amounts as currently saved and the USAS general ledger account balances from the prior USAS cycle.
- 2 Press the **Tab** key until your cursor is in the agency input box you want to enter.
- 3 Edit the amount in dollars and cents.
- 4 Press the **Tab** key  
The Deposit and Investment Note Submission System automatically recalculates the Total Inv Fair Value per AFR amount and the Difference Between Inv Fair Value and USAS GL Balances amount.

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**Note:** If you do not have Javascript, click **Calc Totals**. If you have Javascript, the system calculates totals automatically.

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You can edit and **Tab** advance as many times as needed before proceeding to the next step. The Deposit and Investment Note Submission System recalculates each time you press **Tab**.



- 5 Click the **Save** button.  
The status box displays the message *Saving, Please wait*. The system takes you back to the Edit/Delete screen.
- 6 Select another record to edit or click **log out** to exit the system.

Delete a record

- 1 Click the **del** button for that record.  
The system takes you to the Delete an Existing Investment Fair Value screen which displays the agency input amounts as currently saved and USAS general ledger account balances from the prior USAS cycle.
- 2 Click the **Confirm Delete** button.  
The status box displays the message *Deleting, Please wait*. The system takes you back to the Edit/Delete screen. You may select another record to delete or click **log out** to exit the system.

**Investments Custodial Credit Risk Disclosure Screen**

<b>Disclosure</b>	Investment Custodial Credit Risk by Investment Type
<b>Reconciles to USAS?</b>	No
<b>Amounts</b>	All amounts rounded to the nearest thousand

Investments Custodial Credit Risk (in thousands)	
Field Title	Action
Fair Value by investment type that is	
Uninsured and unregistered with securities held by the counterparty	Enter/edit amount
Uninsured and unregistered with securities held by the Counterparty's Trust Department or Agent but not in the agency's name	Enter/edit amount

Determine whether you need to add a record, edit a record or delete a record

- 1 Click the **Edit/Delete** action on the Note Disclosures navigation bar. All saved records are displayed.
- 2 If the Agency, Fund Type and GAAP Fund number combination is not listed, then you need to add a record. Click the **Add** action on the Note Disclosures navigation bar. The system takes you to the Note Disclosures screen. For instructions, read the **Add a record** section.  
—or—  
If the Agency, Fund Type and GAAP Fund number combination is listed, then you have previously saved this record to the system. Only an edit or a delete to this record is allowed. Click the **edit** or **del** button for this record. For instructions, read the **Edit a record** or **Delete a record** section.

Add a record

- 1 Click the **Add** action on the Note Disclosures navigation bar.
- 2 Select a Fund Type and GAAP Fund number from the drop down menu.
- 3 To enter the agency input amount:
  - a Press the **Tab** key until your cursor is in the agency input box you want to enter.
  - b Enter the amounts in thousands.
  - c Click the **Save** button.  
The status box displays the message *Saving data* and the system takes you to the Edit/Delete screen.

**Edit a record**

- 1 Click the **edit** button for that record.  
The system takes you to the Edit an Existing Investment Custodial Credit Risk screen which displays the agency input amounts as currently saved.
- 2 Press the **Tab** key until your cursor is in the agency input box you want to enter.
- 3 Edit the amount in thousands.
- 4 Press the **Tab** key
- 5 Click the **Save** button.  
The status box displays the message *Saving, Please wait*. The system takes you back to the Edit/Delete screen.
- 6 Select another record to edit or click **log out** to exit the system.

**Delete a record**

- 1 Click the **del** button for that record.  
The system takes you to the Delete an Existing Investment Custodial Credit Risk screen which displays the agency input amounts as currently saved.
- 2 Click the **Confirm Delete** button.  
The status box displays the message *Deleting, Please wait*. The system takes you back to the Edit/Delete screen. You may select another record to delete or click **log out** to exit the system.

**Investments Foreign Currency Risk Disclosure Screen**

<b>Disclosure</b>	Investment Foreign Currency Risk by type of Foreign Investment
<b>Reconciles to USAS?</b>	No
<b>Amounts</b>	All amounts rounded to the nearest thousand

In order to verify the agency input Investment Foreign Currency Risk amounts, the submission system automatically pulls the agency input Investment Fair Value amounts by type of foreign investment from the Investment Fair Value Tab. Differences in this reconciliation must be no greater than plus or minus 1 (i.e., +1 or -1) before the agency can certify.

Investments Foreign Currency Risk (in thousands)	
Field Title	Action
Balance held by Foreign Currency	
For International Obligation	Enter/edit amount as a positive (A)
For International Equity	Enter/edit amount as a positive (B)
For International Other Commingled Funds	Enter/edit amount as a positive (C)
Total International Obligation Entered	Calculated amount (D)= Total of A
International Obligation (from investment fair value tab)	Pulled from the Disclosures Menu Investment Fair Value Tab divided by 1,000 (E)
Difference must be no greater than plus or minus 1 (i.e., +1 or -1) before the agency can certify	Calculated amount = D-E
Total International Equity Entered	Calculated amount (F)= Total of B
International Equity (from investment fair value tab)	Pulled from the Disclosures Menu Investment Fair Value Tab divided by 1,000 (G)
Difference must be no greater than plus or minus 1 (i.e., +1 or -1) before the agency can certify	Calculated amount = F-G
Total International Other Commingled Funds Entered	Calculated amount (H)= Total of C
International Other Commingled Funds (from investment fair value tab)	Pulled from the Disclosures Menu Investment Fair Value Tab divided by 1,000 (I)
Difference must be no greater than plus or minus 1 (i.e., +1 or -1) before the agency can certify	Calculated amount = H-I

Determine whether you need to add a record, edit a record or delete a record

- 1 Click the **Edit/Delete** action on the Note Disclosures navigation bar. All saved records are displayed.
- 2 If the Agency, Fund Type and GAAP Fund number combination is not listed, then you need to add a record. Click the **Add** action on the Note Disclosures navigation bar. The system takes you to the Note Disclosures screen. For instructions, read the **Add a record** section.  
—or—  
If the Agency, Fund Type and GAAP Fund number combination is listed, then you have previously saved this record to the system. Only an edit or a delete to this record is allowed. Click the **edit** or **del** button for this record. For instructions, read the **Edit a record** or **Delete a record** section.

Add a record

- 1 Click the **Add** action on the Note Disclosures navigation bar.
- 2 Select a Fund Type and GAAP Fund number from the drop down menu. The status box displays the message *Processing. Please wait.* This indicates that the Deposit and Investment Note Submission System is extracting from the Investment Fair Value screen.

**Note:** If you do not have Javascript, click **Calc Totals**. If you have Javascript, the system calculates totals automatically.

- 3 To enter the agency input amount:
  - a Press the **Tab** key until your cursor is in the agency input box you want to enter.
  - b Enter the amounts in thousands.
  - c Press the **Tab** key.  
The Deposit and Investment Note Submission System automatically recalculates all total Entered and Difference amounts by type.
  - d Click the **Save** button.  
The status box displays the message *Saving data* and the system takes you to the Edit/Delete screen.
- 4 If the International Obligation, Equity and Other Commingled Funds Investment Fair Value amounts are correct, click **log out** to exit the Deposit and Investment Note Submission System.

—or—

If the International Obligation, Equity and Other Commingled Funds Investment Fair Value amounts are incorrect, go to the Investment Fair Value screen, click the **Edit/Delete** action, click the **edit** button and edit the incorrect amounts.

Edit a record

- 1 Click the **edit** button for that record.  
The system takes you to the Edit an Existing Investment Foreign Currency Risk screen which displays the agency input amounts as currently saved.
- 2 Press the **Tab** key until your cursor is in the agency input box you want to enter.
- 3 Edit the amount in thousands.
- 4 Press the **Tab** key  
The Deposit and Investment Note Submission System automatically recalculates all total Entered and Difference amounts by type.

**Note:** If you do not have Javascript, click **Calc Totals**. If you have Javascript, the system calculates totals automatically.

You can edit and **Tab** advance as many times as needed before proceeding to the next step. The Deposit and Investment Note Submission System recalculates each time you press **Tab**.

- 5 Click the **Save** button.  
The status box displays the message *Saving. Please wait.* The system takes you back to the Edit/Delete screen.
- 6 Select another record to edit or click **log out** to exit the system.

Delete a record

- 1 Click the **del** button for that record.  
The system takes you to the Delete an Existing Investment Foreign Currency screen which displays the agency input amounts as currently saved.
- 2 Click the **Confirm Delete** button.  
The status box displays the message *Deleting, Please wait*. The system takes you back to the Edit/Delete screen. You may select another record to delete or click **log out** to exit the system.

**Investments Credit Risk S&P Disclosure Screen**

<b>Disclosure</b>	Investment Credit Risk S&P by Investment Type
<b>Reconciles to USAS?</b>	No
<b>Amounts</b>	All amounts rounded to the nearest thousand

In order to verify the agency input Total Investments Credit Risk S&P against USAS balances rounded to thousands, the disclosure screen includes Non Debt Securities (i.e., equity, etc.) and Debt Securities not subject to Credit Risk (i.e., Ginnie Mae, etc.) Differences in this verification must be no greater than plus or minus 1 (i.e., +1 or -1) before the agency can certify.

Investments Credit Risk S&P (in thousands)	
Field Title	Action
Fair Value of Non Debt Securities	Enter/edit amount as a positive (A)
Fair Value of Debt Securities not subject to Credit Risk	Enter/edit amount as a positive (B)
S&P Credit Rating by Type of Investment	Enter/edit amount as a positive (C)
Total Investments Credit Risk S&P Entered	Calculated amount (D)= A+B+C
GL Acct Class 005 Securities Lending Collateral	Extracted from USAS divided by 1,000 (E)
GL Acct Class 006 CA Cash Equivalent	Extracted from USAS divided by 1,000 (F)
GL Acct Class 008 CA Short Term Investments	Extracted from USAS divided by 1,000 (G)
GL Acct Class 014 CA Restricted Cash Equivalents	Extracted from USAS divided by 1,000 (H)
GL Acct Class 016 CA Restricted Short Term Investments	Extracted from USAS divided by 1,000 (I)
GL Acct Class 123 NC Restricted Cash Equivalent	Extracted from USAS divided by 1,000 (J)
GL Acct Class 128 NC Restricted Short Term Investments	Extracted from USAS divided by 1,000 (K)
GL Acct Class 130 NC Restricted Investments	Extracted from USAS divided by 1,000 (L)
GL Acct Class 147 NC Investments	Extracted from USAS divided by 1,000 (M)
Difference must be no greater than plus or minus 1 (i.e., +1 or -1) before the agency can certify	Calculated amount = D-E-F-G-H-I-J-K-L-M

Determine whether you need to add a record, edit a record or delete a record

- 1 Click the **Edit/Delete** action on the Note Disclosures navigation bar. All saved records are displayed.
- 2 If the Agency, Fund Type and GAAP Fund number combination is not listed, then you need to add a record. Click the **Add** action on the Note Disclosures navigation bar. The system takes you to the Note Disclosures screen. For instructions, read the **Add a record** section.  
—or—  
If the Agency, Fund Type and GAAP Fund number combination is listed, then you have previously saved this record to the system. Only an edit or a delete to this record is allowed. Click the **edit** or **del** button for this record. For instructions, read the **Edit a record** or **Delete a record** section.

Add a record

- 1 Click the **Add** action on the Note Disclosures navigation bar.
- 2 Select a Fund Type and GAAP Fund number from the drop down menu. The status box displays the message *Processing. Please wait.* This indicates that the Deposit and Investment Note Submission System is extracting the USAS general ledger account balances from the prior USAS cycle and rounding those balances to the nearest thousand.

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**Note:** If you do not have Javascript, click **Calc Totals**. If you have Javascript, the system calculates totals automatically.

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- 3 To enter the agency input amount:
  - a Press the **Tab** key until your cursor is in the agency input box you want to enter.
  - b Enter the amounts in thousands.
  - c Press the **Tab** key.  
The Deposit and Investment Note Submission System automatically recalculates the Total Inv Credit Risk S&P Entered amount and the Difference amount.
  - d Click the **Save** button.  
The status box displays the message *Saving data* and the system takes you to the Edit/Delete screen.

- 4 If the USAS general ledger account balances rounded to the nearest thousand are correct, click **log out** to exit the Deposit and Investment Note Submission System.

—or—

If the USAS general ledger account balances rounded to the nearest thousand are incorrect, click **log out** to exit the Deposit and Investment Note Submission System. You need to **enter a USAS transaction** to change the incorrect USAS general ledger account balance. **Wait** for a USAS cycle to process in order for the Deposit and Investment Note Submission System to update with the new USAS balance.

Edit a record

- 1 Click the **edit** button for that record.  
The system takes you to the Edit an Existing Investment Credit Risk S&P screen which displays the agency input amounts as currently saved and the USAS general ledger account balances from the prior USAS cycle and rounding those balances to the nearest thousand.
- 2 Press the **Tab** key until your cursor is in the agency input box you want to enter.
- 3 Edit the amount in thousands.
- 4 Press the **Tab** key  
The Deposit and Investment Note Submission System automatically recalculates the Total Inv Credit Risk S&P Entered amount and the Difference amount.

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**Note:** If you do not have Javascript, click **Calc Totals**. If you have Javascript, the system calculates totals automatically.

---

You can edit and **Tab** advance as many times as needed before proceeding to the next step. The Deposit and Investment Note Submission System recalculates each time you press **Tab**.

- 5 Click the **Save** button.  
The status box displays the message *Saving. Please wait.* The system takes you back to the Edit/Delete screen.
- 6 Select another record to edit or click **log out** to exit the system.

### Delete a record

- 1 Click the *del* button for that record.  
The system takes you to the Delete an Existing Investment Credit Risk S&P screen which displays the agency input amounts as currently saved and USAS general ledger account balances from the prior USAS cycle and rounding those balances to the nearest thousand.
- 2 Click the *Confirm Delete* button.  
The status box displays the message *Deleting, Please wait*. The system takes you back to the Edit/Delete screen. You may select another record to delete or click *log out* to exit the system.

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### **NOTE 4: Short-Term Debt**

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According to GASB 38, paragraph 12, agencies should report details about short-term debt activity during the year, even if no short-term debt is outstanding at year-end. Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. Details should include:

- a. A schedule of changes in short-term debt, disclosing beginning- and end-of-year balances, increases, and decreases
- b. The purpose for which the short-term debt was issued.

For recording short-term debt in USAS, please use GL 1068 CL Short-Term Debt – Notes & Loans Payable.

However, short-term debt may properly be excluded from current liabilities if BOTH of the following conditions are met:

- a. It must intend to refinance the obligation on a long-term basis, and
- b. It must demonstrate an ability to consummate the refinancing.

Intention to refinance on a long-term basis means the agency intends to refinance the short-term obligation so that the use of working capital will not be required during the ensuing fiscal year. The ability to consummate the refinancing may be demonstrated by:

- a. Actually refinancing the short-term obligations by issuing a long-term obligation or equity securities after the date of the balance sheet but before it is issued; or
- b. Entering into a financing agreement that clearly permits the agency to refinance the debt on a long-term basis on terms that are readily determinable.

If short-term debt is issued to fund a long-term activity it may be considered to be long-term debt and, if so, should be reported in Note 5. An example would be if commercial paper is purchased to fund on going agency activities. If the commercial paper is issued in one fiscal year, matures, but is issued again to continue funding of the same long-term activity, it may be considered long term debt. Though commercial paper itself is short-term in nature, the intent is long-term and should be reported as long-term debt.

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**Note:** If the short-term obligation requires the use of existing current assets, the short-term obligation should be included in current liabilities.

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### **NOTE 5: Summary of Long-Term Liabilities**

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This note contains a summary which identifies the obligations and a table with balances and current year transactions for each type of long-term liability with separate sections for governmental and business-type activities. GASB 34 requires liabilities whose average maturities are greater than one year to be reported in two components – the amount due within one year (current) and the amount due in more than one year (noncurrent) in the [Long-Term Liabilities Activity table](#). GASB 34 requires separate disclosure of principal and interest on debt service to maturity in the [Debt Service Requirements table](#).

## USAS Transaction Entries

### Governmental Funds

Long-Term Liabilities Adjustment fund type (FT12) is used to convert governmental fund types from modified accrual to full accrual. The basis conversion entries for long-term liabilities are entered in USAS in this fund type.

Instructions and working papers with the long-term liabilities adjustment (FT12) basis conversion entries are available on the FMX Web site at <https://fmx.cpa.state.tx.us/fmx/fmrpt/afri/index.php>. Disclose the source(s) of funds that will be used to liquidate the non-debt liabilities.

### Business-Type Activity Funds

For business-type activities, the balances and activity are reported under full accrual accounting. Agencies are required to enter the balances and the activity into USAS to build the Statement of Net Assets and the Statement of Changes in Revenues, Expenses, and Net Assets. Do not reverse beginning balances and enter ending balances as transactions. Enter the actual liability activities for this year. Disclose the source(s) of funds that will be used to liquidate the non-debt liabilities.

## Reporting Long-Term Liabilities

Reporting liabilities in the Government-wide Statement of Net Assets requires two components: (1) the amount due in one year (current portion), and (2) the amount due in more than one year (noncurrent portion).

### Changes in Long-Term Liabilities Table

Information about long-term liabilities should include both long-term debt (such as bonds, notes, loans, and leases payable) and other long-term liabilities (such as compensated absences and claims and judgments). Information presented should include:

- Beginning and end-of-year balances
- Increases and decreases (separate columns presented) – enter actual transactions not net increase/(decrease)
- The portions of each item that are **due within one year** (principal only) of the statement date

This table will include the following types of obligations:

- Notes and Loans Payable
- Claims and Judgments
- Employees' Compensable Leave
- General Obligation Bonds Payable
- Revenue Bonds Payable
- Capital Lease Payable
- Liabilities Payable from Restricted Assets

The State Government Accounting Internet Reporting System (SIRS) provides a report for long-term liabilities based on USAS information. Once USAS is updated for an agency's current year transactions, the report can be obtained at <http://mvs1.cpa.state.tx.us/netdata/cgi/db2www/usasp/ltnote.d2w/menu>. SIRS updates overnight, so transactions will not be reflected in its reports until the next day. Long-Term Liability Basis Conversion working papers and related instructions are available on the Web at <https://fmx.cpa.state.tx.us/fmx/fmrpt/afri/index.php>.

**WARNING:** Beginning balances must agree with the prior year's ending balances as shown in **Chapter 13 – List of Beginning Balances**. Ending balances must tie to the Combined Balance Sheet amounts in the long-term liability for each line item.

## Notes and Loans Payable

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Briefly describe this liability and disclose any notes or loans payable as shown on the balance sheet. These appear in the Long-Term Liabilities Adjustment column for governmental activities and in proprietary funds for business-type activities. **Interest requirements for variable-rate debt should be determined using the rate in effect at the financial statement date. Disclose in the note, the terms by which the interest rates change for variable rate debt.**

### Violations of Finance-Related Legal or Contractual Provisions

Disclose violations of finance-related legal or contractual provisions and identify actions taken to address such violations.

### Reporting Debt Service Requirements to Maturity Table

Disclose debt service **to maturity** for notes and loans outstanding (this table will be required for capital leases in Note 6 and bonds in Note 13). **This disclosure should report the debt for both the principal and interest for each of the succeeding five fiscal years, and in five-year increments thereafter.**

## Claims and Judgments

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Claims and judgments which are settled but unpaid at year-end and will be paid with future governmental fund resources, should be shown on the balance sheet in the long-term liabilities adjustments for governmental funds. Proprietary fund types report the claims and judgments as fund liabilities. FPP E.041 *Settlement and Judgment Processing Guidelines (FM04-33)* provides details of settlements and judgment guidelines, USAS coding, and other details. This document defines *judgment* as a judgment order rendered in a federal court or a court in this state for which an appeal or rehearing, or application therefore, is not pending and for which the time limitations for appeal or relearning have expired.

A brief description of the claim and the amounts accrued should be disclosed.

- Describe the risk of loss to the entity.
- Disclose the amount accrued for the liability.
- If the agency participates in a risk pool, describe its participation and responsibilities.

## Employee Compensable Leave

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Compensated absence liabilities are separately reported as either current or noncurrent in the Statement of Net Assets. Classifications of leave liabilities into current and noncurrent amounts mandates a new calculation methodology rather than an averaged rate multiplied by the total ending leave balance at year-end.

GASB Statement No. 16, *Accounting for Compensated Absences*, establishes the following standards of accounting and reporting for compensated absences (vacation and sick leave) by state and local governmental entities:

### Payroll Report for Compensated Absences

A Uniform Statewide Payroll and Personnel System (USPS) report, Leave Accounting GASB Reporting-574, can be run by agencies that are on the USPS leave accounting system. This report was modified in July 2002 to provide the current and noncurrent liability amounts for compensated absences liability for agencies. This report does not include amounts for social security and Medicare taxes.

State entities that do not utilize the USPS system can apply the methodology that the Comptroller's office has adopted (as stated below) or they can develop their own systematic and logical methodology and ensure that there is supporting documentation for their decision.

### Annual Leave

Annual leave, commonly referred to as vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employee if both the employee's rights to receive compensation are attributable to services already rendered and it is probable the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.



### Overtime and Compensatory Leave for FLSA Non-Exempt and Exempt Employees

Under the federal Fair Labor Standards Act and state laws, overtime can be accumulated in lieu of immediate payment or compensatory leave, for non-exempt, non-emergency employees to a maximum of 240 hours. All overtime exceeding 240 hours must be paid with the next regular payroll. Upon termination or death all overtime balances must be paid in full. For emergency personnel (firefighters, law enforcement, prison officers, etc.), overtime can be accumulated to a maximum of 480 hours. Unpaid overtime must be included in the calculation of current and long-term liabilities for each employee since it may be used like compensatory time or be paid.

Compensatory leave is allowed for exempt employees not eligible for overtime pay. This leave is accumulated on an hour-for-hour basis and must be taken within one year from date earned or it will lapse. Legislative agencies only lapse compensatory time at the end of the even numbered fiscal years. There is no death or termination benefit for compensatory leave and it is non-transferable.

### Comptroller’s Office Methodology for the Liability Calculation

The compensated absences liability should be calculated based on the employee’s pay or salary rate in effect at the balance sheet date. In addition to the compensated absences liability, an amount should be accrued for salary-related payments associated with the payment of compensated absences for which an employer is liable to make a payment **on employee termination**. Such salary-related payments include the employer’s share of social security and Medicare taxes and also might include, for example, the employer’s contributions to pension plans.

An additional accrual should not be made relating to single-employer or agency multiple-employer defined benefit plans.

### Compensated Absences Liability Methodology

Type	Benefits	Designation as Current or Long-Term		
Annual	Employees accrue annual leave from the first day of employment through the last day of attendance at work. The rate of annual leave accrual for various lengths of state employment and the maximum number of hours an employee may carry forward each fiscal year is:	Current: Can never exceed annual hours accrued maximum  Calculations are based on First-In/First-Out		
	<b>Years of State Service</b>		<b>Hours Accrued</b>	<b>Carry Forward</b>
	less than 2		8	180
	at least 2 but less than 5		9	244
	at least 5 but less than 10		10	268
	at least 10 but less than 15		11	292
	at least 15 but less than 20		13	340
	at least 20 but less than 25		15	388
	at least 25 but less than 30		17	436
	at least 30 but less than 35		19	484
35 or more	21	532		
	Excess annual leave beyond the amount that can be carried forward is credited to an employee’s accrued sick leave balance effective the first day of the next fiscal year.			
Compensated Time and Overtime	<p>Non-Exempt employees may be credited with compensatory (comp) time or overtime for time worked in excess of 40 hours worked in a seven-day period. Comp time is credited as one hour for each additional hour worked. Overtime is credited as 1.5 hours for each additional hour worked. Comp time must be used within the twelve months following the end of the workweek when the comp time was earned. An employee will not be paid for the unused comp time. Legislative agencies only lapse compensatory time at the end of the even numbered fiscal years.</p> <p>Exempt employees do not earn overtime. Hours worked in excess of 40 hours per seven day period is credited as compensatory time on an hour-for-hour basis. Comp time must be used within 12 months from date earned except legislative agencies. Exempt employees of legislative agencies do not have a time limit in using their comp time.</p> <p>Overtime is automatically paid for accrued hours exceeding 240 hours or 480 hours, if applicable. No time limit on use of overtime balances. Maximum accrual for regular employees is 240 hours; 480 hours for emergency personnel. Balance is paid in full at termination, transfer, or death.</p>	<p>Overtime: Must be calculated for short-term (current) and long-term liabilities</p> <p>Comp Time: Always a short-term (current) liability</p>		

### Liability Calculation Criteria

- If the amount of leave accrued during the current year is > than the year-end balance, then the current liability is = to the year-end balance. Noncurrent is the year-end balance minus the current liability
- If the amount of leave accrued during the current year is < than the year-end balance, then the current liability is = to the leave accrued during the year. Noncurrent is the year-end balance minus the current liability

### Liability Calculation Examples

**Example 1:** The employee has 23 years of service and can accrue 15 hours of annual leave per month. The employee used 120 hours of annual leave during the current year and had a beginning balance of 300 hours and a year-end balance of 360 hours. The employee's salary rate is \$35 per hour.

Criteria Applied	= Liability in Hours	Hours X Current Rate
Leave accrued during current year (180 hours) is < than the year-end balance (360), therefore current liability is = to leave accrued during the year (180).	Current = 180	180 X \$35 = \$6,300
Year-end balance (360) minus current liability (180) = 180	Noncurrent = 180	180 X \$35 = \$6,300

**Example 2:** The employee has 6 years of service and can accrue 10 hours of annual leave per month. The employee used 64 hours of annual leave during the current year and had a beginning balance of 59 hours and a year-end balance of 115 hours. The employee's salary rate is \$12 per hour.

Criteria Applied	= Liability in Hours	Hours X Current Rate
Leave accrued during current year (120) is > than the year-end balance (115), therefore current liability is = to year-end balance (115).	Current = 115	115 X \$12 = \$1,380
Year-end balance (115) minus current liability (115) = 0	Noncurrent = 0	N/A

**Example 3:** The employee earned 60 hours of unpaid overtime during the year and used 160 hours of overtime as compensatory time. The employee had a beginning balance of 200 hours and a year-end balance of 100 hours. The employee's pay rate is \$12 per hour.

Criteria Applied	= Liability in Hours	Hours X Current Rate
Leave accrued during current year (60 hours) is < than the year-end balance (100), therefore current liability is = to leave accrued during the year (60).	Current = 60	60 X \$12 = \$720
Year-end balance (100) minus current liability (60) = 40	Noncurrent = 40	40 X \$12 = \$480

### Bonds Payable

See Note 13 for detailed note disclosure requirements.

### Capital Leases

See Note 6 for detailed note disclosure requirements.

### Liabilities Payable from Restricted Assets

Liabilities Payable from Restricted Assets are liabilities that are associated with the acquisition of restricted assets or liabilities that will be liquidated with restricted assets. Segregate current liabilities from long-term liabilities and report separately.

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## NOTE 6: Capital Leases

In this note, disclose whether your agency has entered into long-term leases for financing the purchase of certain capital assets and that such leases are classified as capital leases for accounting purposes. These should be recorded at the present value of the future minimum lease payments at the inception of the lease. The following are required disclosures.

- Amount of assets and liabilities recorded under capital leases presented by asset categories separately showing governmental activities, business-type activities, and discretely presented component units.
- Minimum future lease payments for each of the next five years, and in five-year increments thereafter, and a grand total, showing a deduction for the amount of interest to reduce the net minimum future lease payments to their present value. Principal and interest payments must be disclosed in separate columns.
- Total of minimum sublease rentals to be received in the future under noncancelable subleases.
- Total contingent rentals actually incurred.
- Assets recorded under capital leases and the accumulated depreciation shall be separately identified in the Capital Assets under capital leases.

In addition to these disclosures, provide a general description of the lease agreement including items such as the existence of renewal or purchase options and restrictions imposed by the lease agreement.

**WARNING:** Beginning balances must be the same as the prior year's ending balances. See **Chapter 13 – List of Beginning Balances**. Ending balances must tie to the Combined Balance Sheet amount in the Long-Term Liabilities Adjustments for the line item, Capital Lease Obligations.

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## NOTE 7: Operating Leases

If a lease does not meet the definition to be a capital lease, classify the agreement as an operating lease. Recognize rental expenditures as they become payable. The following disclosures are required for agencies participating as lessees in operating leases. Show the expenditures reported in the financial statements and show future minimum lease rental payments under non-cancelable operating leases. Included in the expenditures or expenses reported in the financial statements are the following amounts of rent paid or due under operating leases:

- General leasing arrangements
- The future minimum rental payments for each of the five subsequent years and in five-year increments thereafter. If minimum rental payment is zero before year five, include zero for those years to complete five year presentation.

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## NOTE 8: Interfund Balances/Activity

As explained in Note 1 on Interfund Activity and Transactions, there are numerous transactions between funds and agencies. **USAS balances take precedence over the amounts reported on the hard copy AFR. These line items will be extracted directly from USAS to produce the CAFR.** For Due From/To balances, identify the source of the activity (i.e. state or federal pass-throughs, transfers, etc.) The reporting of Interfund Receivables/Payables and Legislative Transfer In/Out, **is required to be presented in Note 8.** The DAFR 8910 is no longer required to be submitted with agency AFRs. However, each agency should ensure there are no NP items on their reports. For instructions on how to run the report, see chapter 11. At year-end, agencies may report accrued amounts to be received or paid as either of these categories:

- Interfund Payable or Interfund Receivable (required Note 8 presentation)
- Legislative Transfers-In or Legislative Transfers-Out (required Note 8 presentation)
- Due From Other Funds or Due To Other Funds (optional Note 8 presentation)
- Due From Other Agencies or Due To Other Agencies (optional Note 8 presentation)
- Transfers-In or Transfers-Out (optional Note 8 presentation)

**Note:** Report accrual of sales and purchases of goods and services between agencies and funds as revenues in seller funds and expenditures or expenses in purchaser funds. Do not report these as part of Interfund Receivables/Payables or Due From/Due To and receivables/payables balances.

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If the line item is required for Note 8, then display the data in a columnar format. Individual interfund balances for each individual fund must be presented under the appropriate GAAP fund type and D23 fund. The agency number and D23 fund from which amounts are to be received or to which amounts are to be paid must be identified. The source of the Due From/Due To is required in a separate column. (See the Sample Agency's Note 8 for the recommended format.)

Present separate sections for:

- Interfund Payables and Receivables (required)
- Legislative Transfers In and Out (required)
- Due From Other Funds and Due To Other Funds (optional)
- Due From Other Agencies or Due To Other Agencies (optional)
- Transfers-In and Transfers-Out (optional)

Per GASB 38 paragraph 14, disclose in the note the following details about interfund transfers reported in the fund financial statements:

- A general description of the principal purposes of the agencies interfund transfers.
- The intended purpose and the amount of significant transfers that meet either or both of the following criteria:
  - 1) They do not occur on a routine basis—for example, a transfer to a wastewater enterprise fund for the local match of a federal pollution control grant.
  - 2) They are inconsistent with the activities of the fund making the transfer—for example, a transfer from a capital projects fund to the general fund.

Provide a description of the purpose for interfund balances and disclose the amount of those balances not expected to be repaid within one year from the date of the financial statement.

For additional clarification, see **Chapter 5 – Interfund Requirements for Annual Financial Reports**.

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## **NOTE 9: Contingent Liabilities**

A loss contingency arising from a claim must be *disclosed* when it is **reasonably possible** that a loss will eventually be incurred and if it is either **not probable** or **not subject to** reasonable estimation. The disclosure should indicate the nature of the contingency and give an estimate of the possible loss or range of loss. However, if an estimate of the loss cannot be made, the disclosure must state this fact.

Examples of such contingencies include lawsuits pending with the agency, arbitrage rebates, questioned federal costs, environmental liabilities, outstanding loan commitments, and outstanding construction commitments.

A loss contingency arising from a claim is *accrued* as of the balance sheet date when **both** of the following conditions are true:

- Information available before the financial statements are issued indicates that it is **probable** that an **asset has been impaired** or a **liability has been incurred** at the date of the financial statements. It **must be probable** that one or more future events will also occur confirming the fact of the loss.
- The amount of the loss **can be reasonably estimated**.

Accrue the portion of the contingent loss that is expected to be liquidated with expendable available financial resources through a debit to an expenditure/expense account using a Claims and Judgments Expenditure comptroller object code and a credit to a liability account such as Claims and Judgments Payable (see *Note 11: Risk Financing and Related Insurance*).

In proprietary funds, report any amount of the contingent loss where the liability has a fixed due date other than the reporting date (for instance a portion of a court judgment payable from future resources). See *Note 5: Long-Term Liabilities*.

## Disclosure of Derivatives that are Contingent Liabilities

### Attention: GASB Technical Bulletin No. 2003-1 Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets

The disclosures required by the Technical Bulletin are limited to derivatives not presented at fair value on the balance sheet/statement of net assets.

#### Definition of Derivatives

A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

- 1 It has (1) one or more underlyings and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.
- 2 It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- 3 Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

#### Types of Derivatives

Common derivative transactions that are not generally reported at fair value on the balance sheet/statement of net assets are as follows. The following list is not comprehensive:

- 1 A commodity swap that is intended to reduce an agency's exposure to a commodity's price risk.
- 2 A derivative that is intended to reduce an agency's investment exposure to Foreign currency changes.

The following table provides guidance as to where the derivative disclosures required by the bulletin should be presented in the notes to the financial statements.

If...	Then...
the derivative is related to an investment such as a Foreign Currency Exchange Contract,	the disclosure would be presented in an Investment note.
the derivative is related to a bond issuance such as a variable-rate debt to a fixed-rate debt,	the disclosure should be presented in a Bond Indebtedness note.
the derivative is related to fixing the price of a certain commodity,	the disclosure should be presented in a Contingent Liability note.

#### Disclosure

For further detail regarding *Disclosure*, *Computing Fair Value*, *Types of Risks*, and *Terminology* please refer to appropriate section presented in Note 13 of this chapter.

### NOTE 10: Continuance Subject To Review

If an agency is subject to the Texas Sunset Act, it will need to disclose the effective date of abolishment unless continued in existence by a certain Legislative Session. If the agency is to be abolished, indicate the last date the agency may continue to operate in order to close out its operations. This time period is usually one year. You can get this information from the Sunset Advisory Commission at phone number 512-463-1300 or use the Comptroller Manual of Accounts Volume I. The dates in this note should be verified after legislative sessions for accuracy, since the dates for review by the Sunset Advisory Commission are subject to change.

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## **NOTE 11: Risk Financing and Related Insurance**

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### **Background**

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Risk is defined as uncertainty of loss, chance of loss, or the variance of actual from expected results. Risk is also the subject matter of an insurance contract (for example, the insured property or liability exposure.)

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, addresses the accounting and reporting requirements for risk financing and insurance-related activities of governmental entities, including public entity risk pools.

GASB Statement No. 30, *Risk Financing Omnibus*, amends GASB 10 by changing the accounting treatment and disclosure of risk pools and entities other than pools. The requirements relating to entities other than pools are noted in the following section titled, **Entities Other Than Pools**.

GASB Interpretation No. 4, *Accounting and Financial Reporting Requirements for Capitalization Contributions to Public Entity Risk Pools*, applies to capitalization contributions made to and received by public entity risk pools – both with and without transfer or pooling risk. Generally, however, the state is not involved in public entity risk pools and retains the risk of loss. But for reporting the risk of loss, it must meet certain requirements which are discussed in the section titled, **Public Entity Risk Pool**.

### **Entities Other Than Pools**

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#### **Requirements**

To determine if the agency should include its risk of loss information in Note 11, it must first determine if the loss fits the scope of GASB 10. Risks of loss under the scope of GASB 10 include:

- Torts
- Theft, damage, or destruction of assets
- Business interruption
- Errors or omissions
- Job-related illnesses or injuries to employees
- Acts of God
- Other risks assumed under a policy or participation contract by a public entity risk pool

If the risk of loss fits the scope of GASB 10 in one of the situations listed above, the agency must then determine if it has a self-insurance plan or not. If it has a self-insurance plan, then include the information in the Risk Management Note because a risk of loss has resulted when an agency agrees to provide accidental and health, dental, and other medical benefits to its employees.

#### **Disclosure**

Agencies must report estimated losses from claims as an expenditure or expense and as a liability if both of the following conditions are met:

- Information available before the financial statements are issued indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements. (It must be probable that one or more future events will occur confirming the loss.)
- Amount of loss can be reasonably estimated.

However, whether or not the probable and reasonably estimated criteria have been met, *note disclosures of loss contingencies are required when there is at least a reasonable possibility that a loss, or an additional loss, has occurred*. Further, in the Notes to the Financial Statements, each agency must describe the following:

- Nature of contingencies.
- Estimate of possible losses or range of losses, or state that such an estimate cannot be made.

**The liability must be reported as Claims and Judgments Payable. Do not report it as Accounts Payable or Other Payables.**

### **Measures**

An accrual shall include any losses incurred though not yet reported. It must be possible to reasonably estimate the amount and be probable that a claim will be asserted. This would include:

- Known losses expected to be paid in the future
- Unknown losses expected to become claims
- Expected future losses/recoveries on existent claims

The liability should be based on the estimated ultimate cost of settling the claims. Past experience and other factors that would modify past experience should be used. Methods often used are:

- Case-by-case review of claims
- Application of past experience to understanding claims, or
- A combination of the two methods.

Claims liabilities should include specific, incremental claim adjustment expenditures/expenses.

In addition, estimated recoveries on unsettled claims, such as salvage and subrogation, should be evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims. Estimated recoveries on settled claims also should be deducted from the liability for unpaid claims.

If the determination of the dollar amount to accrue is not a specific amount, but lies within a range, use the following judgment:

- Accrue an amount within the range if it is a better estimate than any other.
- If no amount is a better estimate, then accrue the minimum amount within the range.

### **Fund(s)**

Most state agencies report their risk financing and related insurance activities in the fund(s) in which the activity occurs.

- In governmental funds, show in the financial statements the current portion in the fund as an expenditure with the related liability. The long-term portion should be shown in Long-Term Liabilities Adjustment Column.
- In proprietary funds, both the current and long-term portions of expenses and liabilities should be reported within the fund.

If an agency uses a single fund to account for its risk financing activities, the fund is normally reported in the General Fund. The Fund Accounting Division, Financial Reporting section of the Comptroller's office must first approve if an agency proposes to use a new internal service fund to report risk-financing activities. This is consistent with the objective of minimizing the number of funds for statewide use.

## **Public Entity Risk Pool**

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Public entity risk pool is defined as: A cooperative group of governmental entities joining together to finance an exposure, liability or risk. Risk may include property and liability, workers' compensation or employee health care. A pool may be a stand-alone entity or included as part of a larger governmental entity that acts as the pool's sponsor.

Public entity risk pools generally follow the current accounting and financial reporting standards for similar business enterprises. GASB 30 modifies the method for calculating a premium deficiency.

- A premium deficiency is recognized if the sum of expected claims costs (including incurred but not reported claims) and all expected claim adjustment expenses, expected dividends to policyholders or pool participants, and unamortized acquisition costs exceed related unearned premiums.
- If a premium deficiency exists, unamortized acquisition costs should be expensed to the extent of the deficiency. Premium deficiencies in excess of unamortized acquisition costs should be recognized as a premium deficiency liability as of the balance sheet date and as a premium deficiency expense. Adjust the premium deficiency liability in future periods as expected costs are incurred. The premium deficiency liability should be zero by the end of the contract period.

GASB 30 requires certain disclosures. Notes to the financial statements should present information about the nature and significance of excess insurance or reinsurance transactions to the pool's operations, including:

- The type of coverage
- Reinsurance premiums ceded
- Estimated amounts that are recoverable from excess insurers and reinsures that reduce the liabilities as of the balance sheet date for unpaid claims and claim adjustment expenses.

GASB 30 requires supplementary information relating to revenue and claims development. During the transition period, when the ten years of information about claims liabilities and claims adjustment expenses may not be available, all information required should be presented only for as many years as that information is available.

Include a table that presents the following:

1. (a) The amount of gross premium (or required contribution).  
(b) Revenue and reported investment revenue.  
(c) Amount of premium (or required contribution) revenue ceded.  
(d) Amount of net reported premium (or required contribution) revenue (net of excess insurance or reinsurance).  
(e) Reported investment revenue for each of the past ten fiscal years including the latest fiscal year.
2. The amount of reported unallocated claim adjustment expenses and reported other costs for each of the past ten fiscal years including the latest fiscal year.
3. The total gross amount (both paid and accrued) of incurred claims and allocated claims adjustment expenses (both paid and accrued before the effect of loss assumed by excess insurers or reinsures), loss assumed by excess insurers or reinsures, and total net amount of incurred claims and allocated claim adjustment expenses. Present amounts as originally reported at the end of each of the past ten accident years, report years, or policy years. The basis of reporting should be consistent for all years presented. Limit amounts to provisions for claims resulting from events that triggered coverage under the policy or participation contracts in that year.
4. The cumulative net amount paid as of the end of the accident year, report year, or policy year, and each succeeding year for each of the incurred claims and allocated expense amounts presented in (3) above.
5. The re-estimated amount of loss assumed by excess insurers or re-insures as of the end of the current year for each of the accident years, report years, or policy years presented in (3) above.
6. The re-estimated amount of net incurred claims and claims adjustment expenses as of the end of each succeeding year for, each of the accident years, report years, or policy years presented in (3) above.
7. The change in net incurred claims and claims adjustment expenses from the original estimate. The change is based on the difference between the latest re-estimated amount presented in (6) above for each of the accident years, report years, or policy years and the original net incurred claims and claim adjustment amounts reported in (3) above.

GASB 30 also requires that the supplementary information contain a reconciliation of claims liabilities by type of contract, including an analysis of changes in liabilities for claims and claims adjustment expenses for the current fiscal year and prior year.

GASB Interpretation 4 requires the following reporting for capitalization contributions made to public entity risk pools with transfer or pooling of risk:

- If it is probable the contribution will be returned to the entity upon either the dissolution of or the approved withdrawal from the pool, report the capitalization contribution as a deposit. Base the probability of a return of the contribution on the pooling agreement and an evaluation of the pool's financial capacity to return the contribution. In governmental funds, fund balance should be reserved to indicate the deposit is not available for expenditure.



- If it is not probable the contribution will be returned, for proprietary funds, the contribution should be reported initially as prepaid insurance (an asset), and expenses should be allocated and recognized over the periods for which the pool is expected to provide coverage.
- If it is not probable the contribution will be returned, for governmental funds, you may recognize the entire amount of the capitalization contribution as an expenditure in the period of the contribution. Reporting of prepaid insurance is not required. Otherwise, the contribution should be reported initially as prepaid insurance (an asset), and expenditures should be allocated and recognized over the periods for which the pool is expected to provide coverage.

GASB Interpretation No. 4 requires capitalization contributions made to public entity risk pools, without transfer or pooling of risk, be reported as deposits or reductions of claims liabilities.

## Summary

Agencies must actively determine if there is a probability of future claims against them. This requirement has no relation to funding. That is, even though funding has not yet been provided for the payment of any estimated losses, the accrual of loss may still be required if it is both probable and can be reasonably estimated. It is likely the state may have millions of dollars of unreported losses that have not been reported because they will be eliminated in future periods. Examples are workers compensation payments, medical payments for Medicaid and Medicare, outstanding lawsuits, and challenges to certain revenue collections. As most agencies report within governmental funds, these liabilities will not be reported within their operating funds, but will be presented in the Long-Term Liability Adjustment Column.

If applicable, include the following in this note:

- Describe the types of risks to which your agency is exposed
  - Property and casualty
  - Health benefits
  - Workers’ compensation
- Describe how the risk is handled for its financial impact:
  - Purchase of commercial insurance
  - Participation in a public entity risk pool
  - Retention of risk (most likely)
- If there is insurance coverage
  - Describe significant reductions in insurance coverage from the prior year
  - Indicate whether settlements exceeded insurance coverage for each of the past three fiscal years
- If the agency participates in a risk pool:
  - Describe the nature of the participation
  - Note the rights and responsibilities of both the agency and the pool
- If the agency retains the risk
  - Describe how liabilities are presented. Include the effects of specific, incremental claim adjustment expenditures/expenses, salvage, and subrogation. Also indicate if other allocated or unallocated claim adjustment expenditures/expenses are included.
  - Present total claims liability reconciliation in columnar format:

	Beginning Balance	Increases	Decreases	Ending Balance
20PY				
20CY				

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## **NOTE 12: Segment Information**

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Agencies reporting Enterprise Funds (a type of proprietary fund) or using enterprise fund accounting and reporting standards to report their activities could be required to present segment information for those activities in the notes to the financial statements. A segment is an identifiable activity (or group of activities), reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments (such as certificates of participation) outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. **The requirement for separate accounting should be imposed by an external party.**

Segment disclosure is not required for segments that are also major individual enterprise funds due to information already provided in the basic financial statements.

Segment disclosure is not required for an activity whose only outstanding debt is conduit debt for which the government has no obligation beyond the resources provided by related leases or loans.

The decision to provide disclosures about segments within component units that use enterprise fund accounting should be based on the individual component unit's significance to the total of all discretely presented component units and that component unit's relationship with the primary government.

The Comptroller's office and State Auditor's Office will assist agencies in determining what should be reported as a segment. Contact your financial reporting analyst if you have any questions.

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## **Reporting Segment Information**

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Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting condensed financial information in the notes, including the elements in A through D below.

A. A narrative description of the goods or services provided by the segment

B. Condensed statement of net assets:

- Total assets – distinguishing between current assets, capital assets, and other assets; amounts receivable from other funds or component units should be reported separately
- Total liabilities – distinguishing between current and long-term amounts; amounts payable to other funds or component units should be reported separately
- Total net assets – distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt

C. Condensed statement of revenue, expenses, and changes in net assets:

- Operating revenues (by major source)
- Operating expenses; depreciation (including any amortization) should be identified separately
- Operating income (loss)
- Non-operating revenues (expenses) – with separate reporting of major revenues and expenses
- Capital contributions and additions to permanent and term endowments
- Special and extraordinary items
- Transfers
- Change in net assets
- Beginning net assets
- Ending net assets

**D. Condensed statement of cash flows:**

- Net cash provided (used) by operating activities
- Net cash provided (used) by non-capital financing activities
- Net cash provided (used) by capital and related financing activities
- Net cash provided (used) by investing activities
- Beginning cash and cash equivalent balances
- Ending cash and cash equivalents balances

Current assets generally include cash, short-term investments, receivables, prepaid expenses, and the current portion of long-term receivables. Current liabilities include accounts payable, short-term notes payable, deferred revenue, and other liabilities expected to be paid out of current assets (i.e., the current portion of long term debt).

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## **NOTE 13: Bonded Indebtedness**

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### **General Introduction**

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Much of the information on bonds is disclosed in the supplementary bond schedules. The Notes to the Financial Statements should, however, provide at least a description of each issue outstanding. Note whether the bonds are general obligation or revenue bonds, and whether they are in Governmental Activities or Business-Type Activities. Disclose any other significant policies or requirements related to each bond issue.

#### **Bonds Payable Disclosures**

Agencies must present detailed disclosures on each outstanding bond issue in the following **required format**:

- Bond Issue Name, series XXXX
- Purpose of the bond issue (e.g., to construct a building)
- Original amount of issue
- Issue date (mm-dd-yyyy)
- Type of bond (General Obligation or Revenue)
- Report in Governmental Activities, Business-Type Activities or Component Units
- Source of revenue for debt service (e.g. Fund 0001 appropriations, rental or loan repayments)
- Changes in Debt
- Disclose any other significant policies or requirements related to the bond issue

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**Attention:** Each bond issue's description should be consistently disclosed until, and including, the year in which the debt is extinguished or retired.

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#### **Authorized but Unissued at Year-End**

Debt is *authorized* when all legal steps have been taken by the issuer for its authorization for issuance, such as the required approval by the governing body or the voters. Minor administrative performance normally should not be regarded as the authorization of debt. Separate General Obligation bonds and Revenue bonds into either Self-Supporting or Non Self-Supporting categories.

Disclose amounts authorized but unissued as of balance sheet date:

- (\$XXX,XXX,XXX authorized; \$XXX,XXX,XXX issued) or
- Amounts authorized and all have been issued (\$XXX,XXX,XXX; all authorized have been issued)

### **Disclosure for Early Extinguishment and Refunding (including current and advance)**

For current year's early extinguished debt and refunded debt, disclose the following:

- Description of transaction
- Amount and type of debt extinguished or refunded
- Amount and source of funds used for extinguishment or refunding
- Net proceeds of the issue (disclose issuance costs)

### **Definition of Early Extinguishment**

Early Extinguishment (which includes a refunding discussed below) is the elimination of debt either through re-acquisition or defeasance. The debt may be extinguished by using existing assets or by using the proceeds from new debt. Both open market and mandatory re-acquisitions are considered early extinguishments. (See the following for accounting and required disclosures for early extinguishments.)

### **Definition of Refunding**

Replacing one debt with other debt is called refunding. In an advance refunding, new debt is issued to pay off interest and principal of old debt before the maturity or call dates. The old debt is retired at least 90 days after the date of the refunding transaction in an advance refunding. In a current refunding, new debt is issued to pay off an entire debt issue within 90 days of the refunding transaction. To qualify for a current refunding, old debt must be callable so that an escrow fund is not required to defease old debt. (See following for accounting and required disclosures for early extinguishments.)

### **Accounting for Early Extinguishments and Advance Refunding**

Governmental Funds — When debt is extinguished in governmental funds, the proper recording of the extinguishment depends on the resources used to extinguish the debt.

- If the debt is extinguished with existing resources, the payment is recorded as an expenditure, Debt Service – Payments for Early Extinguishment Defeasance of Bonds, in the fund making the payment. The old debt liability is eliminated from the General Long-Term Liabilities.
- If the debt is extinguished using proceeds from new debt in a current refunding or advance refunding, list the proceeds as Other Financing Sources – Bond Proceeds for Refunding Debt in the fund receiving the proceeds. Record the debt payment as Other Financing Uses – Payment to Escrow for Refunding Debt in the fund making the payment. The amounts shown as Other Financing Uses – Payment to Escrow for Refunding Debt will not necessarily equal the amounts shown in Note 13 disclosure for bonds issued for refunding if accrued interest and issuance costs are not paid from the escrow account. The old debt liability is eliminated and replaced by the new debt in the General Long-Term Liabilities.

Proprietary Funds – Current refunding and advance refunding resulting in defeasance of debt in proprietary funds is governed by GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. Refunding involves the issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). GASB 23 requires disclosure of the difference between the reacquisition price and the net carrying amount of the old debt. Also required is the amortization of the difference as a component of interest expense (in a systematic and rational manner) over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The balance sheet presentation for the deferred amount is reported as a deduction from or an addition to the new debt liability. In addition, this GASB statement makes the disclosures required by GASB Statement No. 7, *Advance Refunding Resulting in Defeasance of Debt*, paragraphs 11–13 applicable to current refunding reported by proprietary activities.

Other Fund Types – For fund types other than governmental and proprietary funds, record the extinguishing of debt by removing the old debt from the balance sheet and recognizing any resulting gain or loss on the operating statement. The accounting gain or loss is equal to the difference between the amount paid to extinguish the debt and the net carrying amount of the new debt. The net carrying amount is the par value adjusted for unamortized premium, discount, and gain/(loss) on sale.

### **Definition of Demand Bonds**

Bonds that allow investors to redeem principal plus accrued interest prior to maturity (usually on short notice) are demand bonds. When demand bonds are issued, disclose the following items:

- General description of the demand bond program
- Terms of any letters of credit or standby liquidity agreements
- Commitment fees to obtain the letters of credit
- Amounts drawn on the letters of credit as of the balance sheet date
- A description of the take out agreement including the expiration date, commitment fees to obtain the agreement, and the terms of any new obligation under the take out agreement
- Debt service requirements if the take out agreement is exercised

### **Attention: GASB Technical Bulletin No. 2003-1 Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets**

This bulletin became effective in fiscal year 2003. The new note disclosures required by the bulletin are limited to derivatives not presented at fair value on the balance sheet/statement of net assets. Many derivatives are already presented at fair value. For example, defined benefit pension plans present all investments, and consequently investment derivatives, at fair value. Embedded derivatives in an investment that Statement 31 requires to be reported at fair value are also already presented on the balance sheet/statement of net assets. In those cases, the need for note disclosures is diminished.

The reporting requirements apply to all derivatives not presented at fair value on the balance sheet/statement of net assets. These derivatives may or may not be presented on the balance sheet/statement of net assets. For example, a premium may have been paid or received for a swaption. A government may have entered into a prepaid interest rate swap—a derivative for which an up-front payment has been made. These derivatives may be reported on the balance sheet/statement of net assets, but not at fair value. On the other hand, a derivative entered into without an up-front payment may represent a commitment of the entity that may not have been reported on the balance sheet/statement of net assets.

### **Definition of Derivatives**

A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

1. It has (1) one or more underlyings and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.
2. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
3. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Derivative instruments embedded in other contracts are addressed in FASB 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, paragraphs 12-16.

## Disclosure

Agencies that, as of the date of the financial statements, are party to a derivative that was not reported at fair value on the balance sheet/statement of net assets should disclose the following information:

- 1 *Objective of the derivative*—The agency should disclose its objective for entering into the derivative, the context needed to understand those objectives, and its strategies for achieving those objectives, indicating the types of derivatives used and including options purchased or sold.
- 2 *Significant terms*—The agency should disclose the significant terms of the transaction, including:
  - a Notional, face, or contract amount
  - b Interest rates, including terms such as caps, floors, or collars
  - c Embedded options -An option that is an inseparable part of another instrument. Most embedded options are conversion features granted to the buyer or early terminations reserved by the issuer of a security. A common embedded option is the call provision on bonds which permits the issuer to repay the borrower earlier than the nominal maturity of the bond.
  - d The date when the derivative became effective and when it is scheduled to terminate or mature
- 3 *Fair value*—The agency should disclose the fair value of the derivative at the reporting date and, if that fair value is based on other than quoted market prices, the method and significant assumptions used to estimate the fair value of the derivative.
- 4 *Risks*—The agency should disclose its exposure to the risks that exist as of the date of the statement of net assets by type of risk. These disclosures should be presented in the context of a derivative's risk. For example, a derivative's payment terms may create the possibility that a variable rate received may not match a variable rate paid.
- 5 *Associated debt*— Some derivatives are issued with the intention of effectively making the variable rate of an associated debt obligation pay a synthetic interest rate, as in the case of a variable-to-fixed interest rate swap. If this is the case, the derivative's net cash flow should be disclosed in addition to the debt service requirements of the associated debt.

## Computing Fair Value

Fair value should be measured by the market price if there is an active market for the investment. If a market price is not available, a forecast of expected cash flows may aid in estimating fair value, provided that the expected cash flows are discounted at a rate commensurate with the risk involved.

Within the context of discounted cash flows, the zero-coupon and par-value methods are acceptable. The zero-coupon method calculates the future net settlement payments required—for example, by an interest rate swap—assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The par-value method compares, for example, the fixed rate on an interest rate swap with the current fixed rates that could be achieved in the marketplace should the swap be unwound. An option embedded in a derivative may also be priced using an option pricing model, such as the Black–Scholes model, that considers probabilities, volatilities, time, underlying prices, and other variables.

## Types of Risk

1. *Credit risk* is the risk that a counterparty will not fulfill its obligations. If a derivative exposes an agency to credit risk, the agency should disclose the following information:
  - a. The credit quality ratings of counterparties as described by nationally recognized statistical rating organizations—rating agencies—as of the date of the financial statements. If a credit risk disclosure is required and the counterparty is not rated, the disclosure should indicate that fact.
  - b. The maximum amount of loss due to credit risk based on the fair value of the derivative, that the agency would incur if the parties to the derivative failed completely to perform according to the terms of the contract, without respect to any collateral or other security.
  - c. The collateral or other securities that support derivatives subject to credit risk, information about the agency’s access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those derivatives.
  - d. Information about any master netting arrangements to mitigate credit risk. These disclosures should include a brief description of the terms of those arrangements, including the extent to which they are expected to reduce the agency’s maximum amount of loss due to credit risk.
  - e. The extent of diversification among counterparties.
2. *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair values of an agency’s financial instruments or the agency’s cash flows. If a derivative increases a government’s exposure to interest rate risk, the agency should disclose the derivative’s terms that increase such a risk.
3. *Basis risk* is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. When relationships between different indexes vary and that variance adversely affects the agency’s calculated payments, basis risk is realized. If a derivative exposes an agency to basis risk, the government should disclose the derivative’s payment terms as well as any payment terms of the agency’s associated debt.
4. *Termination risk* is the risk that a derivative’s unscheduled end affects an agency’s asset/liability strategy or presents the government with potentially significant unscheduled termination payments to the counterparty. For example, an agency may be relying on an interest rate swap to insulate it from the possibility of increasing interest rate payments. If the swap has an unscheduled termination, that protection would not be available. If a derivative exposes an agency to termination risk, the agency should disclose the following information, as applicable:
  - a. Any termination events that have occurred
  - b. Dates that a derivative may be terminated
  - c. Out-of-the-ordinary termination events contained in contractual documents, such as *additional termination events* contained in the Schedule to the International Swap Dealers Association Master Agreement.
5. *Rollover risk* is the risk that a derivative associated with an agency’s variable-rate bond does not extend to the maturity of that bond. An example is an interest rate swap that pays the government a variable-rate payment that is designed to match the term of the variable-rate interest payments on the agency’s bonds. If the derivative’s term is ten years and the associated debt’s term is thirty years, after ten years the agency will lose the benefit of the swap payments. If a derivative exposes an agency to rollover risk, the agency should disclose the maturity of the derivative and the maturity of the associated debt.

## Types of Derivatives

Common derivative transactions that are not generally reported at fair value on the balance sheet/statement of net assets are as follows. This list is not comprehensive:

1. An interest rate swap that is intended to effectively or synthetically convert variable-rate debt to fixed-rate debt.
2. An interest rate swap that is intended to effectively or synthetically convert fixed-rate debt to variable-rate debt.
3. A basis swap in which counterparties exchange payments based on the changes of two variable rates. For example, a basis swap could be constructed that calls for one party to make payments to the counterparty based on the Bond Market Association Municipal Swap Index™ (BMA) and the other party to make payments based on a percentage of the London Interbank Offered Rate (LIBOR).
4. An option on an interest rate swap—a swaption—that gives the purchaser the right but not the obligation to enter into an interest rate swap. The purchaser pays a premium to the issuer or writer.
5. An interest rate cap that gives the purchaser protection against rising rates, or other indexes, above a given level.
6. A commodity swap that is intended to reduce an agency's exposure to a commodity's price risk.
7. A derivative that is intended to reduce an agency's investment exposure to Foreign currency changes.

The following table provides guidance as to where the derivative disclosures required by the bulletin should be presented in the Notes to the Financial Statements.

If...	Then...
the derivative is related to an investment such as a Foreign Currency Exchange Contract,	the disclosure would be presented in an Investment note.
the derivative is related to a bond issuance such as a variable-rate debt to a fixed-rate debt,	the disclosure should be presented in a Bond Indebtedness note.
the derivative is related to fixing the price of a certain commodity	the disclosure should be presented in a Contingent Liability note.

## Terminology

**Underlying** An underlying is a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable. An underlying may be a price or rate of an asset or liability but is not the asset or liability itself.

**Notional amount** A notional amount is a number of currency units, shares, bushels, pounds, or other units specified in the contract. The settlement of a derivative instrument with a notional amount is determined by interaction of that notional amount with the underlying.

**Payment provision** A payment provision specifies a fixed or determinable settlement to be made if the underlying behaves in a specified manner.

## NOTE 14: Subsequent Events

Any events that occur between the end of the period covered by the financial statements and the statement completion date that may materially affect the financial condition of the agency are to be considered subsequent events. In note disclosures, provide sufficient detail if your agency has any subsequent events.

Some examples that may occur are:

- Issuance of debt instruments
- Indication of an intent to issue debt
- A change in the structure of funding for the agency
- Subsequent changes in material amounts of property
- Significant contractual or grant arrangements
- Other significant administrative or accounting activity
- Settlement of material litigation



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## **NOTE 15: Related Parties**

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To determine different levels of relationships between agencies and related entities, you should first:

- access GASB questionnaires 14 and 39 online at <<https://fmnx.cpa.state.tx.us/fmxf/finrpt/afr/index.php>>
- complete the **GASB 14** questionnaire for new potential component units or changes only, and then
- complete the **GASB 39** questionnaire **if** the potential component unit **does not meet the criteria in GASB 14** to be a component unit.

This will determine if the related entity should be reported as a component unit. **If it is not a component unit under GASB 14 or GASB 39, the entity can still fall under the category of either:**

- Related Organizations, Joint Ventures, Jointly Governed Organizations, or
- Related Parties

Both of these categories require note disclosure.

To determine what organizations would fall under **Related Organizations, Joint Ventures, Jointly Governed Organizations** and require note disclosure, see Note 17 discussed later in this chapter. For a sample Note 17, see **Chapter 9 – Sample Agency Financial Report**.

To determine what organizations would fall under Related Parties and require note disclosure in Note 15, related parties are discussed below. For a sample Related Party Note 15, see **Chapter 9 – Sample Agency Financial Report**.

A Related Party is one that can exercise control or significant influence over the management and/or operating policies of another party, to the extent that one of the parties may be prevented from fully pursuing its own separate interests.

Related Party Transactions arise when an entity engages in transactions in which one of the parties has the ability to significantly influence the policies of the other, or in which a non-transacting party has the ability to influence the policies of the two transacting parties. A related party transaction also arises when an informed observer might believe that the parties enter into these transactions for reasons other than economic self-interest. You cannot presume that transactions involving related parties are carried out on an arm's length basis because the conditions of independent dealings may not exist. You must disclose transactions such as real estate sales, leases at amounts that differ significantly from fair market value, purchases from or contracts with related parties or a transaction with an entity where an agency head serves on the board.

Report all related party transactions that are material to the Financial Statements. For each related party disclosed in this note, include a separate paragraph presenting the following information:

- Nature of the relationship involved.
- A description of each type of transaction including the total dollar amount completed in the current year; also, describe transactions to which no monetary value was ascribed. The description should include enough information for the reader to understand the effects of the transaction on the Financial Statements.
- Amounts due from or to related parties as of the date of the Balance Sheet. The aggregate of the amounts reported will be analyzed for materiality at the statewide level.

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**Note:** Related parties do not include foundations or alumni associations that were established for fund raising on behalf of the universities. Those entities should be included in Note 17.

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If no related party transactions occurred during the fiscal year being reported, indicate so in the note.

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## **NOTE 16: Stewardship, Compliance, and Accountability**

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Prepare the basic financial statements of governmental units in conformity with GAAP. The following are examples of items that should be disclosed:

- Material violations of finance related legal or contractual provisions
- Explanation of deficit fund balances, net asset or retained earnings in individual funds
- Explanation of expenditures exceeding appropriations in individual funds
- Discussion of changes in accounting principles
- Changes in reporting of loans
- Inclusion of a component as part of the entity
- Change in fund types

The above list is not all inclusive. Also disclose any other information required by GASB Codification Section 2300, paragraphs 106 and 107.

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## **NOTE 17: The Financial Reporting Entity**

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### **I. Component Units (CU)**

Component Units (CUs) are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, CUs can be other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would create misleading or incomplete financial statements.

GASB provides guidelines for determining the financial reporting entity. The financial reporting entity consists of the primary government (PG) and its component units (CUs). The purpose of GASB Statement No. 14, *The Financial Reporting Entity*, is to establish standards for:

- defining the financial reporting entity
- reporting on the financial reporting entity
- reporting participation in joint ventures

This statement applies to the PG, governmental joint ventures, jointly governed organizations, CUs and any non-governmental unit when included in a governmental reporting entity.

When presenting financial statements, disclose information about the CUs and their relationship to the PG. This information enables users to distinguish between the PG and its CUs rather than creating the perception that they are one legal entity. Discretely presented CUs should be shown in a separate column. When more than one discretely presented CU is involved, they can be consolidated into one CU column and should be individually shown in a combining schedule. Blended CUs are not shown discretely and their transactions are blended with those of the PG. The notes to the reporting entity's financial statements should include both discretely and blended CUs information as follows:

- A description of the CUs of the reporting entity and their relationship to the primary government
- A discussion of the criteria for inclusion of the CUs within the reporting entity
- Method used to include the CUs in the reporting entity; i.e. blended or discrete presentation
- Information about how the separate financial statements for the CUs may be obtained
- Disclose for each blended CU the fund type and the Appropriation Fund(s)
- Disclose the fiscal year-end of each CU

The reporting entity's Combined Statement of Revenues, Expenditures, and Changes in Fund Balance for governmental funds should include one or more columns to display the revenues, expenditures, and changes in fund balance for discretely presented CUs that use governmental fund accounting. The column(s) should be located to the right of the financial data of the primary government (including its blended component units) and those of the discretely presented CUs by providing descriptive column headings.

Discrete presentation of CUs that use proprietary fund accounting should be the same as the display method above (for governmental funds) for the Combined Statement of Revenues, Expenses, and Changes Net Assets.

**GASB 34** (paragraphs 124-126) changes the treatment of CUs which have fiduciary funds. CUs that have fiduciary funds (to account for assets held by the governmental entity acting in a fiduciary capacity) are included in the fund financial statements with the primary government's fiduciary funds.

Submit completed questionnaires for any **new or changing** potential component units (PCUs). A flow chart follows at the end of this section to aid in the application of the provisions of GASB 14 and 39. **The completed questionnaires are located online at <<https://fnx.cpa.state.tx.us/fnx/finrpt/af/index.php>> and must be submitted by August 15, 20CY each year.** Both the flowchart and the questionnaire have GASB paragraph references. The flowchart references the questionnaire that helps evaluate potential component units (PCUs). The questionnaire defines applicable terminology and provides examples of financial statement formats. For a more detailed explanation of the Financial Reporting Entity, a copy of GASB 14 and 39 should be obtained.

## II. Related Organizations

Related organizations are organizations for which the primary government is accountable because the government appoints a voting majority of the board, but is not financially accountable. For related organizations, the agency should disclose the nature of its accountability for related organizations. Groups of similarly related organizations may be summarized. In addition, the primary government should disclose any other information required by GASB Codification Section 2300, paragraph 107g.

## III. Joint Ventures

Joint Ventures (JV) are legal entities that result from a contractual arrangement owned, operated or governed by two or more participants as a specific activity subject to joint control.

Participants in a joint venture retain an ongoing financial interest, or financial responsibility. The purpose is to pool resources and to share the costs, risks, and rewards of providing goods or services.

An entity has an equity interest in a joint venture through the ownership of JV stock or by having the right to the net resources of the JV. This equity interest is reported as an asset of the fund that has the equity interest.

In proprietary funds, eliminate any profit on the operating transactions between the proprietary fund and JV. In addition, the equity interest should be:

- Reported in an *investment in JV* account
- Calculated in accordance with the JV agreement
- Reported at cost that is:
  - a) Adjusted for its share of net income or loss if operating results are shared and for non-operating transactions between the proprietary fund and the JV.
  - b) Reported on the balance sheet and operating statement as a single amount on each statement.

In governmental funds, do not report the entire *net investment in JV* amount. Report the equity interest as follows:

- Report the portion of the equity interest attributable to capital assets in General Capital Assets
- Calculate it in accordance with the JV agreement
- The amount to report in General Capital Assets is the total equity interest in the JV adjusted for the portion included on the governmental fund type balance sheet, i.e. due to /from JV. The combination of amounts reported in the governmental funds and in the General Capital Assets should equal the total equity interest in the net assets of the JV
- Report changes in JV on the operating statements only to the extent amounts satisfy recognition criteria for governmental funds

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**Note:** Disclosures are applicable for equity interest and non-equity interest JVs. The notes should include a general description of the JV that includes a description of the ongoing financial interest, equity interest, and ongoing financial responsibility and information about the availability of separate financial statements of the JV.

Regardless of whether there is an equity interest, joint venture participants should disclose the following in the Notes to the Financial Statements:

- A. A description of the participating government's ongoing financial interest (including its equity interest, if applicable) or ongoing financial responsibility. The disclosure should also include information to allow the reader to evaluate whether the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit to or burden on the participating government in the future.
- B. Information about the availability of separate financial statements of the joint venture.

#### **IV. Jointly Governed Organizations**

Jointly Governed Organizations are regional governments or other multi-governmental arrangements that are governed by representatives from each of the governments that create the organizations, but are not a joint venture because the participants do not retain an ongoing financial interest or responsibility. For jointly governed organizations where the agency does not retain an ongoing financial interest or responsibility for the organization, the agency should disclose information required by GASB Codification Section 2300, paragraph 107i.

### **GASB 14 – The Financial Reporting Entity**

This Statement establishes standards for defining and reporting on the financial reporting entity. It also establishes standards for reporting participation on joint ventures. Following the questions in GASB 14 will help an agency to decide its relationship with its organization.

### **GASB 39 – Determining Whether Certain Organizations Are Component Units**

This Statement provides additional guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

### **GASB 14 and GASB 39 Questionnaires**

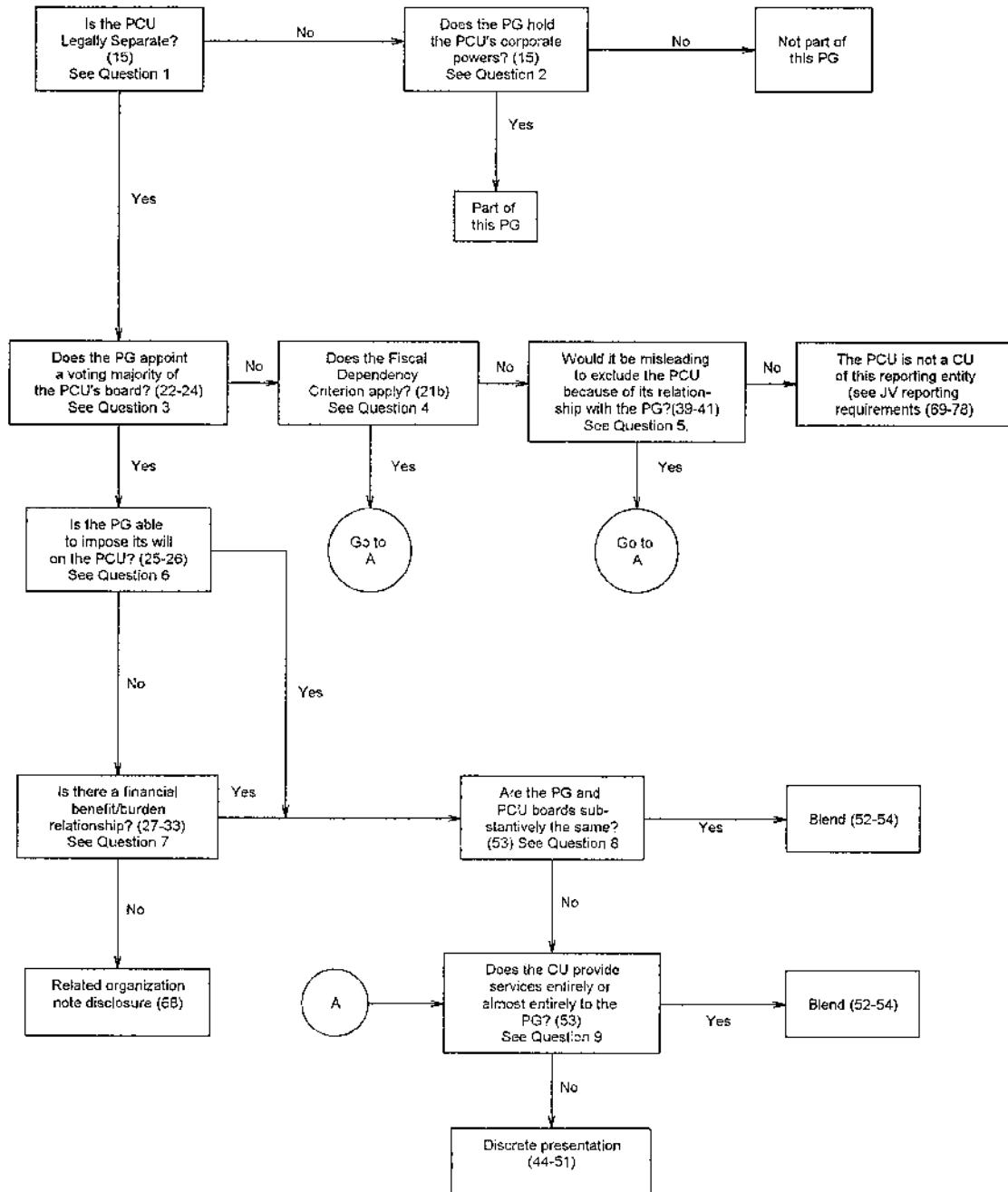
Agencies are required to complete the GASB 14 questionnaire for any new potential component unit, or if the relationship with the organization changes and the GASB 39 questionnaire, if applicable, by August 15, 20CY.

If the new potential component unit meets the criteria in GASB 14 to be a component unit, agencies are not required to complete the GASB 39 questionnaire.

If the new potential component unit does not meet the criteria in GASB 14 to be a component unit, agencies are required to complete the GASB 39 questionnaire.

The GASB 14 and GASB 39 questionnaires are located online at <https://fmnx.cpa.state.tx.us/fmx/fmrpt/afri/index.php>.

## GASB 14 – Evaluation of Potential Component Units Flowchart





## NOTE 18: Restatement of Fund Balances and Net Assets

Statement on Auditing Standards No. 112 *Communicating Internal Control Related Matters Identified in an Audit* (SAS 112) establishes standards on communicating matters related to an entity's internal controls as they apply to financial reporting and is effective for fiscal year 2007.

Agencies should have internal controls in place to ensure the financial information submitted is accurate in all material respects and that all necessary disclosures have been made; that the internal control structure and procedures provide reasonable assurance as to the proper recording of financial transactions and balances; and that management has evaluated the effectiveness of the internal control structure over the financial information.

A restatement can be an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. A restatement specifically covered by SAS 112 is a restatement of previously issued financial statements to reflect the correction of a material misstatement. The correction of a misstatement **includes** misstatements due to error or fraud. The correction of a misstatement does **not include** restatements to reflect a change in accounting principle to comply with a new accounting principle or a voluntary change from one generally accepted accounting principle to another generally accepted accounting principle.

Note 18 is required if there is a restatement of fund balance and net assets. Do not include restatements in the current year's activity statement, but present them as an adjustment to the beginning balance in the fund balance section. Restatements are generally required for:

- Changes in accounting principle to comply with a new accounting principle.
- Voluntary change from one generally accepted accounting principle, or method of applying a principle to another generally accepted accounting principle or method **only if the alternative principal is preferable and more fairly presents the information.**
- Changes in accounting and reporting entity.
- Change in the fund entity or reporting entity.
- Correction of an error for Legislative Appropriations based on the General Revenue Reconciliation.
- **Correction of an error in the financial statements of a prior period.**
- **Mathematical mistakes.**
- **Mistakes in the application of accounting principles.**
- **Oversight of facts that existed at the time the financial statements were prepared.**
- **Misuse of facts that existed at the time the financial statements were prepared.**
- **Change from an accounting principle that is not generally accepted to one that is generally accepted.**

Report restatements as an adjustment to beginning balance in the fund balance/net asset section on the operating statement. Explain the restatement in the note.

## USAS Transaction Entries

When entering restatements into USAS, use T-Code 454 for increases to fund balance and T-Code 454R for decreases to fund balance. Object Code 3891 should be used with these T-Codes. If a restatement is needed for Legislative Appropriations (GL 9000) use T-Code 454/454R with object code 3897.

Seq No	Batch Type	Doc Type	Eff Date	Fin Agy	TC	AY	PCA	COBJ	Amount	R	Appn No	Fund	Input GL *
<b>To Record Restatement Which Increases Fund Balance</b>													
(1)	5	U	0831CY	XXX	454	XX	99999	3891	\$ XX.XX		N/A	XXXX	XXXX
<b>To Record Restatement Which Decreases Fund Balance</b>													
(2)	5	U	0831CY	XXX	454	XX	99999	3891	\$ XX.XX	R	N/A	XXXX	XXXX

\* The allowable GL accounts for this T-Code can be found on the 28B screen.

## Accounting Effect of above entries:

	<u>Debit</u>	<u>Credit</u>
<b>(1) To Record Restatement Which Increases Fund Balance</b>		
<b>XXXX</b> Input GL	\$ XX.XX	
<b>6075</b> Restatements		\$ XX.XX
<b>(2) To Record Restatement Which Decreases Fund Balances</b>		
<b>6075</b> Restatements	\$ XX.XX	
<b>XXXX</b> Input GL		\$ XX.XX

**Attention:** T-Code 454/454R automatically credits/debits Restatement, GL 6075, which closes into fund balance during the GL close process. See Fund Balance section in chapter 3 for how GL accounts close for specific GAAP fund types.

### **NOTE 19: Employees Retirement Plans (administering agencies only)**

Agencies administering retirement plans (ERS, TRS, and Fire Fighters' Pension Commission) must provide the information specified in GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*. Additional information is included in GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The detail of the required information is listed in paragraphs 20, 21 and 22 of GASB 27 and paragraphs 32, 33, and 34 of GASB 25. The provisions of GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*, contains recognition requirements by cost-sharing employers related to pension plans and OPEB. The technical bulletin provides clarification for the requirements of GASB 27. **For the statewide CAFR, additional information regarding the calculation of Net Pension Obligation for the current year and the preceding two years is required for the agencies administering the plans.**

An example of the required information needed from the administering agencies (ERS, TRS, and Fire Fighter's Pension Commission) is in Appendix D, Illustration 2 of GASB 27 for the Single-Employer Defined Benefit Pension Plan, Illustration 3 for the Cost-Sharing Multiple-Employer Defined Pension Plan, and Illustration 4 for the Agent Multiple-Employer Defined Pension Plan.

Agencies administering pension plans are required to complete the following pension schedules:

- Schedule 5A: Annual Pension Cost and Net Pension Obligation/(Asset)
- Schedule 5B: Retirement Systems' Membership
- Schedule 5C: Funding Information, Actuarial Methods, and Assumption
- Schedule 5D: Schedule of Funding Progress
- Schedule 5E: Three-Year Trend Information

The format and instructions for the above schedules are shown in **Chapter 8 – Requirements for Schedules to the Financial Statements**. Templates for the schedules are available on FMX at <<https://fmx.cpa.state.tx.us/fmx/finrpt/index.php>>. Click the Annual Financial Resources link where you will find the templates under Forms, templates, and working papers link. For instructions to enter Net Pension Liability (Asset) into USAS, see chapter 8.

### **NOTE 20: Deferred Compensation (administering agencies only)**

The Employees Retirement System will report the plan's balances and liability for the State. The note should include:

- plan description
- legal basis for the plan
- provisions for plan balances
- state's liability

The estimated fair value of the aggregate deferred compensation plan asset must be reported in the note since the amount for the note is not displayed in the financial statements. The note amount is made up of total assets, less receivables, and less cash in state treasury. This is equivalent to Cash in Bank plus Investments.



## NOTE 21: Donor Restricted Endowments

Display the amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure in a tabular format. Net Appreciation is the cumulative return over the corpus of donor-restricted endowments. It is NOT the one year fair value increase/decrease on donor-restricted endowment investments.

Only net appreciation that is available for authorization for expenditure is required to be reported. Internal policies regarding how appreciation is to be distributed on a yearly basis are not relevant to classification as expendable restricted net assets. Nonexpendable classification is only appropriate when the net assets are required to be retained in perpetuity (e.g. endowment corpus).

See chapter 9, Note 20 for table format example. Display these amounts as True Endowments and Term Endowments. Include how these amounts are reported in net assets. Display net negative fair value adjustments parenthetically in a footnote to the table.

Also include in this note your policy for authorizing and spending endowed investment income, such as a spending-rate or total return policy.

**Note:** In prior years endowments have been classified as non-expendable or expendable. Since appreciation of True and Term endowments can be spent, the appreciation should be classified as expendable. This does not apply to or change the status of the endowment, only the appreciation associated with that endowment.

### Donor-Restricted Endowments

Donor- Restricted Endowment	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	\$ -	Restricted for Expendable
Term Endowments		Restricted for Expendable
	\$ -	

## NOTE 22: Management Discussion and Analysis (MD&A)

Most individual agencies are not required to submit an MD&A but these agencies will need to provide some additional information for the CAFR MD&A section. Provide this information in a note format.

Agencies that are required to issue stand alone or audited reports must prepare an MD&A section. See chapter 1 for the *List of Agencies with Independent Audits Required by Statute*.

Agencies **must** submit information on special or extraordinary items regardless of the amount involved. See Note 24 and **Chapter 2 – Accounting Overview and Fund Structure**, in the section entitled *Special and Extraordinary Items*.

Agencies **must** submit the following information if the amounts involved are material:

- Material Financial highlights of the fund (if any), e.g. Changes in Net Assets, Revenues, and Expenses
- Material Fund highlights, e.g. new bond issues, new contracts
- Reasons for significant changes from the prior year, not just the amounts or percentage of change including changes in fund net assets and restrictions, commitments, or other limitations that might affect the availability of fund resources
- Descriptions of currently known facts, decisions or conditions that are expected to have a **significant** effect on financial position
- Descriptions of significant capital asset and long-term debt activity including commitments made for capital expenditures, changes in credit ratings and debt limitations that may affect financing of planned activities

The Comptroller's office will consolidate all of the information submitted by agencies to prepare a statewide MD&A to be included in the CAFR.

**NOTE 23: Postemployment Health Care and Life Insurance Benefits**  
**(ERS, TRS, University of Texas System, and Texas A&M University System only)**

The reporting requirements for the ERS, TRS, UT System, and A&M System AFRs are summarized in the table below:

<b>ERS and TRS OPEB Plans</b>	
<b>Fiscal Year</b>	<b>ERS / TRS AFR</b>
<b>FY07</b>	Prepare a financial report in conformity with GASB 43, paragraphs 16 through 37. Make required note disclosures under GASB 43, Paragraph 30 (Notes). <ol style="list-style-type: none"> <li>Plan description</li> <li>Summary of significant accounting policies</li> <li>Contributions and reserves</li> <li>Funded status and funding progress</li> </ol> GASB 43, Paragraph 31 (RSI) <ol style="list-style-type: none"> <li>Schedule of Funding Progress</li> <li>Schedule of Employer Contributions</li> </ol> Actuarial valuations must be completed no more than 24 months prior to the start of the period being covered by the valuation.
<b>UT / A&amp;M System OPEB Plans</b>	
<b>Fiscal Year</b>	<b>UT / A&amp;M System AFR</b>
<b>FY07</b>	Prepare a note consistent with the provisions of GASB 12.

**For CAFR preparation purposes, FRS requires the following information to be submitted as a separate disclosure with your agency’s AFR.**

The information is equivalent to the required disclosures in GASB 12:

1. A description of the benefits provided, employee groups covered and the employer and participant obligations to contribute. Below is a suggested sample of how to display this information:

**Chart 1**

State Contribution Rates – Retiree Health and Basic Life Premium for the Fiscal Year Ended August 31, 2007

<b>Level of Coverage</b>	<b>TRS</b>	<b>ERS</b>	<b>Texas A&amp;M University</b>	<b>University of Texas</b>
Retiree Only				
Retiree/Spouse				
Retiree/Children				
Retiree/Family				

- \* The amounts shown for the University of Texas represent self-funded insurance. The monthly contribution per full-time retirees participating in the fully insured programs (HMOs) ranged from \$XXX to \$XXX depending upon the region and the level of coverage selected.
2. A description of the statutory, contractual or other authority under which benefit provisions and obligations to contribute are established;
  3. A description of the accounting and financing or funding policies followed for those benefits, e.g. pay as you go basis vs. actuarially determined basis;
  4. The expenditures/expenses for those benefits recognized for the period.  
*Pay as you go.* Disclose the amount of OPEB expenditures/expenses recognized during the period by the employer (net of participant contributions) as well as the number of participants currently eligible to receive benefits. Participants currently eligible to receive benefits are retirees, terminated employees and beneficiaries for whom the employer is currently responsible for paying all or part of the premiums, contributions or claims for OPEB. Covered dependents of participants should be counted as one unit with the participant. Below is a suggested sample of how to display this information:

**Chart2**

Post Employment Health Care and Life Insurance		
Benefits Provided Through	Number of Retirees	Cost (In Thousands)
Employees Retirement System		\$ –
University of Texas System		
Texas A&M University System (Public School District Employees)		
Total		\$ –

5. A description (and the dollar effect, if measurable) of any significant matters that affect the comparability of the disclosures required by this paragraph with those for the prior period (for example, a change in benefit provisions).
6. Any additional information that the employer believes will help users assess the nature and magnitude of the cost of the employer's commitment to provide OPEB.

**NOTE 24: Special and Extraordinary Items**

Disclose all special or extraordinary items regardless of the amount. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. See **Chapter 2 – Accounting Overview and Fund Structure**, in the section entitled *Special and Extraordinary Items*.

**NOTE 25: Disaggregation of Receivable and Payable Balances**

Balances of receivables and payables reported on the statements of net assets and balance sheet may be aggregations of different components. GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, paragraph 13, requires that governments provide details in the notes to the financial statements when significant components have been obscured by aggregation. It further requires that significant receivable balances not expected to be collected within one year of the date of the financial statements be disclosed.

The components of the receivables and payables are disclosed on the Statement of Net Assets and/or Balance Sheets on the State of Texas CAFR. The Government-wide Statement of Net Assets and the Statement of Net Assets of proprietary funds are presented in the classified format. Therefore, the current and noncurrent portions of receivables and payables are separately disclosed on the face of the financial statements.

The two types of receivable, taxes receivable and federal receivable, are determined to have significant balances in the current year Texas CAFR and need separate disclosure of the current and noncurrent portions. Separate general ledger numbers for current vs. noncurrent have been set up for taxes and federal receivables. However, if your agency has significant balances in any type of receivables other than taxes and federal receivables, the agency should contact their financial reporting analyst.

Also, if current or non-current amounts for Other Receivables (GL Accounts 0270 or 0467) or Other Payables (GL Accounts 1150 or 1450) is **5 percent or greater** than the total current or non-current Receivables or Payables, the components must be disclosed in this note.

**NOTE 26: Termination Benefits**

Termination benefits may result from voluntary or involuntary terminations.

**Voluntary Terminations**

Termination benefits which are intended to hasten an employee's voluntary termination of services (early-retirement incentives) may be offered for a short period of time or may be part of a longer-standing offer. Benefits offered include the following.

- Cash payments (one-time or a series)
- Enhancements to defined benefit pension or other postemployment benefit (OPEB) formulas
- Healthcare coverage when none otherwise would be provided
- Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA)

## **Involuntary Terminations**

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Involuntary terminations, such as layoffs, may include benefits such as the following.

- Severance Pay
- Continued access to health insurance through the employer's group insurance plan
- Career counseling
- Outplacement services
- Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA)

The following must be considered in making the determination of whether the benefit arrangement is to provide benefits in exchange for the early termination of services (a termination benefit) or benefit in exchange for employee services (a pension benefit or OPEB).

- Professional judgment
- Employer's intent
- How employees generally view the benefits
- Whether the benefit is conditioned on termination of employment prior to the normal retirement age
- Length of time for which benefits have been made available.

## **Recognition Requirements**

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A liability and expense for voluntary termination benefits must be recognized on the financial statements when the termination offer is accepted although this is not always the period in which the benefits are actually provided.

For involuntary termination benefits, the liability and expense must be recognized when the plan of termination has been approved and communicated to the employees, and when the amounts can be estimated.

Measurements for both voluntary and involuntary plans should be updated and incremental liability and expenses (positive or negative) recognized at the end of each subsequent reporting period.

Note disclosure must also be made in the period the employer becomes obligated for the benefits and in any additional period in which employees are required to render future service in order to receive the involuntary benefits. This disclosure must include a description of the arrangement including the following.

- Type of benefits provided
- Number of employees affected
- Period of time over which the benefits are expected to be provided

Termination benefits that affect defined benefit pension or OPEB obligations must determine the cost of the benefit using pension and OPEB actuarial guidelines. Increases for an actuarial accrued liability that is associated with a termination benefit must be separately disclosed in the note. If termination benefits cannot be estimated, the note must disclose this fact.

Agencies paying COBRA benefits (ERS, University of Texas System, and Texas A&M System) must include the following information in this note.

- Number of participants
- Premium Revenue
- 2 percent administrative fee revenue
- Total revenue for COBRA
- Claims paid
- Cost to state

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**Note:** Recognition of termination benefits affecting OPEB will not be required until GASB 45 is implemented in fiscal year 2008.

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## Chapter 8 – Requirements for Schedules to the Financial Statements

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# Schedule 1A – Expenditures of Federal Awards

## Introduction

Each agency, college and university that expends federal awards is required to submit the Schedule of Expenditures of Federal Awards via the Internet. Federal award means federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies, or indirectly from pass-through entities. [OMB A-133, Section .105]

Agencies must maintain sufficient documentation to support the amounts submitted on the schedule. Reports are the best form of documentation and provide all the detail needed to submit the schedule. All agencies must have reporting systems in place to capture year-end financial information.

Federal financial assistance is any assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. [OMB A-133, Section .105]

Agencies are required to submit the federal schedule (Schedule 1A) and notes to the federal schedule using the Schedule of Expenditures of Federal Awards Web application. Submitting a hard copy to the Comptroller's office is optional. For details, see **Instructions for Transmitting the Schedule of Expenditures of Federal Awards on the Web** section later in this chapter.

**Do not include non-federal awards in the Schedule of Expenditures of Federal Awards.**

## Schedule of Expenditures of Federal Awards – Required Data

The Schedule of Expenditures of Federal Awards captures the federal funds expended by a state agency, college, or university. Federal funds are not earned until expended. Henceforth, with the exception of proprietary fund types, federal revenues equal federal expenditures. A capital purchase transaction that is classified under proprietary funds is not recorded as expenditure. Consequently, this type of purchase is not reflected on the operating statement. Although this type of transaction is not reflected as an expenditure on the operating statement, it must be reflected as an expenditure on the Schedule of Expenditures of Federal Awards. Although inclusion of a hard copy of the federal schedule in the *Annual Financial Report* is optional, the following data must be provided via the Internet database in order to comply with OMB Circular A-133.

- 1 All federal assistance received must be identified by the federal grantor agency. The federal program title listed in the Catalog of Federal Domestic Assistance (CFDA) must be used. If the CFDA number is not available, use the federal agency's two-digit prefix number followed by a period and three zeros. Refer to **Table I – List of Federal Agency's Two-Digit Prefix Number**, located in this section.
- 2 All federal assistance expended and received must be categorized as either *Direct* programs or *Pass-Through From* programs.
  - Federal awards expended and received directly from the federal grantor agency should be categorized as *Direct* programs.
  - Federal awards expended and received from another state agency or university should be categorized as *Pass-Through From* programs. The agency or university number and the amount received must be identified.
  - Federal awards expended and received from a non-state entity should be categorized as *Pass-Through From* programs. The non-state entity name, the amount received and the identification number must be identified.

**3 Expenditures are categorized as either *Expenditures* or *Pass-Through To* expenditures. Expenditures incurred directly by the state agency or university are categorized as *Expenditures*. Expenditures passed through to other state agencies, universities, or non-state entities are categorized as *Pass-Through To* expenditures.**

- Federal awards *Pass-Through To* other state agencies and universities should identify the agency or university number and the amount that was passed through to that agency or university.
- Federal awards *Pass-Through To* non-state entities should identify the amount of the award.

The data elements listed above are provided as a summary of the federal schedule requirements. See **Table II – Required Data Elements** in this section for additional guidance. Detailed instructions regarding the required data are provided later in this chapter.

## **Specific Guidelines for Various Data Elements – CFDA Numbers, Identification Numbers and Program Names**

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The CFDA number consists of five numbers separated by a period between the second and third number. The first two numbers correspond to the federal grantor agency and the last three numbers correspond to the specific grant. A CFDA number can be verified by accessing USAS Profile D40 – Grant Category Profile or by referring to the Catalog of Federal Domestic Assistance. The catalog can be accessed via the Internet at <http://12.46.245.173/cfda/cfda.html>.

If a federal program is not listed in the catalog, use the federal grantor agency's prefix number followed by a period and three zeroes. A listing of the federal grantor agency's prefix numbers is located at the end of this section (**Table I – List of Federal Agency's Two-Digit Prefix Number**). An identification number and a program name must be provided when a program is not assigned a CFDA number by the grantor agency.

Agencies and universities must provide an identification number when:

- 1) Federal funds are received from a non-state entity.
- 2) CFDA number is not assigned by the federal grantor agency.
- 3) Federal funds are received from Texas A&M Research Foundation.

See **Table II – Required Data Elements** in this section for additional explanation regarding when to use an identification number and a program name.

## **Data Universal Numbering System (DUNS) Reporting**

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The Office of Management and Budget (OMB) requires the reporting of a DUNS number on all **direct** expenditures of federal awards. A DUNS number is a unique nine-digit identification number provided by Dun & Bradstreet (D&B) and serves as the universal identifier for federal grants and cooperative agreements. The DUNS number supplements other identification numbers. Agencies must have a different nine-digit DUNS number for each physical location/ different address as well as each legal division that may be co-located. To request a DUNS number, call D&B at (866) 705-5711 or visit D&B on the Internet at <https://eupdate.dnb.com/requestoptions/government/ccrreg/>.

The federal government now has one location for grant applicants and recipients to change their organizational information, such as their mailing address—the Central Contract Registry (CCR). Register your number with CCR on the Internet at <https://www.bpn.gov/CCR/scripts/index.html>.

## Nonmonetary Federal Awards

Agencies and universities must identify nonmonetary federal awards. An example of a nonmonetary award is the *Food Distribution Program*. The federal schedule database contains a nonmonetary field that should be used if applicable. Additional information regarding nonmonetary awards is located in the **Notes to the Schedule of Expenditures of Federal Awards** section.

## Pass-Through Funds

Pass-through funds are federal awards “passed through” from one entity (pass-through entity) to another entity (subrecipient). The subrecipient administers the federal program on behalf of or in connection with the pass-through entity. If the federal award is not a pass-through, it is an expenditure or a reconciling item. Federal awards passed-through should include accruals.

### Pass-Through Entity

The pass-through entity reports the amounts awarded to subrecipients in the Pass-Through To field.

- Funds awarded to subrecipients that are state agencies or universities should be identified in the Pass-Through To State Entities field.
- Funds awarded to subrecipients that are non-state entities should be identified in the Pass-Through To Other Entities field.

According to the Governmental Accounting Standards Board (GASB) Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the receipt of pass-through funds should be accounted for as revenues in a governmental, proprietary, or trust fund by recipients if the recipient government has administrative or direct financial involvement. If no such involvement exists, the funds should be accounted for in an agency fund.

**The pass-through entity must inform the subrecipient that the funds they are receiving are federal funds and provide the correct CFDA title and number. For the policies on the reporting of federal and state grant pass-throughs, see the Federal and State Grant Pass-Through section in chapter 5.**

## Distinguishing Between Subrecipients and Vendors

*Source: OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.*

**A) General.** An auditee may be a recipient, a subrecipient, or a vendor. Federal awards expended as a recipient or a subrecipient would be subject to audit. The payments received for goods or services provided as a vendor would not be considered federal awards and should not be reported on the federal schedule even if the vendor transaction of federal money is received directly from the federal government. The guidance in paragraphs (B) and (C) of this section should be considered in determining whether or not payments constitute a federal award or a payment for goods and services.

**B) Federal Award.** A subrecipient:

- 1 Determines who is eligible to receive what federal financial assistance.
- 2 Has its performance measured against whether the objectives of the federal program are met.
- 3 Has responsibility for programmatic decision making.
- 4 Has responsibility for adherence to applicable federal program compliance requirements.
- 5 Uses the federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

**C) Payment for goods and services.** A vendor:

1. Provides the goods and services within normal business operations.
2. Provides similar goods or services to many different purchasers.
3. Operates in a competitive environment.
4. Provides goods and services that are ancillary to the operation of the federal program.
5. Is not subject to compliance requirements of the federal program.

**D) Use of judgment in making determination.** In making the determination of whether or not a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgment should be used to determine whether or not an entity is a subrecipient or vendor.

**E) For-profit subrecipient.** Since the federal audit requirement does not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The contract with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the contract and post-award audits.

**F) Compliance responsibility for vendors.** In most cases, the auditee's only compliance responsibility for vendors is to ensure the procurement, receipt and payment for goods and services comply with laws, regulations and the provisions of contracts or grant agreements. Program compliance requirements normally do not pass through to vendors. The auditee is responsible for ensuring compliance for vendor transactions, which are structured such that the vendor is responsible for program compliance or the vendor's records must be reviewed to determine program compliance. Also, when these vendor transactions relate to a major program, the scope of the audit should include determining whether or not these transactions are in compliance with laws, regulations and the provisions of contracts or grant agreements.

### **Determining Subrecipient Versus Vendor**

Included on the following page is a form for agencies to use in the decision-making process regarding vendor versus subrecipient identification.

<b>Subrecipient vs. Vendor Response Form</b>		
<b>Identifying Number:</b> _____ <b>CFDA number</b> _____ <b>Grant Number</b> _____		
<b>Interagency Contract number</b> _____ <b>Other Identifying number:</b> _____		
<i>Please circle a yes or no answer and then an explanation for the answer. Also include references to the contract or other documentation used to arrive at the answers. There is also a section at the bottom to identify any other factors not specifically addressed that should be considered material to this decision.</i>		
<b>Vendor</b> (Payment for goods and services)	<b>Federal Award</b> (Federal Grant Pass Through Subrecipient)	<b>Use of Judgment in Making Decisions</b> (Other significant factors not specifically listed above)
1) Provides the goods and services within normal business operations. YES    NO  Reference:	1) Determines who is eligible to receive what federal financial assistance. YES    NO  Reference:	1)   Reference:
2) Provides similar goods or services to many different purchasers. YES    NO  Reference:	2) Has its performance measured against whether the objectives of the federal program are met. YES    NO  Reference:	2)   Reference:
3) Operates in a competitive environment. YES    NO  Reference:	3) Has responsibility for programmatic decision making. YES    NO  Reference:	3)   Reference:
4) Provides goods and services that are ancillary to the operation of the federal program. YES    NO  Reference:	4) Has responsibility for adherence to applicable federal program compliance requirements. YES    NO  Reference:	4)   Reference:
5) Is not subject to compliance requirements of the federal program. YES    NO:  Reference:	5) Uses the federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity. YES    NO  Reference:	5)   Reference:

## Expenditures

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Expenditures are the federal funds expended in administering federal programs. Payments to vendors are expenditures and must not be classified as pass-through funds to subrecipients (refer to Distinguishing Sub-recipients versus vendors). The agency must estimate the expenditures to accrue and submit on the federal schedule at year-end. The agency should determine routine fixed payments, trend expectations, seasonal fluctuations and direct information from overseeing projects or programs when calculating the estimate of expenditures to accrue and submit. The agency objective in this process is to estimate, as closely as possible, the actual amount spent in the next year.

## Special Conditions

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The following subject matters require special attention when determining expenditures for the Schedule of Expenditures of Federal Awards.

### Accounting and Financial Reporting for Non-exchange Transactions (GASB 33) Issues Related to Federal Schedule

The federal schedule captures federal funds expended by a state agency or university. Federal funds are not earned until expended; therefore, federal revenues equal federal expenditures (except for capital purchase transactions in proprietary fund types). The GASB 33 issue relates to the recognition of revenue for non-exchange type transactions. A non-exchange transaction occurs when a government gives (or receives) value without directly receiving (or giving) equal value in exchange. Per GASB 33 (Paragraph 7c), Federal Research and Development (R&D) grants may be considered non-exchange-type transactions. The four *eligibility requirements* identified in Paragraph 20, must be taken into consideration when determining how to recognize the receipt of R&D grant dollars. The eligibility requirement regarding **reimbursement** is the one that raised issues regarding the impact of GASB 33 on the federal schedule. Although federal grant dollars are usually drawn down on a *reimbursement* basis, there may be instances when the dollars are received in **advance**. When advances are received, **cash** is debited and **deferred revenue** is credited (GASB 33, paragraph 19), thus this transaction would not affect the federal revenue line item on the operating statement or the federal schedule.

### Nonmonetary Assistance

**Food Distribution program** (normally, not applicable to higher education), should be shown as expenditures on the schedule at the federally assigned value of the commodities distributed. The Food Distribution program is not reported as federal revenues on the Combining Statement of Revenues, Expenditures and Changes in Fund Balance. Therefore, it should be a reconciling item included in the reconciliation of the federal revenue, federal pass-through revenue and federal appropriations revenues per the Combining Statement of Revenues, Expenditures and Changes in Fund Balance to federal expenditures and pass-through funds on the schedule.

### Food Stamps

- According to the Governmental Accounting Standards Board (GASB) Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, distributions of food stamp benefits, CFDA 10.551, must be recognized as revenue and expenditures, whether or not the state entity distributes the benefits directly or through agents and whether or not the benefits are in paper or electronic form.
- Expenditures should be recognized when the benefits are distributed to the individual recipients; revenue should be recognized at the same time.
- State entities should report food stamp balances held by them or by their agents at the balance sheet date as an asset offset by deferred revenue. Revenue, expenditures and balances of food stamps should be measured based on face value.



### Federal Surplus Personal Property

Federal surplus personal property received from the Texas Building and Procurement Commission (TBPC) is reported as a *Pass-Through From* revenue on the schedule at 23.3 percent of the original federal acquisition cost. The cash paid to the TBPC does not necessarily equal 23.3 percent of the original federal acquisition cost. The CFDA number and title for this program is 39.003-Donation of Federal Surplus Personal Property. Surplus property received should also be included in Notes 1 and 2 of the schedule.

The TBPC should report surplus property distributed as a *Pass-Through To* state entities and other entities at 23.3 percent of the original federal acquisition cost on the schedule. The TBPC should also include surplus property distributed in Notes 1 and 2 of the schedule.

According to the GASB Codification Sec. 1400.113, donated property should be recorded for financial reporting purposes at the estimated fair value at the time the property is received. The decision to capitalize depends on the entity's capitalization threshold for fixed assets. If the estimated fair value is less than the capitalization threshold, there will be no entry needed on the financial statements. If the estimated fair value is more than the capitalization threshold, state colleges and universities should record it as capital assets. The reporting methods for state agencies are as follows:

- For governmental fund types, record it under Capital Assets Adjustments.
- For proprietary fund types, including Internal Service Fund, record it as Capital Assets and recognize Federal Revenue.

### Federal Assistance Expenditures

Funds from the U.S. Department of Defense (DOD), including National Guard funds, are subject to OMB Circular A-133 and should be reported on the schedule in the same manner as other federal funds. The expenditures of the DOD funds are included in the financial statements. Therefore, they will not be a reconciling item for the reconciliation in Note 2. National Guard funds are subject to an A-133 audit and should be reported in the same manner as other DOD funds. DOD funds not assigned a CFDA number must be identified with a contract number assigned by the DOD. Make sure you disclose the DOD contract names, numbers and amounts.

### Student Financial Assistance

Student Financial Assistance Loans and Other Loans of Federal Funds: Loans made from state or federal funds are reported on the schedule at the value of the federally guaranteed and federal funds portion of loans disbursed during the year. Also included are administrative costs recovered from the federal government under the program. Programs reported in the federal schedule include:

- 84.007 Federal Supplement Educational Opportunity Grants (FSEOG)
- 84.032 Federal Family Education Loans (FEEL)
- 84.033 Federal Work-Study Program (FWS)
- 84.038 Federal Perkins Loans (FPL)
- 84.063 Federal Pell Grant Program (PELL)
- 84.268 Federal Direct Student Loans (DIRECT LOAN)
- 93.108 Health Education Assistance Loans (HEAL)\*
- 93.342 Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students (HPSL/PCL)
- 93.364 Nursing Student Loans (NSL)
- 93.925 Scholarships for Health Professions Students from Disadvantaged Backgrounds (SDS)

\* This program has been phased out as a Federal program that originates loans. A sizeable HEAL loan portfolio still exists and certain schools may have currently enrolled students with active HEAL loans.

New loans made during the fiscal year by state agencies are reported as increases in loans receivable and decreases in cash on the balance sheet. New loans made under the Federal Family Education Loan (FFEL) program and the Health Education Assistance Loans (HEAL) program do not flow through the operating statement. Therefore, they are a reconciling item for the reconciliation in Note 2.

Loans made by the Texas Higher Education Coordinating Board (THECB) to students enrolled at state colleges and universities should be reported on THECB's schedule as federal pass-throughs at the value of the federally guaranteed portion of the loans made during the year. For other loans made from federal funds, federal revenue is reported on the operating statement. These are not reconciling items for the reconciliation in Note 2. Any additional administrative costs recovered from the federal government should be reported as federal revenue on the operating statement. The costs are not reconciling items for the reconciliation in Note 2. All new loans processed and any administrative costs recovered from the federal government must also be reported in Note 3 of the schedule.

The Health Education Loan Program is not a federal loan program and should not be reported as such on the schedule. THECB should provide universities with a list of HELP and HEAL funds.

### **Reporting Entity – Consolidated Statewide SEFA**

The consolidated statewide Schedule of Expenditures of Federal Awards (SEFA) includes the activity of all federal award programs administered by the State of Texas, except for three components units: Texas A&M Research Foundation; Texas Guaranteed Student Loan Corporation; and Boll Weevil Foundation of the Department of Agriculture. Those component units are subject to separate audits in compliance with Office of Management Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The federal transactions for these three entities are excluded from the SEFA.

The Texas A&M Research Foundation is a blended component unit of Texas A&M University System and is included as part of the primary government in the *State of Texas Comprehensive Annual Financial Report* (CAFR). The Texas Guaranteed Student Loan Corporation and Boll Weevil Foundation are discrete component units and are not part of the primary government in the CAFR.

### **Pass-through reporting related to the Texas A&M Research Foundation (Agency 014)**

#### Reporting for Agency 014

Report pass-throughs from other agencies as federal revenue on the operating statement and under the direct federal revenue column on the federal schedule.

Report pass-throughs to other agencies as expenditures on the operating statement and under the expenditure column on the federal schedule.

#### Reporting for Agencies/Universities other than Texas A&M components

Report pass-through to Agency 014 as federal pass-through expenditure on the operating statement. Do not include this pass-through on the federal schedule. Record the amount as a deduction reconciling item on Note 2 of the federal schedule.

Report pass-through from Agency 014 as federal pass-through revenue on the operating statement. Do not include this pass-through on the federal schedule. Record the amount as a deduction reconciling item on Note 2 of the federal schedule.

#### Reporting for components of Texas A&M System

Report pass-through from Agency 014 as direct federal revenue on the operating statement. Do not include this pass-through on the federal schedule. Record the amount as a deduction reconciling item on Note 2 of the federal schedule.

The A&M System office performs an eliminating entry at year-end to avoid the double counting of federal revenue and federal expenditure on the operating statement.

### **Rebates**

*Rebates* received from the Special Supplemental Food Program for Women, Infants and Children (WIC) must be reported separately from the agencies' WIC grants. WIC rebates should be reported in Note 6 to the Schedule of Expenditures of Federal Awards.

### **Disproportionate Share Program (DSP)**

The *DSP* is a Medicaid policy, which requires states to consider the special needs of hospitals that serve disproportionate numbers of Medicaid or indigent patients when setting Medicaid payment rates. All DSP payments earn federal matching funds. Agencies, colleges and universities should report only the actual federal funds received and disbursed as revenues and expenditures. All other disproportionate share transactions should be reported as transfers.

### **Federal Funds to Pay for Debt Retirement**

Colleges and universities receiving *federal funds* to pay for debt retirement must report these funds on their schedules.

### **Research and Development**

*Research and Development (R&D)* means all research activities, both basic and applied, and all development activities that are performed by a non-federal entity.

*Research* is defined as a systematic study directed towards fuller scientific knowledge or understanding of the subject studied. The term research also pertains to training individuals in research techniques when these activities use the same facilities as other research and development activities and when these activities are not included in the instruction function.

**If agencies are educating the public, they should not report the associated expenses as R&D.**

*Development* is the systematic use of knowledge and understanding gained from research directed towards the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. [OMB Circular A-133, Section .105]

R&D is a cluster on the federal schedule. Unlike all other clusters, the R&D cluster is not defined by a listing of CFDA numbers. Agencies must manually select the R&D tag when entering records to the federal schedule Web application.

Please contact your financial reporting analyst for any questions related to the R&D cluster.

### **Depository Libraries for Government Publications**

CFDA 40.001, Depository Libraries for Government Publications, is a federal program in which the Government Printing Office (GPO) sends government publications to libraries, known as depository libraries. The publications are also available to the public. The publications remain the property of the federal government. The GPO does not determine the value of the publications. The state libraries are the legal custodians of the publications, cannot dispose of them and are responsible for any damage to the material.

The state libraries that participate as a depository library are required to provide a note to the Schedule of Expenditures of Federal Award that the program exists, but do not have to determine a value for the schedule or the note.

### **Indirect Costs**

*Indirect costs* are costs of administering a state or federally funded program and include the cost of providing statewide support service.

Indirect costs reimbursed with **federal funds** are federal expenditures and should be included in total expenditures on the schedule for each federal program. Indirect costs related to a federal program, but not reimbursed with federal funds, are not federal expenditures and should not be reported on the schedule.

With the exception of indirect cost recoveries associated with nonexchange transactions, colleges and universities should record indirect cost recoveries from federal grants, contracts and agreements as Operating Revenue (Federal Grants and Contracts). Indirect cost recoveries associated with nonexchange transactions should be recorded as Nonoperating Revenue (federal). The receipt of indirect cost recoveries, regardless of its revenue classification, does not require a reconciling item in the Notes to the Federal Schedule. (Source: *GASB 35 Implementation Guide*, Questions 38 and 76)

#### Example:

*Entity X administers federal program ABC. Total direct costs for the program are \$100,000 and the indirect costs are \$10,000. The contract states the federal government will pay Entity X 80 percent of the indirect cost related to the program. The remaining 20 percent will be paid by the state.*

*Entity X will report \$108,000 total federal expenditures for program ABC. The \$2,000 of indirect costs to be paid by the state is not federal expenditures and is not reflected on the schedule.*

### **Unemployment Insurance**

State unemployment tax revenues and the government and non-profit contributions in lieu of state taxes (State UI funds) must be deposited to the Unemployment Trust Fund in the U.S. Treasury to pay only benefits under the federally approved State unemployment law. State UI funds, as well as federal funds, must be included in the total expenditures of CFDA 17.225 on the Schedule of Expenditures of Federal Awards. A note to this schedule to indicate the individual state and federal portions of the total expenditures for CFDA 17.225 must be disclosed.

### **TANF**

Funds transferred from Temporary Assistance for Needy Families (TANF) (CFDA 93.558) to Social Services Block Grant (Title XX) (CFDA 93.575) and Child Care and Development Block Grant (CFDA 93.667) must be included in the total expenditures of the programs the funds were transferred to on the schedule.

## **Unrestricted Federal Appropriations – Colleges and Universities**

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Certain institutions receive unrestricted federal appropriations for current operations by federal legislative acts. These unrestricted federal appropriations are recognized as revenue when received or made available to the institution. The schedule should include only the actual expenditure of these appropriations. Therefore, these should be a reconciling item on the reconciliation in Note 2 for the net difference between federal appropriation revenue and the expenditure of federal appropriations.

## Notes to the Schedule of Expenditures of Federal Awards

The following are the notes to the Schedule of Expenditures of Federal Awards. Each agency, college and university is required to list the applicable notes on their schedule. **These notes are not part of the Notes to the Financial Statements.**

### Note 1: Nonmonetary Assistance

Nonmonetary federal assistance received during the current fiscal year should be reported in this note. Include the following:

- CFDA name and number.
- Federally assigned value for commodities, food stamps and federal surplus property (including original federal acquisition cost and estimated fair value for federal surplus property).
- Federal agency that provided the assistance.
- If pass-through funds, include the name of the state agency or other entity that provided the assistance.

### Note 2: Reconciliation

A formal reconciliation of the total federal revenues and federal pass-through revenues to the total pass-through to and expenditures on the federal schedule must be prepared. Total revenues and federal pass-through revenues on the operating statement (Exhibit II and/or Exhibit IV) plus/minus the reconciling items must tie to total pass-through to and expenditures on the federal schedule.

- Federal Revenue and Federal Pass-Through Revenue must be reported in Note 2 and tie to the operating statement.
- Indirect cost recoveries and administrative costs recoveries should NOT be listed separately. They should be included in the Federal Revenue or Federal Pass-Through Revenue.
- Include only the legitimate reconciling items as listed in *Schedule 1A – Schedule of Expenditures of Federal Awards, Note 2* as shown below and in **Chapter 9 – Sample Agency Financial Report**.
- Federal Pass-Through to other entities or other state agencies/universities should not be reported as reconciling items. They should be reported as Federal Revenue or Federal Pass-Through Revenue.

To aid in the compilation of the statewide schedule, use the following reconciling item classifications:

- Agency fund federal receipts passed through (pass-through funds with no administrative or direct financial responsibility)
- Nonmonetary – commodities
- Nonmonetary – surplus personal property
- Student loans processed (this total must tie to the New Loans Processed in Note 3 to the federal schedule)
- Federal Revenue received from or sent to Texas A&M Research Foundation, Agency 014
- Federal Revenue received where a vendor relationship exists between the agency and the federal government

If the previous classifications do not match all the reconciling items, make sure all revenues and expenditures are reported correctly as noted in examples below:

- Funds collected but not expended should be reported as deferred revenues; funds received but not passed through should be reported as payables or *Due to Subrecipients*. These should not be reconciling items. Disclose Deferred Revenue by CFDA number in Note 7 to the federal schedule.
- Subrecipients should include expenditures of pass-through funds as expenditures on the schedule.
- Classifications of federal funds as previous year adjustments and/or changes in fund balance indicate errors were made in recording federal funds. Correct these items before preparing the schedule to ensure that federal revenues and expenditures are reported in the appropriate fiscal year.
- Earned federal funds should not be a reconciling item.
- For proprietary fund types which received federal surplus personal property, a reconciling amount should be the difference between the estimated fair value recorded on Exhibit IV and the original federal acquisition cost of the property received.

### Note 3: Student Loans

The total amount of loans disbursed to students under the various federal student loan programs should be reported in this note. Total amount of new loans reported in this note must tie to the Student Loans Processed in Note 2 to the federal schedule.

- 84.007 Federal Supplement Educational Opportunity Grants (FSEOG)
- 84.032 Federal Family Education Loans (FEEL)
- 84.033 Federal Work-Study Program (FWS)
- 84.038 Federal Perkins Loans (FPL)

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**Note:** If the Perkins Loan Program has been outsourced, the university must disclose this fact and state the name of the company.

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- 84.063 Federal Pell Grant Program (PELL)
- 84.268 Federal Direct Student Loans (DIRECT LOAN)
- 93.342 Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students (HPSL/PCL)
- 93.364 Nursing Student Loans (NSL)
- 93.925 Scholarships for Health Professions Students from Disadvantaged Backgrounds (SDS)

The following information must be included in the note:

- Name of the granting federal agency
- Catalog of Federal Domestic Assistance (CFDA) program name
- CFDA number
- Total new loans processed for each program
- Total administrative costs recovered from the federal government for each program
- Loans or loan guarantees outstanding at year-end
- Ending balances of loans from previous years that were made from university funds and federal funds, such as Perkins Loans – Federal Capital Contribution (CFDA 84.038), Health Professions Student Loans indicating Primary Care Loans/Loans for Disadvantaged Students (DFDA 93.342), Nursing Student Loans (CFDA 93.364). (This is required because there are continuing federal compliance requirements on the outstanding loans.)

**Note 4: Depository Libraries for Government Publications**

The state libraries that act as a depository library in the Government Publications program, CFDA 40.001, are required to provide a note to the Schedule of Expenditures of Federal Awards that the program exists, but do not have to determine a value for the schedule or the note.

**Note 5: Unemployment Insurance Funds (Agency 320 only)**

A note to the Schedule of Expenditures of Federal Awards to indicate the individual state and federal portions of the total expenditures for CFDA 17.225 must be disclosed.

**Note 6: Rebates from the Special Supplemental Food Program for Women, Infant and Children (WIC) (Agency 537 only)**

During the fiscal year-ended August 31, XXXX, the \_\_\_\_\_ received cash rebates from infant formula manufacturers, in the amount of \$\_\_\_\_\_ on sales of formula to participants in the WIC program (CFDA 10.557). Rebates contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received to such costs enabled the state agency to extend program benefits to \_\_\_\_\_ more persons than could have been served this fiscal year in the absence of the rebate contract.

**Note 7: Federal Deferred Revenue**

Deferred revenues related to federal programs include the following.

- Prepaid federal grants that have not been earned by fiscal year-end
- Governmental funds only – Federal revenue that has been earned but not available at fiscal year-end. (Revenue is available if it can be collected within approximately 60 days on the modified accrual basis.)

Disclose the following balances of deferred revenues related to federal grants by CFDA numbers.

- Beginning balance at 09/01/20PY
- Net change during the fiscal year
- Ending balance at 08/31/20CY
- By CFDA numbers
- Explain why the current deferred revenue amount is considered deferred.

See an example of the note in **Chapter 9 – Sample Agency Financial Report**.

**Note:** See the instruction of the reporting of the Student Financial Aid (SFA) Title IV Funds such as the Pell and Federal Supplemental Educational Opportunity Grants (FSEOG) on the federal schedule and the related revenue recognition criteria under the **Miscellaneous Topics** section, **Deferred Federal Revenues** topic.

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## Miscellaneous Topics

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**Earned Federal Funds vs. Federal Funds**

Federal funds represent financial assistance received from the federal government. The money received is usually in the form of advances or reimbursements as defined by the individual award involved.

Earned federal funds are moneys that are received in connection with a federal program and are not required to be spent in the federal program by the governing agreement. They become state funds and lose their federal identity. The authority for expenditure of earned federal funds is subject to state legislation rather than the federal government.

The reporting of Earned Federal Funds must be presented in one of the following two ways, depending on the source of funds.

- Earned Federal Funds that are received from the federal government, such as recoveries of costs previously paid from a non-federal source, and indirect cost allocations should be reported as Federal Revenue on the operating statement. The costs charged to federal programs that originated these federal receipts should be included on the schedule. This type of Earned Federal Funds is not considered to be a reconciling item between the operating statement and the schedule.
- Earned Federal Funds that are not received from the federal government, such as interagency contracts paid from another agency's federal funds, interest earned on federal funds and other sources such as the sale of fixed assets purchased with federal funds should not be included in Federal Revenue on the operating statement. Rather, they should be included in Interest Income or other appropriate revenue category. This type of Earned Federal Funds should not be reported on the schedule since it does not represent a cost charged to a federal program. It is also not a reconciling item between the Federal Revenue category on the operating statement and the federal schedule. Interagency contract revenue in which the performing agency is not a subrecipient should be included in Sale of Goods and Services on the operating statement.

A definition for Earned Federal Funds is included in the General Appropriations Act, Art. IX, § 9-6.01, 79th Leg., R.S.

### **Unexpended vs. Expended Federal Funds**

Contracts and grants for which *money has not been received* but from which *expenditures have been made* should be reported as a federal receivable. These expenditures should be reported on the schedule.

#### **Reporting of the Student Financial Aid (SFA) Title IV Funds such as the Pell and Federal Supplemental Educational Opportunity Grants (FSEOG) on the federal schedule**

- 1 In accordance with the regulations in GASB 34, CFR 668.164, the Pell and FSEOG funds are considered as disbursed:
  - on the earlier of the date that the institution:
    - credits those funds to a student's account in the institution's general ledger or any sub ledger of the general ledger,
    - or pays those funds to a student directly.
  - even if an institution uses its own funds in advance of receiving program funds from the Department.
- 2 All amounts disbursed to students under Pell and FSEOG should be reported in the federal schedule in the accounting period in which they are disbursed.

#### **Revenue Recognition of the SFA Title IV Funds such as the Pell and FSEOG**

- 1 Requirements of the GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*
  - The SFA Title IV Funds, unlike tuition revenues, which are exchange transaction, are *voluntary nonexchange transactions*. The SFA Title IV Funds are subject to the GASB 33.
  - According to the GASB 33, for voluntary nonexchange transactions, revenues and expenses/expenditures should be recognized *when all applicable eligibility requirements are met or resources are received, whichever is first*.



- 2 Eligibility Requirements
  - For the SFA Title IV programs, among other requirements, a student is considered *eligible* if he or she is a regular student, enrolled, or accepted for enrollment, in an eligible program at an eligible institution.
  - Therefore, whether or not classes have begun or are in process is not a determinate for the recognition or deferral of revenue from these programs.
- 3 Recognition of Deferred Revenue
  - Federal funds for these SFA Title IV programs received after the eligibility determination should not be accounted for as deferred revenue (even if the eligibility was determined and funds received, prior to the period when instruction begins.)
  - There may be instances where federal funds received prior to eligibility determination should be accounted for as deferred revenue.

### Disallowed Prior Year Costs

Sometimes prior year costs are disallowed by the federal government and need to be refunded by cash or by means of a reduction in current year draws. In either case, the disallowed prior year costs should be netted against current year revenue on the operating statement and current year expenditures on the schedule. These costs will not be a reconciling item for the reconciliation in Note 2.

### Contingent Liabilities

Recipients of federal awards who pass-through funds to subrecipients are required by the OMB Circular A-133 to determine if the results of subrecipient audits necessitate adjustment of the recipient's own records.

To comply with this requirement, recipients should prepare a listing of its subrecipients' questioned costs to determine if they may have a material effect on the recipient's financial statements on the fund level or federal program level. If the magnitude and nature of the subrecipients' questioned costs indicate a possible material effect on the recipient's financial statements, this should be disclosed in the recipient's Notes to the Financial Statements. This should not be included in the notes to the Schedule of Expenditures of Federal Awards. Adjustments to the recipient's grant accounting records should be made for any unallowable costs.

If ultimate resolution of questioned costs indicated that material refunds are owed to the federal government, appropriate adjustment of the Financial Statements (Exhibits) should be made and fully disclosed in the Notes to the Financial Statements.

### Reporting of Medicare Related Programs

- **CFDA 93.794, Reimbursement of State Costs for Provision of Part D Drugs** – This program is the only Medicare related program that is subject to OMB A-133 and should be included on the federal schedule.
- **Other Medicare-related programs that are not subject to OMB A-133 and not included on the federal schedule** – Revenues received from other Medicare-related programs include revenues for state medical facilities serving Medicare-eligible patients. These revenues should not be reported as federal revenues since they are sales of services. They are not subject to OMB A-133 and should not be reported on the federal schedule. The other Medicare-related programs include the following.

CFDA #	Program Title
93.770	Medicare Prescription Drug Coverage
93.773	Medicare Hospital Insurance
93.774	Medicare Supplementary Medical Insurance
93.782	Medicare Transitional Drug Assistance Program for Territories
93.783	Medicare Transitional Drug Assistance Program for States

Since these programs are reported as Federal Revenue on the operating statement, they should be included as reconciling items on Note 2 to the Federal Schedule.

**Table I – List of Federal Agency Two-Digit Prefix Numbers**

01* African Development Foundation	03* Institute of Museum and Library Services
23 Appalachian Regional Commission	04* Inter-American Foundation
88 Architectural and Transportation Barriers Compliance Board	61* International Trade Commission
13 Central Intelligence Agency	09* Legal Services Corporation
29 Commission on Civil Rights	42 Library of Congress
78 Commodity Futures Trading Commission	43 National Aeronautics and Space Administration
87 Consumer Product Safety Commission	89 National Archives and Records Administration
94 Corporation for National and Community Service	92 National Council on Disability
90 Election Assistance Commission	44 National Credit Union Administration
10 Department of Agriculture	05* National Endowment for the Arts
11 Department of Commerce	06* National Endowment for the Humanities
12 Department of Defense	68 National Gallery of Art
84 Department of Education	46 National Labor Relations Board
81 Department of Energy	47 National Science Foundation
93 Department of Health and Human Services	77 Nuclear Regulatory Commission
97 Department of Homeland Security	07* Office of National Drug Control Policy
14 Department of Housing and Urban Development	27 Office of Personnel Management
16 Department of Justice	70 Overseas Private Investment Corporation
17 Department of Labor	08* Peace Corps
15 Department of the Interior	86 Pension Benefit Guaranty Corporation
21 Department of the Treasury	57 Railroad Retirement Board
20 Department of Transportation	85 Scholarship Foundations
64 Department of Veterans Affairs	58 Securities and Exchange Commission
66 Environmental Protection Agency	59 Small Business Administration
30 Equal Employment Opportunity Commission	60 Smithsonian Institution
32 Federal Communications Commission	96 Social Security Administration
83 Federal Emergency Management Agency	62 Tennessee Valley Authority
33 Federal Maritime Commission	98 U. S. Agency for International Development
34 Federal Mediation and Conciliation Service	19 U. S. Department of State
39 General Services Administration	91 United States Institute of Peace
	99 Miscellaneous

\* These prefixes are not assigned by the Catalog of Federal Domestic Assistance (CFDA) and are for OMB Circular A-133 reporting purposes only.

Agencies can verify the Federal Agency Two-Digit Prefix Numbers at Appendix I of the Federal Audit Clearinghouse on the Internet at [http://harvester.census.gov/fac/collect04/main\\_instruct.pdf](http://harvester.census.gov/fac/collect04/main_instruct.pdf).

**Table II – Schedule of Expenditures of Federal Awards: Required Data Elements**

RECEIPT OF FEDERAL FUNDS	DATA ELEMENTS					
	CFDA # <sup>1</sup>	ID #	Agency and/or University #	Program Name	Name of State Agency and/or University	Name of Non-State Entity
CFDA number is provided and the federal funds are received directly from the federal grantor agency	XX.XXX					
CFDA number is provided and the federal funds are received from a state agency or university	XX.XXX		X		X	
CFDA number is provided and the federal funds are received from a non-state agency	XX.XXX	X <sup>3</sup>				4
CFDA number is not provided and the federal funds are received directly from the federal grantor agency	XX.000	X <sup>2</sup>		X		
CFDA number is not provided and the federal funds are received from a state agency or university	XX.000	X <sup>2</sup>	X	X	X	
CFDA number is not provided and the federal funds are received from a non-state agency	XX.000	X <sup>3</sup>		X		4

**Notes:**

- CFDA numbers must be verified against the current Catalog of Federal Domestic Assistance. The federal awards that are not assigned a CFDA number must be identified by the federal agency's two-digit prefix number, followed by three zeroes.
- The ID number is the identification number assigned by the federal grantor agency when the award is received directly from a federal agency or from another state agency/university.
- The ID number is the identification number assigned by the non-state entity when the award is received from a non-state entity. The ID number is not the CFDA or Employer ID number. It can be either an award or contract number.
- The name of the non-state entity should be entered in a format suitable for the final report. Please enter non-state entity names in normal capitalization (not in all capital letters) and avoid abbreviating the names when possible.

# Instructions for Transmitting the Schedule of Expenditures of Federal Awards on the Web

For security access to the federal schedule, you must have the Comptroller's mainframe system security access.

## Introduction

Agencies and universities are required to submit the federal schedule and notes to the federal schedule using the Schedule of Expenditures of Federal Awards Web application. Submitting a hard copy of the federal schedule and the notes to the federal schedule to the Comptroller's office is optional. Find the application on the Web at <https://fmnx.cpa.state.tx.us/fmxfmrpt/fedapp/>.

You must complete the federal schedule before filling out the notes to the federal schedule, since some of the notes are populated with data from the federal schedule.

The federal schedule database on the Internet encompasses edits, which ensures that all the required data is included in the schedule. Contact your financial reporting analyst if a hard copy of the schedule is included in the AFR and an error is identified during entry related to the categorization of agency, university, or non-state entity. This type of error affects the operating statement and elimination of pass-through funds. Consequently, it is important that your analyst be notified so that entries can be adjusted, if necessary. Any other type of correction— a missing ID number or incorrect Catalog of Federal Domestic Assistance (CFDA) number—does not necessitate contacting your analyst since the electronic information will be used for the *Comprehensive Annual Financial Report* (CAFR). The database has the ability to group CFDA numbers automatically into the appropriate cluster, with the exception of Research and Development (R&D), which the agency will have to identify and enter separately from other CFDA amounts.

If a hard copy schedule is desired, it can be downloaded from the database. The State Auditor's Office (SAO) uses the database as its source of information and has security authority to view this information for audit purposes. It allows the SAO to have the data in an electronic format on a more timely basis and readily available for on-site agency audits.

## Step 1. Log in Screen

Access to the Internet site is provided in accordance with the security access to the Comptroller's mainframe systems. To obtain access, submit a system messaging (SYSM) form through your agency security coordinator. To determine if access has been set up, sign onto the Uniform Statewide Accounting System (USAS) and access the Titles Profile (D53) screen, as shown below. The Table ID is FSSC; the Key is comprised of the user's access identification (ACID), followed by the user's agency number. If a user has not signed onto the Comptroller's mainframe system in a six-month period, please contact your agency security coordinator.

```

TEXAS SD53          UNIFORM STATEWIDE ACCOUNTING SYSTEM   XX/XX/XX 05:31 PM
LINK TO:          TITLES PROFILE                               PROD

ACTION: R      (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

                TABLE ID: FSSC

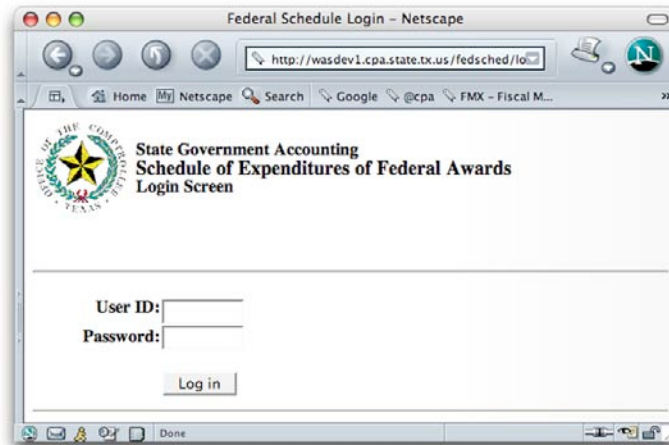
                KEY: WPEA999777      (999 = First 3 digits SSN and
                                     777 = Agency number for which access
                                     is allowed)

                TITLE: WARREN PEASE

F1-HELP  F3-END  F4-INTERRUPT  F6-PROCESS

```

Once proper security authority has been established, you can access the database on the Internet at <http://txcpa.cpa.state.tx.us/fedsched/login.html>.



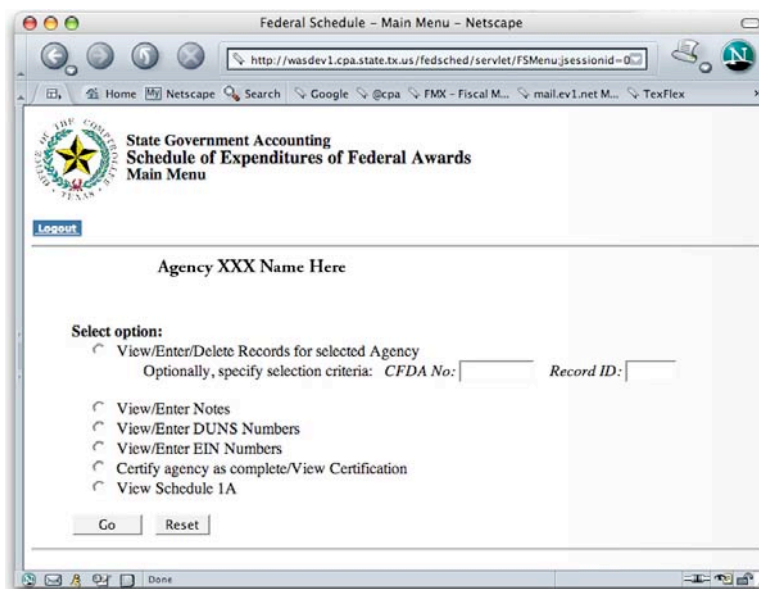
- 1 Enter the User ID.  
The User ID used for federal schedule purposes is the same ACID used to access the Comptroller's mainframe and USAS.
- 2 Enter the Password.  
This is your USAS password.
- 3 Click **Log in** and enter the federal schedule data.

## Step 2. Gather Federal Schedule Information

Gather federal schedule information, either the hard copy federal schedule or information from the accounting system used to prepare a hard copy federal schedule. Larger agencies have the option to enter the federal schedule data via the Internet or use the Interface method. The Interface method is presented later in this section.

## Step 3. Main Menu

The *Main Menu* allows an agency to select one of the actions shown below.



The Agency Name(s) and Number(s) are automatically retrieved from the access permissible by your User ID. If you have access to multiple agencies, you will see a list in the drop-down menu.

The **View/Enter/Delete Records for selected Agency** button is used to add a **new** record (see Step 4) or edit, delete and browse an **existing** record (see Step 5). If you are editing, deleting, or browsing an existing record, enter the CFDA number or the Record ID number. If the CFDA number or Transaction ID number is not known, leave these fields blank and a summary of all the transactions entered displays.

The **Certify agency as complete/View Certification** button is used to certify the federal schedule. This should only be selected upon completion of all data entry. **Once the online certification process is completed, records cannot be added, edited, or deleted.** View-only access is allowed after certification and the download process can be performed (see Step 8).

### Step 4. Add a New Record for This Agency

Instead of entering records one at a time, you may want to use the batch entry process. Instructions for batch entry can be found on the batch entry screen of the Schedule of Expenditures of Federal Awards Web application. Find the application at <<https://fmx.cpa.state.tx.us/fmx/fmrpt/fedapp/>>.

From the **Main Menu**, when the **View/Enter/Delete Records for selected Agency** button is selected **without** populating the CFDA # or Record ID fields, the **Record List** screen appears and displays either a blank record screen (as seen below) or a list of all existing records as requested.

From											To	
Trans. ID	CFDA No.	Cluster	Agy Univ ID No.	Agy Amt	Univ Amt	Non-State Entity Amount	Non-State Entity Name	Direct Program Amount	Agy/Univ Amount	Non-State Entity Amount	Expenditures	NM
Totals (0 rows)												
				0.00	0.00	0.00		0.00		0.00	0.00	0.00

- 1 Click **Add new record**.

The following screen appears.

## 2 Enter the following fields as required.

<b>Agency Number</b>	Displays the agency name and number of the agency chosen on the <i>Agency Selection Main Menu</i> . If you need to change the agency, use the browser's <i>Back</i> button to return to the <i>Agency Selection Main Menu</i> .
<b>CFDA #</b>	Enter the CFDA #. The database verifies the CFDA number entered against the USAS Grant Category (D40) Profile which has been updated and is consistent with the current Catalog of Federal Domestic Assistance. Contact the Financial Reporting section if you are using an expired CFDA number. If a CFDA number is not provided, use the federal agency's two-digit prefix number followed by three zeroes (generic CFDA number). Once the record is saved, the database automatically identifies the cluster associated with the CFDA number, with the exception of Research and Development (R&D).
<b>Program Name</b>	Enter the Program Name. If a valid CFDA number was entered in the CFDA # field, the program name is automatically identified once the record is added and accepted. If a generic CFDA number is used, enter the name of the program in this field.  <b>Note:</b> If an incorrect program name is used with a valid CFDA number, the program name entered will be overwritten with the correct program name.
<b>R&amp;D</b>	Check the R&D box if the CFDA number is related to R&D.
<b>Pass-Through From</b>	
<b>Agency/University Number From</b>	Enter the pass-through Agency/University's Number From. This field is edited against the USAS Titles (D53) Profile to determine state entities' status. For pass-through from funds, there is no need to distinguish agencies from universities, so each are entered in the same field.  To verify a university or agency number, access the D53 Profile. The Table ID is FSAG; the Key is comprised of the university/agency number followed by an <b>H</b> (higher education agencies) or an <b>A</b> (state agencies). If the funds are pass-through from numerous agencies/universities, a separate record must be created for each pass-through from transaction.
<b>Agy/Univ Amount From</b>	Enter the dollar amount of funds passed-through from the agency or university as identified above.
<b>Non-state Entity Name</b>	Enter the name of the non-state entity from which federal funds were received.
<b>NSE Amount From</b>	Enter the amount of funds passed through from the non-state entity.
<b>ID Number</b>	Enter the ID Number if required. When a generic CFDA number is used or pass-through funds are received from a non-state entity, the database requires an ID number.  <b>Note:</b> If an ID number is required, but unavailable, enter <b>ID missing</b> which allows you to continue entering data. Once any missing ID numbers have been obtained, you can enter the correct ID numbers in this field.
<b>Direct Program Amount</b>	Enter the amount of federal dollars received directly from the federal agency.
<b>Total Pass-Through From and Direct Program Amount</b>	This is a calculated field. No entry is necessary in this field.
<b>Pass-Through To</b>	
Agency/University Number To	Enter the pass-through Agency/University's Number To. This field is edited against the USAS Titles (D53) Profile to determine state entities' status. For Pass-through from funds, there is no need to distinguish agencies from universities, so each are entered in the same field.  To verify a university or agency number, access the D53 Profile. The Table ID is FSAG; the Key is comprised of the university/agency number followed by an <b>H</b> (higher education agencies) or an <b>A</b> (state agencies). If the funds are pass-through from numerous agencies/universities, a separate record must be created for each pass-through from transaction.

<b>Agy/Univ Amount To</b>	Enter the dollar amount of funds passed-through to the agency or university as identified previously.
<b>NSE Amount To</b>	Enter the amount of funds passed-through to the non-state entity.
<b>Expenditures:</b>	
<b>Expenditures</b>	Enter the amount of federal dollars expended by the agency submitting the federal schedule.
<b>Total Pass-Through To and Expenditures</b>	This is a calculated field. No entry is necessary in this field.

**3** Click *Save*.

The database edits the information entered and identifies fields that are incorrect and/or have missing data. Correct or enter all necessary fields and click *Save* again. If all the data is correct, the record is accepted and an Entry Confirmation screen displays.

To continue entering data, click on *Add new record*.

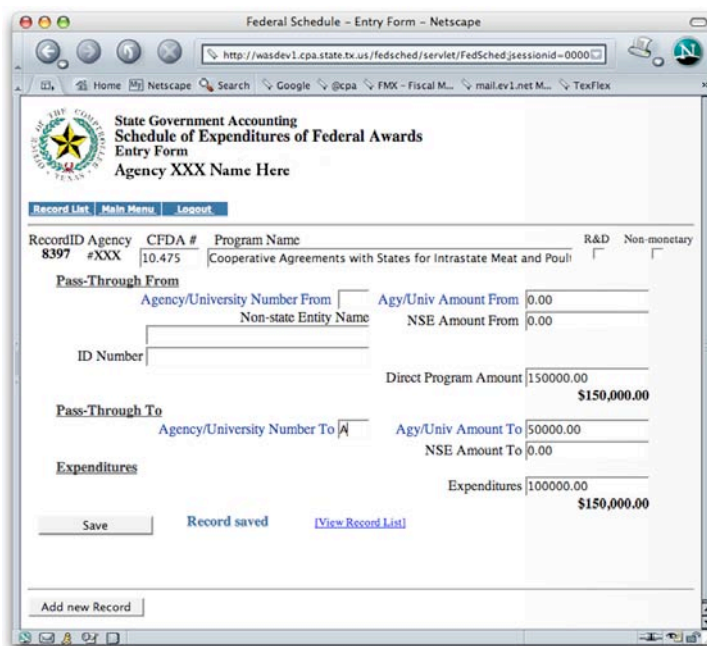
If all entry is complete, click on *Main Menu*. This provides an opportunity to view, edit, or delete records as needed.

The following is an example of a transaction that is a pass-through to several universities:

*Agency A receives federal funds directly from the Federal Grantor Agency (CFDA 10.475). Agency A expends some of these funds and has a pass-through to several universities.*

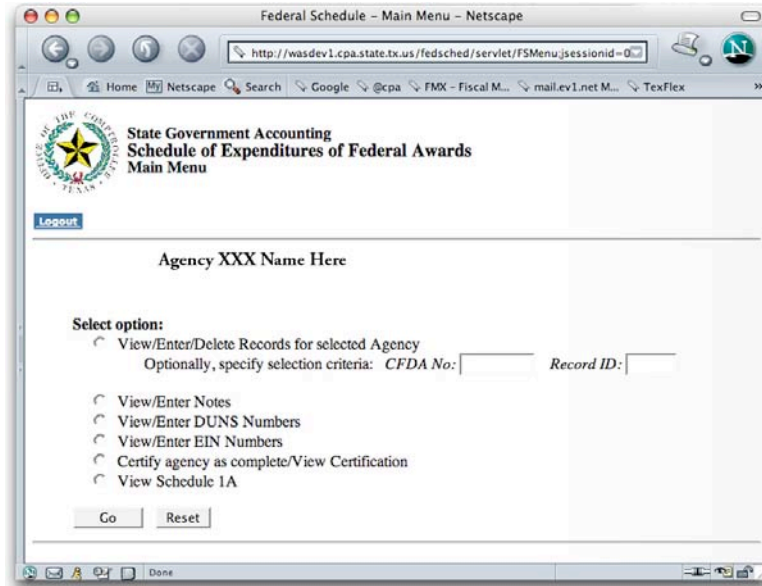
Federal Funds Received:	\$150,000	
<b>Total Federal Funds Received</b>		\$150,000
Agency A Expenditures:	Transaction #1 \$100,000	
Pass-Through to: University A:	Transaction #1 \$ 50,000	
<b>Total Pass-Through To and Expenditures</b>		\$150,000

*This transaction would be entered into the database as three different transactions. The total would reconcile back to the total amount of funding received from the federal agency.*





## Step 5. View/Edit/Delete an Existing Record



### Viewing Existing Records

- 1 Access the *Main Menu*.
- 2 Click the *View/Enter/Delete Records for selected Agency* button on the *Main Menu* and leave the CFDA # and Record ID fields **blank** to view **all** the data that has been entered.  
–OR–  
Click the *View/Enter/Delete Records for selected Agency* button on the *Main Menu* and enter a CFDA # or Record ID number to view a limited number of records .
- 3 Click *Go*.  
A summary of all entered data is displayed.

**Note:** Some browsers/printers may require you to print this screen in “landscape” orientation in order to print the whole screen.

### Edit an Existing Record

- 1 Access the *Main Menu*.
- 2 Click the *View/Enter/Delete Records for selected Agency* button on the *Main Menu*.
- 3 Click *Go*.

From											To		
Record ID	CFDA No.	Cluster	ID No.	Agy/Univ	Agy/Univ Amount	Non-State Entity Amount	Non-State Entity Name	Direct Program Amount	Agy/Univ	Agy/Univ Amount	Non-State Entity Amount	Expenditures	NM
8131	10.001		54		0.00	5.00	4564	0.00		0.00	0.00	5.00	
<b>Totals</b>		(1 row)			<b>0.00</b>	<b>5.00</b>		<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	<b>5.00</b>	

- 4 Select the record you wish to edit.
- 5 Click **Change the selected record** button.
- 6 Edit the data as necessary and re-submit the data by clicking the **Save** button. The previous Record ID number is no longer valid and a new one is assigned to the changed record. The message *Record Saved* displays next to the **Save** button indicating that your edit was successful.

### Deleting an Existing Record

- 1 Access the **Main Menu**.
- 2 Click the **View/Enter/Delete Records for selected Agency** button on the **Main Menu**.
- 3 Click **Go**.
- 4 Select a record you wish to delete.
- 5 Click **Delete the selected record** button.



You will view **\*\*\*Record deleted\*\*\*** at the top of the screen indicating that the delete was successful.

## Step 6. Format for Download

The data may be downloaded into a spreadsheet format after data entry is complete. This downloaded/spreadsheet format can be used to verify the data entry or to serve as the hard copy of the Schedule of Expenditures of Federal Awards.

- 1 Access the **Main Menu**.
- 2 Click the **View/Enter/Delete Records for selected Agency** button on the **Main Menu**.
- 3 Click **Go**.
- 4 Click **Format for download** button at the bottom of the screen.  
This creates the data for copy/paste into an Excel file. The download process for other spreadsheets should be similar.
- 5 Use the mouse to highlight all of the displayed data or choose **select all** from the edit menu.
- 6 Select **Copy** from the edit menu.
- 7 Open a new Excel spreadsheet and click the **paste** icon.
- 8 Highlight the first column (A) and then under the data menu select **text to columns**.

- 9 Choose the *delimited* option and click *next*.
- 10 Choose delimiter *comma* and text qualifier ( ‘ ) and then select *next*.
- 11 Choose column data format *general* and click *finish*.  
Format the data in the spreadsheet to the desired format. To format CFDA number, select *Format* from the menu bar, select *Cells* from the drop-down menu, click on the *Number* tab (top), choose *Custom* from the *Category* menu (left) and enter *00.000* in the Type field.

## Step 7. Reconciliation

Reconciliation or data verification can be done on downloaded data at various stages of the data entry process.

- A. You can reconcile from a download of the report (see Step 6). Since the download process is fairly easy, it is the most practical reconciliation method for larger agencies/ universities.
- B. After entering a record, a line item can be viewed by going to the *View/Enter/Delete Records for selected Agency*. Leave the CFDA # and the Record ID fields blank and click the *Go* button. This *Transaction List* screen gives the necessary control totals for your federal schedule. Each line item can be reviewed at this time instead of after each *Entry Confirmation* screen (acceptance of a record). A printout of this entire screen is not available; only the left side of the screen prints. To print all the columns, see the instructions for downloading below.
- C. After entering one line item and clicking *Add this record*, the entry is accepted and the data appears on the *Entry Confirmation* screen. If all information was added correctly, the record is accepted. Records can be reviewed individually after each entry. This review method is only practical for agencies with very few lines of federal schedule data.

## Step 8. Entering Notes to the Schedule of Expenditures of Federal Awards on the Web

After completing the Federal Schedule data entry, begin entering the notes to the federal schedule.

The Notes to the Federal Schedule have been placed on the Schedule of Expenditures of Federal Awards Web application. Agencies and universities are required to enter the Notes to the Schedule of Expenditures of Federal Awards on the Web.

### Getting Started

On the Schedule of Expenditures of Federal Awards Web application, follow these steps to get to the Notes to the Federal Schedule pages:

- 1 Login to the Schedule of Expenditure of Federal Awards Web application at: <https://fmx.cpa.state.tx.us/fmx/finrpt/fedapp/>.
- 2 Click the *View/Enter Notes* button on the Schedule of Expenditures of Federal Awards Main Menu.
- 3 Click *Go*.
- 4 Select the Note you wish to enter.  
Refer to the sections that follow for specific information relating to each Note.

### Entering Note 1: Non-Monetary Assistance

Follow the instructions for the following field, then click **Save**.

- 1 Enter the text of the note in the Comments field.

### Entering Note 2: Reconciliation

Enter all appropriate fields noting the special instructions for certain sections and fields listed below and click **Save**.

---

**Attention:** Enter Note 3a before you enter Note 2. Note 3a must be entered first because the New Loans Processed number in Note 2 is populated from Note 3a.

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- 1 Enter the Federal Revenue.  
Enter amounts of federal revenue in the lines appropriate to the fund types and type of federal revenue (e.g., operating or non-operating for the proprietary funds). The amounts entered in this section must match federal revenue amounts on the DAFR reports from USAS.

The application will total the amount of federal revenue and display the sum at the end of the Federal Revenue section's Amount column.

- 2 Enter the Federal Pass-Through Revenue amounts.  
Enter the amounts of federal pass-through revenue in the appropriate fields according to the fund types and types of federal pass-through revenue (e.g., operating or non-operating for the Proprietary Funds). The amounts entered in this section must match the amounts of federal pass-through revenue on the DAFR reports in USAS.

---

**Important:** The Total Federal Pass-through Revenue field must match the "check number" shown to the right of the field name. The check number is the difference of the following amounts:

---

- Total Pass-Through from Agencies/Universities (figure found in Pass-Through From Agencies/Universities column in the Federal Schedule), and
- The Total Non-Monetary Pass-Through From Other State Agencies/Universities

- 3 Enter the Reconciliation Items.

Reconciliation items are either:

- not reported as federal revenue or federal pass-through revenue in the operating statement but are included in the Federal Schedule, or
- reported as federal revenue or federal pass-through revenue in the operating statement but are not included in the Federal Schedule.

**Non-monetary Items** are not reported as federal revenue in the operating statement but are included in the Federal Schedule. Nonmonetary items are populated with data from the Federal Schedule. Check the dollar amount for accuracy.

**New Loans Processed** are not reported as federal revenue in the operating statement but are included in the Federal Schedule. The new loans processed data is populated from the New Loans Processed column entered in Note 3. Check the dollar amounts for accuracy.

**Other Reconciling Items** can be added or deducted from the reconciliation. Items that are not reported as federal revenue or federal pass-through revenue in the operating statement but are reported in the Federal Schedule should be added to the revenues in the reconciliation. Items that are reported as federal revenue or federal pass-through revenue in the operating statement but are not reported in the Federal Schedule should be deducted from the revenues in the reconciliation.

***Adding Other Reconciliation Items***

- 1 Enter the CFDA number and the amount of the program for the Capital Contribution field and Capital Contribution – Pass-through From Other Agencies/Universities field.

Contact the Comptroller's Financial Reporting section (FRS) if you have other reconciling items to add.

***Deducting Other Reconciling Items***

- 1 Enter the federal revenue received on the fixed-fee-basis contract and provide an explanation in the Note field.
- 2 Enter the amount of the federal revenue received under a vendor relationship between the agency and the federal government and provide an explanation in the Note field.
- 3 Enter the amount of the federal grants received from or sent to the Texas A&M Research Foundation.

Contact the Comptroller's Financial Reporting section (FRS) if you have other reconciling items to deduct.

***Difference***

This number is the difference of the Note 2 reconciliation total and the total pass-through and expenditures from the Federal Schedule. The difference is calculated automatically by the application and must be zero.

**Entering Note 3a: Student Loans Processed and Administrative Cost Recovered**

Fill in all appropriate fields, noting the special instructions for certain sections and fields listed below, then press the **Save** button.

CFDA

Enter CFDA numbers for the student loans if they are not populated from the Federal Schedule.

New Loans Processed

Enter new loans made from federal funds. This amount does not include the administrative costs recovered from the federal government, which should be included in the second column, Administrative Cost Recovered. This amount is linked to the Total New Loans Processed field in Note 2. (It is a reconciling item because federal revenue is not recognized in the operating statement, but the new student loans processed are reported in the Federal Schedule.)

Administrative Cost Recovered

This amount is automatically calculated by the application by subtracting new loans processed from the total loans processed and administrative cost recovered.

Total Loans Processed and Administrative Cost Recovered

This amount is populated from the Federal Schedule data. For student loans processed that are not populated from the Federal Schedule, enter CFDA numbers, total loans processed and administrative cost recovered from the Federal Schedule.

### **Entering Note 3b: Federally Funded Loans Processed and Administrative Cost Recovered**

Fill in all appropriate fields, noting the special instructions for certain sections and fields listed below, then press the **Save** button.

#### CFDA

Enter CFDA numbers for the federally funded loans that are not populated from the Federal Schedule.

#### New Loans Processed

Enter new loans made from federal funds. This amount does not include the administrative costs recovered from the federal government, which should be included in the second column, Administrative Cost Recovered. This amount is not linked to the New Loans Processed field in Note 2. (It is not a reconciling item because these new federally funded loans processed are recognized as federal revenue in the operating statement and are reported in the Federal Schedule.)

#### Administrative Cost Recovered

This amount is automatically calculated by the application by subtracting new loans processed from the total loans processed and administrative cost recovered.

#### Total Loans Processed and Administrative Cost Recovered

This amount is populated from the Federal Schedule data. For federally funded loans processed that are not populated from the Federal Schedule, enter CFDA numbers, total loans processed and administrative cost recovered from the Federal Schedule.

### **Entering Note 4: Depository Libraries for Governmental Publications**

#### Comments

Enter the text of the Note in this field. Click **Save**.

### **Entering Note 5: Unemployment Insurance Funds**

#### Comments

Enter the text of the Note in this field. Click **Save**.

### **Entering Note 6: Rebates for the Special Supplemental Food Program for Women, Infants and Children (WIC)**

#### Comments

Enter the text of the Note in this field. Click **Save**.

### **Entering Note 7: Federal Deferred Revenue**

There are two types of federal deferred revenue:

- Prepaid federal grants that have not been earned and/or expended, and
- Governmental funds only— federal revenues that have been earned but are not available within 60 days of fiscal year-end.

To enter Note 7, enter the following fields as appropriate.

#### CFDA

Enter the CFDA number of the related program. Click **Save**.

#### Federal Deferred Revenue September 1, 2006

Enter the fiscal year beginning balance of the Federal Deferred Revenue. Click **Save**.

#### Net Change

Enter the increase or decrease of the Federal Deferred Revenue. Click **Save**.

#### Note

Enter an explanation why the current deferred revenue is recognized. Click **Save**.

## Step 9. Certification of Federal Schedule

If all the data entered is correct and a reconciliation of federal funds has been completed, then return to the *Agency Selection (Main) Menu* and select the *Certify this agency as complete* button. The following screen displays.

Federal Schedule - Certification Page - Netscape

http://wasacc1.cpa.state.tx.us/fedsched/servlet/FedSched.jsessio...

Home My Netscape Search Google @cpa FMX - Fiscal M... mail.ev1.net M... TexFlex


**State Government Accounting**  
**Schedule of Expenditures of Federal Awards**  
**Certification Statement**  
 Agency XXX Name Here

[Main Menu](#) [Logout](#)

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**Certification of Schedule of Expenditures of Federal Awards**

The data entered into the Schedule of Expenditures of Federal Awards database has been prepared in accordance with the requirements established by the Comptroller of Public Accounts. The information entered into the database is considered for audit by the State Auditor as part of the State's Comprehensive Annual Financial Report. The information submitted in this database is intended to present a complete representation of our agency's Federal expenditures.

Name of the Executive Director or President/Chancellor:

Note: Prior to submitting the Certification Statement, make sure that missing program names, non-state entity names, and ID numbers have been entered and verified.

Done

Enter the name of the agency's executive director and the date submitted, including forward slashes in the fields provided.

Click *Certify*. The message *Certification Accepted* displays.

Once a certification is accepted, subsequent additions, updates, or deletions to the federal schedule database automatically displays the message *This agency has been certified as complete. No additions, updates, or deletes are allowed*. Any changes from this point on must be coordinated with the Comptroller's Financial Reporting section (FRS).

## Batch Entry Instructions

Instead of entering records one at a time, you may want to use the batch entry process. Instructions for batch entry can be found on the batch entry screen of the Schedule of Expenditures of Federal Awards Web application. Find the application at <https://fmx.cpa.state.tx.us/fmx/finrpt/fedapp/>.

## Agencies and State Colleges and Universities

Schedule 1B is to be completed for state grant money that has been passed between state agencies and state colleges and universities. This occurs when an agency has an appropriation with the authority to grant that money to another state agency and retains administrative responsibilities for it.

Schedule 1B must include the grant name of the state grant received or passed and the agency name and number that it was received from or passed to.

The State Grant Pass-Through Revenue amount on the Statement of Revenues, Expenses and Changes in Net Assets and/or Statements of Revenues, Expenditures and Changes in Fund Balances should tie directly to the *pass-through from* amounts on the state grant schedule. This must be for State Grant Pass-Through Revenue that was received from another state agency who remains responsible for your compliance with the grant conditions.

The State Grant Pass-Through Expenditure amount on the Statement of Revenues, Expenses and Changes in Net Assets, Statements of Revenues, Expenditures and/or Changes in Fund Balances should tie directly to the *pass-through to* amounts on the state grant schedule. This must be for the expenditure of an appropriation that you are authorized to grant and retain administrative responsibility.



## Schedule 2 – Bond Schedules and Bond Disclosures

### Introduction

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The scope of the statewide audit includes tests for compliance with the covenants of general obligation and revenue bond issues of the State. Therefore, it is essential for each agency that issues bonds to include their bond schedules in their *Annual Financial Report*.

Prior to current year-end, agencies that had bond debt in 20PY will receive an e-mail reminder to update security information in USAS to allow access to the Web-based Bond Reporting System (BRS). If your agency did not report bond schedules in 20PY, but has bond issues in 20CY, please contact your financial reporting analyst to expedite your access to BRS. Instructions for using BRS are included at the end of the Schedule 2 instructions.

For each bond issue, the bond schedules will contain general descriptive information, changes in bonded indebtedness, debt service requirements to maturity and an analysis of funds available for debt service. A bond issue must be included on each of these schedules until, and including (except for the debt service requirements), the year in which the bond issue is extinguished or retired. For examples of these schedules, refer to **Chapter 9 – Sample Agency Financial Report** (Schedule 2A, 2B, 2C and 2D).

A Schedule of Defeased Bonds Outstanding should also be reported for each advance refunded/ extinguished bond issue until the associated escrow fund is exhausted and all associated debt is liquidated. For an example of this schedule, refer to **Chapter 9 – Sample Agency Financial Report** (Schedule 2E).

The schedule of early extinguishment and refunding documents the current year early extinguishment and refunding of bonds payable, including current refunding and advance refunding. For an example of this schedule, refer to **Chapter 9 – Sample Agency Financial Report** (Schedule 2F).

The bond schedules should do three things:

- 1 Provide issue by issue detail for descriptive and debt service schedule information that is summarized in the Notes to the Financial Statements.
- 2 Present analytical information related to the adequacy of the pledged revenue stream or other fund sources to meet the issuer's obligations.
- 3 Disclose compliance with provisions requiring maintenance of restricted accounts in support of the bonds.

Commercial paper, which typically matures in 270 days or less (and is considered a short-term debt), and Variable Rate Notes are **NOT** Bonds Payable. If the maturity of these two items extends beyond the end of the subsequent year or the intent is to continue to roll the debt instrument beyond the end of the subsequent year (which effectively extends the ultimate maturity), the liability under certain circumstances (as discussed in *Note 4: Short-Term Debt* in chapter 7) may be reported as Long-Term Liabilities – Notes and Loans Payable. As with all long-term liabilities, amounts due within the following year should be recognized separate from the amounts due in all subsequent years.

All items in the bond schedules should be on the **full accrual basis**.

## Required Schedules of Bond Information

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### Schedule 2A – Miscellaneous Bond Information

The Miscellaneous Bond Information Schedule presents descriptive data for each bond series issued. The general focus of this schedule is to present historical information that should be based on the date of issuance, using the Official Statement as the source. **The data must not change** during the life of the bonds other than changes due to annual accretion on compound interest bonds, capital appreciation bonds, and for changes in amounts issued to date.

Separate *Miscellaneous Bond Information* into four categories:

- General Obligation Bonds-self-supporting
- General Obligation Bonds-not self-supporting
- Revenue Bonds-self-supporting
- Revenue Bonds-not self-supporting

Disclose the following:

- Separate General Obligation and Revenue Bonds into either Governmental Activities (fund types 01, 02, 03, 04, 19) or Business-Type Activities (fund types 05, 06) or Component Units (fund types 14, 15).
- Description of the bond issue: Include the title, series and calendar year of the bond as contained in the Official Statement. **Use the same exact description of each issue for each bond schedule. These descriptions should agree with those used in the previous year's bond schedules.**
- Bonds Issued to Date: Show the amount of the original par value by bond series. This amount will remain unchanged for the life of the bonds and, except for capital appreciation bonds, should agree with the previous year's bond schedules. (For capital appreciation bonds, the amount will change annually based on the current year accretion recognized as Bonds Issued in the Changes in the Bonded Indebtedness schedule.) In general, anything reported as Bonds Issued on the Changes in Bonded Indebtedness schedule should be included in this column.
- Range of Interest Rates: Present both the lowest and highest interest rate for each series as stated in the Official Statement for fixed rate issues. This data should not be adjusted for maturities or refundings and should agree with the previous year's bond schedules. For variable rate bonds, report both the high and low range as "VAR" to indicate variable, regardless of how specific allowable ranges may be stated. (If converted to a fixed rate, replace the "VAR" with the new fixed rate.)
- Terms of variable Interest Rate: disclose the terms by which interest rates change for variable-rate debt (e.g. weekly, monthly, quarterly, yearly, etc.).
- Scheduled Maturities, First and Last Year: Show the first and last calendar years of scheduled maturities for each series as stated in the Official Statement. This data should not be adjusted for maturities or refundings and should agree with the previous year's bond schedules.
- First Call Date: This is the first date (MM/DD/YYYY) that the agency has the option to call any portion of the bond issue for early redemption. Do not include mandatory redemptions required by or specified in the bond resolution. If the bonds are not subject to early redemption at the option of the agency, report "N/A." Place a footnote, "partial," on the schedule if the call date refers to an option for only a partial redemption. In BRS, provide this description in the Comment box (on data entry screen 1, section 4). A note is not necessary for redemption of the total outstanding balance. Use a separate footnote to identify any mandatory redemptions required.

## Schedule 2B – Changes in Bonded Indebtedness

This schedule presents increases and decreases to the principal balance of each bond series.

Separate *Changes in Bonded Indebtedness* into four categories, as described above in the **Miscellaneous Bond Information** section.

Disclose the following:

- **Bonds Categories:** Separate General Obligation and Revenue Bonds into Governmental Activities (fund types 01, 02, 03, 04, 19), Business-Type Activities (fund types 05, 06) and Component Units (fund types 14, 15).
- **Bonds Outstanding at 09/01/PY:** This amount must agree with the ending principal balance in the previous year's bond schedules and in total with chapter 13 of the reporting requirements.
- **Bonds Issued:** This reflects the par value of amounts issued for the specific series during the fiscal year. The column is also used to present annual principal accretion on all discount bonds (i.e., capital appreciation, zero coupon or limited interest mortgage obligation bonds). A timing difference exists when the agency computes accretion for a bond series and that accretion does not coincide with the end of the fiscal year. In these situations, the agency should extrapolate the accretion from the last payment date to the end of the fiscal year, if material. A footnote explanation should be reported on the schedule to indicate when the amounts are due to accretion.
- **Bonds Matured or Retired:** This is the par value (or currently accreted value for discount bonds) of all bonds retired during the fiscal year due only to a scheduled maturity. This amount should tie to the bond issue's amortization schedule. It should also tie to the Principal column on the Analysis of Funds Available for Debt Service – General Obligation Bonds schedule or the Debt Service-Principal column on the Analysis of Funds Available for Debt Service – Revenue Bonds schedule, respectively.
- **Bonds Refunded or Extinguished:** This is the par value (or currently accreted value for discount bonds) of all bonds retired due to an early extinguishment (unscheduled maturity, call or refunding). Year-end outstanding balances of old debt resulting from an advance refunding/extinguishment must appear on Schedule 2-E, Defeased Bonds Outstanding.
- **Bonds Outstanding at 08/31/CY:** This balance, which can be calculated by applying current year bond transactions to the Bonds Outstanding at 09/01/CY, must agree with Bonds Payable reported on the balance sheet/statement of net assets and the amount disclosed in the Notes to the Financial Statements. For Proprietary Funds, if the amounts do not agree, a reconciliation must be prepared in the Changes in Bonded Indebtedness schedule to disclose unamortized premiums, discounts and gain/(loss) on refundings (for refunding debt only) pursuant to GASB 23. A separate reconciliation is required for General Obligation Bonds and for Revenue Bonds.
- **Amounts due within one year:** This amount is the current portion of the principal payment due in one year. This amount should tie to the balance sheet under *Current Liabilities – Bonds Payable*.

Bond Discounts, Premiums, Issuance Costs and gain/(loss) on refundings: Amounts that are individually greater than 5 percent of the par value of the bond issue must be capitalized and amortized over the remaining life of the bonds using the straight-line or interest method. Amounts less than 5 percent of the par value may be capitalized or expensed at the time of bond issuance as determined by each individual agency. Unamortized discounts, premiums and gain/loss on refunding are netted against Bonds Payable. Unamortized issuance costs are reported as *deferred charges*.

## Schedule 2C – Debt Service Requirements Schedule

This schedule presents the future cash payments of **both the principal and interest** for each bond series by fiscal year according to the bond issue's amortization schedule. Separate General Obligation and Revenue Bonds into Governmental Activities (fund types 01, 02, 03, 04, 19), Business-Type Activities (fund types 05, 06) and Component Units (fund types 14, 15).

Interest requirements for variable-rate debt should be determined using the rate in effect at the financial statement date. Agencies should show the terms by which interest rates change for variable-rate debt. The disclosure should consider the life of the debt service requirements and not just current requirements. For the purposes of computing amounts for this schedule, principal on variable rate bonds should be considered paid at maturity unless otherwise required. Total accretion is reported on this schedule in the Principal column in the year of maturity only.

Separate *Debt Service Requirements Schedule* into four categories as described in the **Miscellaneous Bond Information** section above.

Disclose the debt service payments, principal and interest presented separately, for the following periods:

- Fiscal Year 20X1 (future year 1)
- Fiscal Year 20X2 (future year 2)
- Fiscal Year 20X3 (future year 3)
- Fiscal Year 20X4 (future year 4)
- Fiscal Year 20X5 (future year 5)
- **Five-year increments thereafter**
- Total Required

A bond issue does not need to be included on this schedule if Bonds Outstanding at 08/31/CY on the Changes in Bonded Indebtedness schedule is zero.

## Schedule 2D – Analysis of Funds Available for Debt Service

This schedule provides an analysis of funds available for debt service. Review the bond resolution to determine what amounts are pledged and need to be included. The following items are the lowest level of detail that is required. Note that the schedule formats for General Obligation Bonds and Revenue Bonds are different. Separate General Obligation and Revenue Bonds into Governmental Activities (fund types 01, 02, 03, 04, 19), Business-Type Activities (fund types 05, 06) and Component Units (fund types 14, 15).

### Analysis of Funds Available for Debt Service – (General Obligation Bonds)

#### Description of issue

This should be the same title, series and year presented for other schedules. Parity issues, however, having equal claim to pledged sources, should be presented as one line for purposes of this schedule, clearly identifying each parity issue included.

#### Principal

This is the par value (or currently accreted value for discount bonds) of all bonds retired during the fiscal year due to a scheduled maturity. This amount should tie to the bond issue's amortization schedule. It should also tie to the Bonds Matured or Retired column on the Changes in Bonded Indebtedness schedule.

#### Interest

This is the amount of interest paid during the fiscal year, which should tie to the bond's amortization schedule. It should not be adjusted for accrued interest received on new bond issues. The net amount received/paid on bond-related interest rate swap agreements should be included in this column.

**Analysis of Funds Available for Debt Service – (Revenue Bonds)**Description of Issue

This should be the same title, series and year presented for other schedules. Parity issues, that have equal claim to pledged sources should be presented as one line, clearly identifying each parity issue included.

Pledged Sources and Related Expenditures for the Fiscal Year

All sources and expenditures affecting the net amount available for debt service must be presented either directly on the schedule or footnoted below it.

Consideration should be given to bond documents which detail whether total sources are pledged for debt service (gross pledge) or whether net amounts are available after specific operating expenses have been deducted (net pledge). When gross sources are pledged, the related (estimated) operating expenditures paid must be disclosed in a footnote to the schedule. When net sources are pledged, the operating expenditures must be shown in the Operating Expenses/Expenditures column.

Beginning balances or Reserve Fund amounts used for debt service should be disclosed in a footnote to the schedule and should not be included in the body of the schedule.

- 1 Total Pledged and Other Sources – Includes the total of Operating Revenues, Interest Earned On Investments and Other Pledged Sources defined as follows:
  - Operating Revenues – Revenues generated by activities made possible by bonds. For example, rental or non-recycled loan repayments received. It should not include any other amounts pledged to repay the bonds, such as fees or taxes.
  - Interest Earned on Investments – Pledged interest earned on investments, bond-related funds and other pledged sources
  - Other Pledged Sources – This should include any other amounts pledged to repay the bonds that are not Operating Revenues or Interest Earned on Investments (such as fees, taxes, etc.). It should also include proceeds from refunding bonds and principal payments on loans that were not recycled as well as accrued interest received when issuing new or refunding bonds.
- 2 Other Sources – Any other sources used for debt service that are not specified in the bond resolution should be included in this column.
- 3 Operating Expenses/Expenditures and Capital Outlay – Expenditures associated with Operating Revenues and capital outlay made from pledged sources. If the bond resolution pledges the “gross revenues,” disclose the related (estimated) expenditures in a footnote to this schedule.

Debt service

- 1 Principal – This is the par value (or currently accreted value for discount bonds) of all bonds retired during the fiscal year due to a scheduled maturity. This amount should tie to [the prior year](#) Schedule 2C and the bond issue’s amortization schedule. It should also tie to the Bonds Matured or Retired column on the Changes in Bonded Indebtedness schedule (Schedule 2B).
- 2 Interest – This is the amount of interest paid during the fiscal year, which should tie to [the prior year](#) Schedule 2C and the bond’s amortization schedule. It should not be adjusted for accrued interest received on new bond issues. The net amount received/paid on bond-related interest rate swap agreements should be included in this column.

### Schedule 2E – Schedule of Defeased Bonds Outstanding

This schedule discloses by individual series the par value of defeased bonds that are outstanding at year-end, until the escrow fund is exhausted (and until no bonds are outstanding at year-end). Although, these bonds are no longer reported as liabilities of the agency, they are still held by bondholders who are expecting payments of principal and interest.

- Separate General Obligation and Revenue Bonds into Governmental Activities (fund types 01, 02, 03, 04, 19), Business-Type Activities (fund types 05, 06) and Component Units (fund types 14, 15).
- Description – This should be the same title, series and year presented for other schedules. Abbreviations should be avoided if possible.
- Year Refunded – This is the calendar year in which the bonds (or portion thereof) were refunded or defeased. Multiple partial refundings of a single bond issue should be shown on separate lines.
- Par Value Outstanding – This is the par value of refunded or extinguished bonds that has not been retired through payments from the escrow fund as of the end of the fiscal year. Amounts in this schedule are updated each year. For discount bonds (i.e., capital appreciation, zero coupon or limited interest mortgage obligation bonds), the amount of accretion that occurred during the fiscal year should be added. A timing difference exists when an agency computes accretion for a bond series, but the accretion does not coincide with the end of the fiscal year. In these situations, the agency should extrapolate the accretion from the last payment date of the fiscal year to the end of the fiscal year if material. A footnote explanation should be reported on the schedule to indicate when the amounts are due to accretion.

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**Attention:** For required note disclosures for bonded indebtedness, please see **NOTE 13: Bonded Indebtedness** section in **Chapter 7 – Requirements for Notes to the Financial Statements**.

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### Schedule 2F – Schedule of Early Extinguishment and Refunding

This schedule reports early extinguishment and refunding for the current year.

- Separate General Obligation and Revenue Bonds into Governmental Activities (fund types 01, 02, 03, 04, 19), Business-Type Activities (fund types 05, 06) and Component Units (fund types 14, 15).
- Description of Issue – This should be the same title, series and year presented for other schedules. Abbreviations should be avoided if possible.
- Category – Early Extinguishment, Current Refunding, or Advance Refunding
- Amount extinguished for early extinguishment, or par value refunded for refunding ***For refundings (current and advance) in proprietary funds and in governmental funds***, also disclose the following:
  - Par Value of Refunding Issue (new issue)
  - Cash Flow Difference – the difference between the cash flows required to service the new debt in comparison to the old debt. This is the sum of all future interest and principal payments that would have been paid by the entity, less all future interest and principal payments to be paid for the new debt, plus any additional resources required (if any).
  - Economic gain or loss – The economic gain or loss is the calculated difference between the present value of cash flow requirements of the old debt and the present value of cash flow requirements of the new debt. If a loss occurs, provide an explanation of the reasons for the extinguishment, such as to remove prohibitive bond covenant restrictions.

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**Attention:** For required note disclosures for bonded indebtedness, please see **NOTE 13: Bonded Indebtedness** section in **Chapter 7 – Requirements for Notes to the Financial Statements**.

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## Bond Reporting System Instructions

A new Web-based application, the Bond Reporting System, has been developed for agencies and institutions of higher education that submit bonds-payable information to the Texas Comptroller of Public Accounts during the *Annual Financial Report* (AFR) process. This user-friendly system was developed to replace the Excel-spreadsheet based reporting process.

### Establishing Bond Reporting System Security

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Please ensure that you have obtained proper security as early in the bond-reporting process as possible.

Request security for this system in the same manner as requesting security for the General Revenue Reconciliation system. To get security, ask your agency's security coordinator for Bond Reporting System access for each agency number you will be reporting.

### Gathering Information

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As in previous years, gather all bond-related information for use in reporting agency bonds payable for 20CY. (CY = current year)

Be sure to follow disclosure instructions on Schedule 2, in chapter 8 of the *Reporting Requirements for Annual Financial Reports of State Agencies and Universities* (AFR). Chapter 8 of the AFR provides definitions and a detailed description of requirements for each schedule. Chapter 9 gives your agency an example of each bond schedule required.

### Navigating the Bond Reporting System

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Use your mouse or the **Tab** key to navigate the system. The **Enter** key causes the system to save a screen's information if the screen is fully filled out. If you click **Enter** and a screen is not adequately filled out, the information will not be saved.

For issues previously reported, you must only enter a limited amount of information on a yearly basis. For new issues, all applicable information must be entered.

All principal and interest payments for new issues must be entered on the Principal and Interest screen. This information must be added for any changes to old issues due to current year refundings and variable rate bond interest changes.

### Logging Into the Bond Reporting System

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Follow these steps to login:

- Go to the Bond Reporting System's Web site at <<https://fmx.cpa.state.tx.us/fmx/finrpt/bondsys/>>.
- Select **Bond Reporting System Login**.
- Enter your User Id and Password.
- Click **Login**.
- At the Select Agency menu on the following screen, select the agency with the information you wish to edit or view.

Once you have selected your agency, you are ready to add new bonds, display/edit existing bonds and generate reports.

---

**Note:** The login information for the Bond Reporting System is the same login you use for any of the Comptroller's mainframe systems. If your login has expired, been suspended, or incorrectly entered, you will receive an error message. If after three attempts you are unable to login, call the Comptroller's office at (512) 463-4991 to have your login reset.

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## Adding a New Bond Issue for the Current Fiscal Year

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Follow these steps to add a bond issue for the current fiscal year:

- 1 Click **Add New Bond** on the Bond Options screen.
- 2 Follow the directions below that are specific to certain sections and fields.
- 3 Enter all fields on all sections of the form.

---

**Note:** When entering dollar amounts, round to the nearest thousand. Do not enter any fractions or decimals, use only whole numbers.

---

- 4 Click **Save**. This will take you to the Principal and Interest screen.
- 5 Enter the principal and interest payments for the current fiscal year and for each of the remaining years of the bond issue's life. This information should agree with the information contained in the bond issue's amortization schedule.
- 6 When the principal and interest information is entered, check to see if there is an amount in the Difference field.

---

**Note:** If the totals for future years' principal payments do not equal the Bonds Outstanding field on the New Bond Issue screen, an amount displays in the Difference field. There should only be a difference to account for remaining accretion associated with discount bonds.

---

- 7 If the Difference field displays an amount and it is due to accretion, select the **Allow Difference for Accretion** option.
- 8 Click **Save** to finish entering a bond issue.

### Section 1: Fields with Special Instructions

#### Description of Issue

Each bond should be identified using exactly the same name in all places requiring a description of the issue (e.g., Agency Y General Obligation Bonds, Series 20CY). If abbreviations are required, make sure that they are consistently used throughout the system.

#### First Call Date

Enter the call date or select the **Date N/A** option if there is no call date for the issue.

#### Low Interest Rate and High Interest Rate

Enter interest rates as a percentage, not a decimal. Round decimals to the fourth place (e.g., enter 4.34568 percent as 4.3457). For variable-rate bonds, enter **VAR** and disclose the terms when the interest rates change in the Comments field (e.g., weekly, monthly, quarterly, yearly, etc.).

#### Scheduled Maturity First Year and Scheduled Maturity Last Year

Enter the appropriate calendar year (e.g., 2006).

### Section 2: Fields with Special Instructions

#### Bonds Issued

Enter current year accretion for Discount Bonds only. Examples of discount bonds include Capital Appreciation Bonds, Zero Coupon Bonds and Limited Interest Mortgage Obligation Bonds.

#### Bonds Defeased/Refunded/Extinguished

Report the total of all actions for the fiscal year if there is more than one such action taken on a given bond issue during the fiscal year. Explain each action in the Comments field in Section 4.

#### Unamortized Premium, Discount, Issuance Costs and Gain or Loss on Refunding

Enter only the unamortized balance(s) at year-end. If any of these are expensed in the year of issuance, do not enter them in this field since there is nothing to amortize. **Also enter the ending balance of unamortized premium, discount and gain or loss for next year's year-end (new field).**



**Section 3:**  
**Fields with special instructions**

Enter current-year information related to partial or full defeasements/refundings/extinguishments in this section. If there is more than one such action taken on a given bond issue during the fiscal year, report the total of all actions in the fiscal year and explain each action in the **Comments** field in Section 4. You may also send this disclosure information to the financial reporting analyst assigned to bond reporting.

Year Refunded/Defeased

Enter the calendar year of the transaction.

Par Value Outstanding

Enter the par value of defeased bonds outstanding at year-end.

Cash Flow Difference

Enter the difference between the cash flows required to service the new debt in comparison to the old debt.

Economic Gain/(Loss)

Enter the difference between the present value of cash flow requirements of the old debt and the present value of the cash flow requirements of the new debt.

Refunding Issue Par Value

Enter the par value of the new debt issued to refund the old issue. If only a part of the new debt relates to the refunding, disclose only that part.

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**Note:** A new bond number will be assigned for use in future years to track the subsequent activity of the refunded/defeased bonds.

---

**Section 4:**  
**Fields with special instructions**

Enter information related to pledged revenue and related expenses/expenditures and capital outlay only for Revenue Bonds and Tuition Revenue Bonds.

Operating Expenditures and Capital Outlay

Enter the estimated operating expenses and capital outlay for Revenue Financing Systems for which the pledge is a gross-revenue pledge in the **Comments** field only.

Comments

Disclose any additional information related to this bond issue in this field, including any exceptions that this Web-based application does not address.

## **Editing an Existing Bond Issue at the End of the Previous Fiscal Year**

Follow these steps to edit an existing bond issue at the end of the previous fiscal year:

- 1 Click ***Display/Edit Bonds*** on the Bond Options screen.
- 2 Click ***Edit*** for the bond you wish to edit.
- 3 Follow the directions below that are specific to sections and fields.
- 4 Verify that all fields on all sections of the form are correct and, if necessary, correct any information.

---

**Note:** When entering dollar amounts, round to the nearest thousand. Do not enter any fractions or decimals, only whole numbers.

---

- 5 Click on ***Save*** or ***Principal and Interest***. Clicking either takes you to the Principal and Interest screen.
- 6 Unless the principal and interest payments for the current fiscal year and for each of the remaining years of the bond issue's life have changed due to partial refundings and extinguishments or variable rate interest changes, the information in BRS should be correct. This information should agree with the information contained in the bond issue's amortization schedule.
- 7 When the principal and interest information is entered, check to see if there is an amount in the Difference field.

---

**Note:** If the totals for future years' principal payments do not equal the **Bonds Outstanding** field on the New Bond Issue screen, an amount will display in the **Difference** field. There should only be a difference to account for remaining accretion associated with discount bonds.

---

- 8 If the difference field displays an amount and it is due to accretion, select the ***Allow Difference for Accretion*** option.
- 9 Click ***Save*** to finish entering a bond issue.

### **Section 1: Fields with special instructions**

#### Description of issue

Each bond should be identified using exactly the same name in all places requiring a description of the issue (e.g., Agency Y General Obligation Bonds, Series 20CY). If abbreviations are required, make sure that they are consistently used throughout the system.

#### First Call Date

Enter the call date or select the **Date N/A** option if there is no call date for the issue.

#### Low Interest Rate and High Interest Rate

Enter interest rates as a percentage, not a decimal. Round decimals to the fourth place (e.g., enter 4.34568 percent as 4.3457). For variable-rate bonds, enter **VAR** in the field and disclose the terms when the interest rates change in the Comments field (e.g., weekly, monthly, quarterly, yearly, etc.).

#### Scheduled Maturity First Year and Scheduled Maturity Last Year

Enter the appropriate calendar year (e.g., 2006).

## Section 2: Fields with special instructions

### Bonds Issued

Enter current year accretion for Discount Bonds only. Examples of discount bonds include Capital Appreciation Bonds, Zero Coupon Bonds and Limited Interest Mortgage Obligation Bonds.

### Bonds Defeased/Refunded/Extinguished

If there is more than one such action taken on a given bond issue during the fiscal year, report the total of all actions for the fiscal year and explain each action in the Comments field in Section 4.

### Unamortized Premium, Discount, Issuance Costs and Gain or Loss on Refunding

Enter only the unamortized balance(s) at year-end. If any of these are expensed in the year of issuance, do not enter them here since there is nothing to amortize. [Also enter the ending balance of unamortized premium, discount and gain or loss for next year's year-end \(new field\).](#)

## Section 3: Fields with special instructions

Enter current-year information related to partial or full defeasements/refundings/extinguishments. If there is more than one such action taken on a given bond issue during the fiscal year, report the total of all actions in the fiscal year and explain each action in the Comments field in Section 4. You may also send this disclosure information to the financial reporting analyst assigned to bond reporting.

### Year Refunded/Defeased

Enter the calendar year of the transaction.

### Par Value Outstanding

Enter the par value of defeased bonds outstanding at year-end.

### Cash Flow Difference

Enter the difference between the cash flows required to service the new debt in comparison to the old debt.

### Economic Gain/(Loss)

Enter the difference between the present value of cash flow requirements of the old debt and the present value of the cash flow requirements of the new debt.

### Refunding Issue Par Value

Enter the PAR value of the new debt issued to refund the old issue. If only a part of the new debt relates to the refunding, disclose only that part.

---

**Note:** A new bond number will be assigned for use in future years to track the subsequent activity of the refunded/defeased bonds.

---

## Section 4: Fields with Special Instructions

Enter information related to pledged revenue and related expenses/expenditures and capital outlay only for Revenue Bonds.

### Operating Expenditures and Capital Outlay

For Revenue Financing Systems for which the pledge is a gross-revenue pledge, enter the estimated operating expenses and capital outlay in the Comments field only.

### Comments

Disclose any additional information related to this bond issue in this field, including any exceptions that this Web-based application does not address.

## Certifying an Agency's Bonds

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### Closing the System

Once an agency enters all of its bond information and the agency is satisfied that the results agree with its AFR, the Bond Reporting System must be closed. Once you certify your agency's bonds, you are not allowed to enter new bonds or edit existing bonds for your agency.

Follow these steps to close the Bond Reporting System:

- 1 Click on ***Certify Bonds*** on the Bond Reporting home screen.
- 2 Click ***Certify*** on the Certify all Bonds for This Agency screen.
- 3 Print a copy of the Certification screen for your files and make a copy to send with agency AFR documents on November 20, 20CY.
- 4 If adjustments are needed subsequent to agency certification, please contact your assigned financial reporting analyst for assistance in reopening BRS for the needed updates.

### Error Messages After Your Agency is Certified

The Bond Reporting System displays an error message if you attempt to add new bonds or edit existing bonds for your agency after certification.

## Generating and Printing Automated Reports

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You can generate reports on your agency's bonds once all current-year activity has been entered into the system and saved. The Bond Reporting System produces the following reports:

- Schedule 2A—Miscellaneous Bond Information
- Schedule 2B—Changes in Bonded Indebtedness
- Schedule 2C—Debt Service Requirement Schedule
- Schedule 2D—Analysis of Funds Available for Debt Service
- Schedule 2E—Schedule of Defeased Bonds Outstanding, and
- Schedule 2F—Schedule of Early Extinguishment and Refunding

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**Note:** For information on what each schedule should contain, see the **Schedule 2 Bond Schedules and Bond Disclosures** section in chapter 8 of this manual. See chapter 9 for an example of each schedule that is needed for an agency's AFR. Follow these steps to generate reports on your agency's bonds:

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- 1 Click **Generate Reports** on the Bond Reporting home screen.
- 2 Choose the report you wish to generate and press the applicable button.

### If you have questions

If you have questions about the Bond Reporting System, please contact the financial reporting analyst assigned to bond reporting.

## Schedule 3 – Reconciliation of Cash in State Treasury (Higher Ed Only)

Each college and university that has cash in State Treasury is required to submit a Reconciliation of Cash in State Treasury. You should display the information as either unrestricted or restricted. Colleges and universities may add the detailed breakdown of all of the Cash and Cash Equivalent balances to this schedule instead of displaying them on the face of the Statement of Net Assets. See chapter 9, Schedule 3 for an example.

For universities that have controlling interest in an appropriated fund or a consolidated account in the State Treasury, the cash balance reported on the AFR must agree to the USAS balance. Appropriated Funds 0200 to 0299 would be examples of these funds. The correct amount to be reported can be found by inquiring in USAS using the Cash Control Summary Inquiry (57) screen as follows or by ordering a DAFR8660 as the controlling agency. Refer to the *Comptroller Manual of Accounts* to determine the controlling agency for a particular fund or refer to the Report Route Agency field on the Appropriated Fund (D22) profile in USAS.

The Comptroller's office provides the Appropriated Fund Cash Balances report (report 199) and GAAP agency fund cash balances report (report 198) to universities, detailing year-end cash balances for all of the funds in the State Treasury. Contact your financial reporting analyst if CIST balances do not match to these Comptroller reports.

**Note:** The 57 screen does not designate an appropriation year. The Fund Cash Balance is the correct balance to report. Cash Reserved for Payroll has reduced the Available Cash Balance, but these funds are still in the State Treasury and should be included in the cash balance.

TEXAS S057	UNIFORM STATEWIDE ACCOUNTING SYSTEM	05/05/03 01:05
PM		
LINK TO:	CASH CONTROL SUMMARY INQUIRY	PROD
AGENCY:	APPR FUND: 0008 FUND:	AY:
INQ TYPE: CB	(MA, PA, YA, CB, PY, PP)	
INQ YEAR: CY	INQ MONTH: 08	AVAIL CASH BAL: 41,156.98
		FUND CASH BAL: 54,017.02
BT	TITLE	AMOUNT
12	CASH REVENUES	957,850.92
15	CASH EXPENDITURES	900,870.97
16	CASH RSRVD - PAYR	12,860.04
20	CASH TRANSFERS IN	.00
21	CASH TRANSFERS OU	2,962.93

## Schedule 4 – Schedule of Modified to Full Accrual Adjustments – Governmental Funds

Governmental funds must report Fund Financial Statements (FFS) at the modified accrual basis of accounting and Government-wide Financial Statements (GWFS) at the full accrual basis of accounting.

Schedule 4 – Schedule of Modified to Full Accrual Adjustments is **no longer required** to be submitted to the Comptroller's office. However, the basis conversion entries are required in order to convert the modified basis to the full accrual basis. Below are the entries as well as the accounting effect these entries will have. Following the entries are instructions for completing the long-term liabilities basis conversion working papers.

### Capital Asset Adjustments

Seq No	Batch Type	Doc Type	Eff Date	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
<b>To record a debit to a balance sheet account</b>											
(1)	5	U	XX/XX/CY	534	CY	99999	NA	XXX.XX	NA	9998	XXXX*
<b>To record a credit to a balance sheet account</b>											
(2)	5	U	XX/XX/CY	535	CY	99999	NA	XXX.XX	NA	9998	XXXX*
<b>To record a credit to a balance sheet account which reverses in the following year</b>											
(3)	5	U	XX/XX/CY	536	CY	99999	NA	XXX.XX	NA	9998	XXXX*
<b>To record a credit to a balance sheet account which reverses in the following year</b>											
(4)	5	U	XX/XX/CY	537	CY	99999	NA	XXX.XX	NA	9998	XXXX*
<b>To record a decrease in revenue activity</b>											
(5)	5	U	XX/XX/CY	510	CY	99999	XXXX	XXX.XX	NA	9998	XXXX*
<b>To record an increase in revenue activity</b>											
(6)	5	U	XX/XX/CY	511	CY	99999	XXXX*	XXX.XX	NA	9998	XXXX*
<b>To record an increase in expenditure activity</b>											
(7)	5	U	XX/XX/CY	512	CY	99999	XXXX	XXX.XX	NA	9998	XXXX*
<b>To record a decrease in expenditure activity</b>											
(8)	5	U	XX/XX/CY	513	CY	99999	XXXX	XXX.XX	NA	9998	XXXX*
<b>To record Other Financing Source/Use activity</b>											
(9)	5	U	XX/XX/CY	516	CY	99999	XXXX	XXX.XX		9998	XXXX*
<b>To record Restatement activity (this should not be used frequently)</b>											
(10)	5	U	XX/XX/CY	518	CY	99999	XXXX	XXX.XX		9998	XXXX*

\* Agencies must use the Basis Conversion Capital Asset General Ledger Accounts 0600 through 0699.

Accounting Effect of above entries:

	<u>Debit</u>	<u>Credit</u>
<b>(1) To record a debit to a balance sheet account</b>		
<b>XXXX</b> BC Input GL	\$ XX.XX	
<b>9992</b> BC System Clearing		\$ XX.XX
<b>(2) To record a credit to a balance sheet account</b>		
<b>9992</b> BC System Clearing	\$ XX.XX	
<b>XXXX</b> BC Input GL		\$ XX.XX
<b>(3) To record a debit to a balance sheet account which reverses in following the year</b>		
<b>XXXX</b> BC Input GL	\$ XX.XX	
<b>9992</b> BC System Clearing		\$ XX.XX
<b>(4) To record a credit to a balance sheet account which reverses in the following year</b>		
<b>9992</b> BC System Clearing	\$ XX.XX	
<b>XXXX</b> BC Input GL		\$ XX.XX
<b>(5) To record a decrease in revenue activity</b>		
<b>5150</b> BC Revenue Control	\$ XX.XX	
<b>XXXX</b> BC Input GL		\$ XX.XX
<b>(6) To record an increase in revenue activity</b>		
<b>XXXX</b> BC Input GL	\$ XX.XX	
<b>5150</b> BC Revenue Control		\$ XX.XX
<b>(7) To record an increase in expenditure activity</b>		
<b>5650</b> BC Expenditure Control	\$ XX.XX	
<b>XXXX</b> BC Input GL		\$ XX.XX
<b>(8) To record a decrease in expenditure activity</b>		
<b>XXXX</b> BC Input GL	\$ XX.XX	
<b>5650</b> BC Expenditure Control		\$ XX.XX
<b>(9) To record Other Financing Source/Use activity</b>		
<b>6135</b> BC Other Financing Source	\$ XX.XX	
<b>XXXX</b> BC Input GL		\$ XX.XX
<b>(10) To record Restatement activity (this should not be used frequently)</b>		
<b>XXXX</b> BC Input GL	\$ XX.XX	
<b>6175</b> BC Restatement		\$ XX.XX

**Note:** BC System Clearing GL 9992 cannot have a balance at the D23 agency fund level after the above entries.

### Long-Term Liabilities Adjustments

Seq No	Batch Type	Doc Type	Eff Date	TC	AY	PCA	COBJ	Amount	R	Fund	Input GL
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**To record a debit to a balance sheet account**

(1)	5	U	XX/XX/CY	534	CY	99999	NA	XXX.XX	NA	9998	XXXX*
-----	---	---	----------	-----	----	-------	----	--------	----	------	-------

**To record a credit to a balance sheet account**

(2)	5	U	XX/XX/CY	535	CY	99999	NA	XXX.XX	NA	9998	XXXX*
-----	---	---	----------	-----	----	-------	----	--------	----	------	-------

**To record a debit to a balance sheet account which reverses in the following year**

(3)	5	U	XX/XX/CY	536	CY	99999	NA	XXX.XX	NA	9998	XXXX*
-----	---	---	----------	-----	----	-------	----	--------	----	------	-------

**To record a credit to a balance sheet account reverses in following year**

(4)	5	U	XX/XX/CY	537	CY	99999	NA	XXX.XX	NA	9998	XXXX*
-----	---	---	----------	-----	----	-------	----	--------	----	------	-------

**To record an increase in expenditure activity**

(5)	5	U	XX/XX/CY	502	CY	99999	XXXX	XXX.XX	NA	9997	XXXX*
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**To record a decrease in expenditure activity**

(6)	5	U	XX/XX/CY	503	CY	99999	XXXX	XXX.XX	NA	9997	XXXX*
-----	---	---	----------	-----	----	-------	------	--------	----	------	-------

**To record an increase in expenditure activity which reverses in the following year**

(7)	5	U	XX/XX/CY	504	CY	99999	XXXX	XXX.XX	NA	9998	XXXX*
-----	---	---	----------	-----	----	-------	------	--------	----	------	-------

**To record a decrease in expenditure activity which reverses in the following year**

(8)	5	U	XX/XX/CY	505	CY	99999	XXXX	XXX.XX	NA	9998	XXXX*
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**To record Other Financing Source/Use activity**

(9)	5	U	XX/XX/CY	516	CY	99999	XXXX	XXX.XX		9997	XXXX*
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**To record Restatement activity (this should not be used frequently)**

(10)	5	U	XX/XX/CY	518	CY	99999	XXXX	XXX.XX		9997	XXXX**
------	---	---	----------	-----	----	-------	------	--------	--	------	--------

\* Agencies must use the Basis Conversion Capital Asset General Ledger Accounts 0600 through 0699.



Accounting effect of above entries:

	<b>Debit</b>	<b>Credit</b>
<b>(1) To record a debit to a balance sheet account</b>		
<b>XXXX</b> BC Input GL	\$ XX.XX	
<b>9992</b> BC System Clearing		\$ XX.XX
<b>(2) To record a credit to a balance sheet account</b>		
<b>9992</b> BC System Clearing	\$ XX.XX	
<b>XXXX</b> BC Input GL		\$ XX.XX
<b>(3) To record a debit to a balance sheet account which reverses in the following year</b>		
<b>XXXX</b> BC Input GL	\$ XX.XX	
<b>9992</b> BC System Clearing		\$ XX.XX
<b>(4) To record a credit to a balance sheet account which reverses in the following year</b>		
<b>9992</b> BC System Clearing	\$ XX.XX	
<b>XXXX</b> BC Input GL		\$ XX.XX
<b>(5) To record an increase in expenditure activity</b>		
<b>5650</b> BC Expenditure Control	\$ XX.XX	
<b>XXXX</b> BC Input GL		\$ XX.XX
<b>(6) To record a decrease in expenditure activity</b>		
<b>XXXX</b> BC Input GL	\$ XX.XX	
<b>5650</b> BC Expenditure Control		\$ XX.XX
<b>(7) To record an increase in expenditure activity which reverses in the following year</b>		
<b>5650</b> BC Expenditure Control	\$ XX.XX	
<b>XXXX</b> BC Input GL		\$ XX.XX
<b>(8) To record a decrease in expenditure activity which reverses in the following year</b>		
<b>XXXX</b> BC Input GL	\$ XX.XX	
<b>5650</b> BC Expenditure Control		\$ XX.XX
<b>(9) To record Other Financing Source/Use activity</b>		
<b>6135</b> BC Other Financing Source	\$ XX.XX	
<b>XXXX</b> BC Input GL		\$ XX.XX
<b>(10) To record Restatement activity (this should not be used frequently)</b>		
<b>XXXX</b> BC Input GL	\$ XX.XX	
<b>6175</b> BC Restatement		\$ XX.XX

**Note:** BC System Clearing GL 9992 cannot have a balance at the D23 agency fund level after the above entries.

## Instructions for Completing the Long-Term Liabilities Basis Conversion Working Papers

### Fiscal 20CY Fund Type Record 12 – Long Term Liabilities

The Financial Reporting section provides FT12 basis conversion working papers and instructions for completing these working papers online at: <<https://fnx.cpa.state.tx.us/fnx/finrpt/afri/index.php>>. These working papers assist agencies in entering their basis conversion transactions for Long-Term Liabilities. All agencies can use these working papers.

Procedures for using the basis conversion working papers for Long-Term Liabilities are as follows.

The FT12 Long Term Liabilities in USAS balances for the AFR note can be verified on the SIRS Web site in the section titled *Financial Statements* at <<http://mvs1.cpa.state.tx.us/netdata/cgi/db2www/usasp/main.d2w/menu>>. The link provides fiscal year-end balances only.

The FT12 basis conversion working papers are located on the FMX Web site in the section titled *Annual Financial Report Resources* at <<https://fnx.cpa.state.tx.us/fnx/finrpt/afri/index.php>>.

The working papers provide USAS transaction entry templates to adjust USAS balances. The SIRS web site is updated with those USAS balances the next day. The agency can compare the SIRS web site to their hard copy AFR Long Term Liabilities note and, once reconciled, certify that USAS reconciles to the AFR Long Term Liabilities note.

### Procedures before using the Basis Conversion Working Papers

- 1 On SIRS, verify that the Basis Conversion Current Liability Ending Balance for fiscal 2007 is zero (\$0.00) for the following accounts applicable to your agency. These Current Liability accounts may have a Beginning Balance. However, before using the working papers, these accounts must have a zero Ending Balance:

- Basis Conversion Current Liability – Employee’s Compensable Leave (GL 1525)
- Basis Conversion Current Liability – Claims and Judgments Payable (GL 1530)
- Basis Conversion Current Liability – Bonds Payable – G.O. (GL 1555)
- Basis Conversion Current Liability – Bonds Payable – Revenue (GL 1560)
- Basis Conversion Current Liability – Notes and Loans Payable (GL 1566)
- Basis Conversion Current Liability – Capital Lease Obligations (GL 1625)

- 2 **If the Current Liability Ending Balances are not zero**, the following transactions should be entered into USAS.

If the current liability account has a credit balance:

- Use T-Code 534 with the basis conversion current liability general ledger account for the credit balance
- Use T-Code 535 with the corresponding basis conversion non-current liability general ledger account for the credit balance

If the current liability account has a debit balance:

- Use T-Code 535 with the basis conversion current liability general ledger account for the debit balance
- Use T-Code 534 with the corresponding basis conversion non-current general ledger liability account for the debit balance

The following day, on SIRS, verify the Ending Balances for the Basis Conversion Current Liability accounts equal zero (\$0.00).

Procedure for the Basis Conversion Working Papers:

- 1 Access the Basis Conversion working paper. The file contains five separate worksheets that relate to adjusting USAS balances for basis conversion current liability and basis conversion non-current liability general ledger accounts:

- Worksheet 1 – Employee Compensation Leave
- Worksheet 2 – Claims and Judgment
- Worksheet 3 – Notes and Loans Payable
- Worksheet 4 – Capitol Leases Obligations
- Worksheet 5 – Bonds Payable.

On the worksheets, the cells that are highlighted in blue are the cells that you will enter information—all other cells are protected.

- 2 Access the SIRS report for USAS balances to input in the appropriate row of the worksheet.

After completing the Batch Header information on the worksheet, tab to the row labeled *From Long-Term Liabilities Note Query* located to the left and below the column labeled *Beginning Balance*. Using the SIRS report, enter the amount in the respective worksheet in the row *From Long-Term Liabilities Note Query* in the *Beginning Balance* column. This is the prior year Ending Balance.

Using the SIRS report, continue across the row with the Additions and Reductions columns. The Additions and Reductions are to be reported separately, do not net together.

- 3 Obtain the agency hard copy AFR Note 5, *Summary of Long Term Liabilities* to input in the appropriate row of the worksheet.

Tab to the next row which is labeled *From AFR Long Term Liabilities Note*.

Using the hard copy AFR Note, input the *Additions*, *Reductions* and *Amounts Due Within One Year*.

The USAS transaction amounts will be automatically calculated from the difference(s) between SIRS (USAS) balances and hard copy AFR balances.

- 4 Enter the USAS transactions to USAS. Make sure the transactions process in USAS.
- 5 The following day, access SIRS and verify the USAS balances reconcile to the hard copy AFR note. If not, complete new working papers using the new SIRS balances.

## Schedule 5 – Pension Plan Schedules

The following schedules are to be completed for each pension plan administered by the pension agencies. Information for the schedules is primarily from pension actuarial data. Pension fund agencies should update the schedules with current year data and submit them with the agencies Annual Financial Report. Templates for the schedules are available for your use on Fiscal Management's Web site (FMX) at <https://fmx.cpa.state.tx.us/fmx/fmrpt/index.php>. Under the **Resources** topic, click on **Annual Financial Report Resources**. All of the templates available are located under the **Forms, Templates and Working Papers** topic.

The schedules are titled as follows (examples of these schedules appear on the following pages):

**Schedule 5A – Annual Pension Cost and Net Pension Obligation/(Asset)**

**Schedule 5B – Retirement Systems' Membership**

**Schedule 5C – Funding Information, Actuarial Methods and Assumption**

**Schedule 5D – Schedule of Funding Progress**

**Schedule 5E – Three-Year Trend Information**

The following items regarding the schedules should be noted:

- 1 Although the amounts shown in the schedules are rounded to thousands, the 2007 AFR submission on the pension schedules should be shown in dollars and cents.**
- 2** The agency is required to make basis conversion entries in Fund Type 12 for the amount shown on the *Increase (Decrease) in NPO* line item of Schedule 5A. Note that the Increase (Decrease) in NPO is signed for the impact to the obligation rather than the impact to the asset. The following T-Codes may be used for changes depending upon the general ledger impact needed by the agency.
  - a.** Positive amounts in that line should be entered into USAS with the following basis conversion T-Codes:
    - 502 using object code 7210 and general ledger account 9992, and
    - 535 using general ledger account 0927, Net Pension Asset, or 1945, Net Pension Obligation, depending upon whether the prior year Ending Balance was an asset or an obligation.
  - b.** Amounts in brackets are entered with the following basis conversion T-Codes:
    - 503 using object 7210 and general ledger account 9992, and
    - 534 using general ledger account 0927, Net Pension Asset, or 1945, Net Pension Obligation, depending upon whether the prior year Ending Balance was an asset or an obligation.
  - c.** If the prior year Ending Balance in Schedule 5A is changing in the current year between a Net Pension Asset (GL 0927) and a Net Pension Obligation (GL 1945), the entries from items **a** and **b** (above) will result in incorrect ending balances. When this occurs, **additional** entries **must** be entered with T-Codes 534 and 535 to adjust general ledger accounts 0927 and 1945.
- 3** The following amounts must match between the schedules:
  - a.** Annual Pension Cost – Schedules 5A, 5C and 5E
  - b.** Employer Contributions Made – Schedules 5A and 5C
  - c.** Net Pension Obligation/(Asset) – Schedules 5A and 5E
- 4** The following amounts must match to prior year Schedules in Note 9 of the CAFR. Note that the CAFR numbers are rounded. Schedules from agencies should be shown in dollars and cents
  - a. Schedule 5A:** The Net Pension Obligation, September 1, 20CY must equal the Net Pension Obligation, August 31, 20PY as per the CAFR. The amounts also correspond to the prior year Fund Type 12 balances in USAS for General Ledger Account 0927, Basis Conversion Non Current Net Pension Asset and General Ledger Account 1945, Basis Conversion Non Current Net Pension Obligation.
  - b. Schedules 5D and 5E:** Each schedule shows three year's data including the current year. Each line for the two prior years must match the comparable table in Note 9 of the prior year CAFR. The only exception is if there were changes in the actuarial assumptions and methodology that were applied to prior years. Those instances should be footnoted.

## Schedule 5A – Annual Pension Cost and Net Pension Obligation/(Asset)

	ERS	LECOS	JRS1	JRS2	TRS*	FPC**
Annual Required Contribution, ARC	\$ 321,860	\$	\$ 22,121	\$ 5,723	\$1,532,263	\$ 2,897
Interest on Net Pension Obligation, NPO	(9,976)		6,913	(369)	(36,139)	N/A
Adjustment to ARC	6,161		(6,973)	228	28,901	N/A
Annual Pension Cost	<u>318,045</u>	<u>0</u>	<u>22,061</u>	<u>5,582</u>	<u>1,525,025</u>	<u>2,897</u>
Employer Contributions Made	<u>276,035</u>	<u>0</u>	<u>22,297</u>	<u>8,365</u>	<u>1,257,672</u>	<u>1,891</u>
Increase (Decrease) in NPO	<u>42,010</u>	<u>0</u>	<u>(236)</u>	<u>(2,783)</u>	<u>267,353</u>	<u>N/A</u>
Net Pension Obligation, September 1, 20PY	<u>(124,702)</u>	<u>0</u>	<u>86,418</u>	<u>(4,613)</u>	<u>528,976</u>	<u>N/A</u>
Restatement				1	(980,716)	
Net Pension Obligation, September 1, 20PY, as Restated	<u>(124,702)</u>	<u>0</u>	<u>86,418</u>	<u>(4,612)</u>	<u>(451,740)</u>	<u>N/A</u>
Net Pension Obligation/(Asset), August 31, 20CY***	<u>\$ (82,692)</u>	<u>\$ 0</u>	<u>\$ 86,182</u>	<u>\$ (7,395)</u>	<u>\$ (184,387)</u>	<u>N/A</u>

\* The sole-employer provisions of GASB Statement No. 27 applies to TRS.

\*\* An NPO calculation is not applicable for the FPC since contributions are received from member fire departments. The state's contribution, if any, would be insignificant. The ARC and Employer Contributions Made are from the 20PY actuarial.

\*\*\* See "Funding Information, Actuarial Methods, and Assumptions" table for actuarial assumptions used in determining cost and obligation.

## Schedule 5B – Retirement Systems' Membership

	ERS*	LECOS*	JRS1*	JRS2*	TRS*	FPC**
Retirees and Beneficiaries Currently Receiving Benefits	65,720	5,070	491	81	248,509	1,625
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	57,079	12	16	88	45,073	1,988
Current Employees: Vested and Non-Vested	<u>131,331</u>	<u>37,150</u>	<u>43</u>	<u>491</u>	<u>831,671</u>	<u>4,548</u>
Total Members	<u>254,130</u>	<u>42,232</u>	<u>550</u>	<u>660</u>	<u>1,125,253</u>	<u>8,161</u>

\* Totals are from actuarial valuations as of August 31, 20CY.

\*\* This total does not include the 628 retirees and beneficiaries from the TLFRA (Texas Local Firefighters Retirement Act) plan as of August 31, 20CY.

## Schedule 5C – Funding Information, Actuarial Methods, and Assumptions

(Amounts in Thousands)

	ERS	LECOS	JRS1	JRS2	TRS	FPC*
Contribution Rates						
Employees	6.0%	0.0%	6.0%	6.0%	6.4%	N/A
Legislators	8.0%	0.0%	0.0%	0.0%	0.0%	N/A
Employer**	6.0%	0.0%	100.8%	16.8%	6.0%	N/A
Annual Pension Cost	\$318,045	\$0	\$22,061	\$5,582	\$1,525,025	\$2,897
Employer Contributions Made***	\$276,035	\$0	\$22,297	\$8,365	\$1,257,672	\$1,891
Actuarial Valuation Date	August 31, 20XX	August 31, 20XX	August 31, 20XX	August 31, 20XX	August 31, 20XX	August 31, 20XX
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age Normal	Entry Age
Amortization Method	Level Percent Open	Level Percent Open	Level Dollar Open	Level Percent Open	Level Percent Open	Level Dollar Open
Remaining Amortization Period of Unfunded Liability	40 years	1 year****	40 years	26 years****	30 years	30 years
Asset Valuation Method	5-year Smoothed Fair Value	5-year Smoothed Fair Value	N/A	5-year Smoothed Fair Value	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:						
Investment Rate of Return	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases	0.0%-10.8%	6.0%-14.0%	4.0%	4.0%	4.3%-26.4%	0.0%
Includes Inflation at	4.0%	4.0%	4.0%	4.0%	3.0%	4.0%
Cost-of-Living Adjustments	None-Employee 4.0%-Elected	None	4.0%	None	None	None

\* Contributions and benefits are not based on the salaries of members.

\*\* Contribution requirements for JRS2 are actuarially determined each even-numbered year.  
TRS and ERS contribution requirements are based on actuarial evaluations as established by state statute.

\*\*\* The 79th Legislature addressed funding problems for FPC with an appropriation for additional funding in the 20XX-20XX biennium.

\*\*\*\* The amortization period was calculated based on estimated fiscal year 20XX covered payroll. At the end of fiscal year 20XX the ARC and the amortization period will be recalculated based on actual 20XX covered payroll.

## Schedule 5D – Schedule of Funding Progress

(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (Unfunded AAL) (a) - (b)	Funded Ratio (a)/(b)	Covered Payroll (c)	Excess/UAAL as a Percentage of Covered Payroll ((a-b)/c)
<b>Employees Retirement System (ERS)</b>						
8/31/CY	\$20,835,469	\$ 21,969,670	\$ (1,134,201)	94.8%	\$ 4,842,525	(23.4)%
8/31/PY	20,036,647	20,591,848	(555,201)	97.3%	4,616,761	(12.0)%
8/31/PPY	19,478,555	19,959,112	(480,557)	97.6%	4,800,612	(10.0)%
<b>Law Enforcement and Custodial Officer Supplemental Retirement (LECOS)</b>						
8/31/CY	\$ 698,814	\$ 677,953	\$ 20,861	103.1%	\$ 1,283,815	1.6%
8/31/PY	679,243	621,457	57,786	109.3%	1,230,581	4.7%
8/31/PPY	666,588	597,914	68,674	111.5%	1,277,894	5.4%
<b>Judicial Retirement System Plan One (JRS1)</b>						
8/31/CY	\$ 0	\$ 327,145	\$ (327,145)	0.0%	\$ 5,284	(6,191.2)%
8/31/PY	0	263,068	(263,068)	0.0%	4,921	(5,345.8)%
8/31/PPY	0	262,766	(262,766)	0.0%	3,710	(7,082.6)%
<b>Judicial Retirement System Plan Two (JRS2)</b>						
8/31/CY	\$ 164,231	\$ 182,311	\$ (18,080)	90.1%	\$ 60,775	(29.7)%
8/31/PY	145,538	123,913	21,625	117.5%	48,504	44.6%
8/31/PPY	129,426	111,116	18,310	116.5%	47,479	38.6%
<b>Teacher Retirement System of Texas (TRS)</b>						
8/31/CY	\$89,298,813	\$102,494,536	\$(13,195,723)	87.1%	\$25,956,807	(50.8)%
8/31/PY	88,783,871	96,736,525	(7,952,654)	91.8%	25,484,585	(31.2)%
8/31/PPY	89,033,024	94,263,028	(5,230,004)	94.5%	25,756,163	(20.3)%
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (Unfunded AAL) (a) - (b)	Funded Ratio (a)/(b)	Total Members Covered (not rounded)	Excess/UAAL Per Member Covered (not rounded)
<b>Texas Statewide Emergency Services Retirement Act (TSESRA)</b>						
8/31/CY	\$ 38,141	\$ 51,567	\$ (13,426)	74.0%	7,994	1,680
8/31/PY*	32,797	45,976	(13,179)	71.3%	7,669	1,718
8/31/PPY	36,768	36,049	719	102.0%	7,114	(101)

\* Actuarial assumptions and methodology were changed for the August 31, 20PY valuation.



**Schedule 5E – Three-Year Trend Information**  
**(Amounts in Thousands)**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
<b>Employees Retirement System (ERS)</b>			
8/31/CY	\$ 318,045	86.8%	\$ (82,692)
8/31/PY	307,591	90.7%	(124,702)
8/31/PPY	306,941	98.2%	(153,448)
<b>Law Enforcement and Custodial Officer Supplemental Retirement (LECOS)</b>			
8/31/CY	\$ 0	0.0%	\$ 0
8/31/PY	0	0.0%	0
8/31/PPY	0	0.0%	0
<b>Judicial Retirement System Plan One (JRS1)</b>			
8/31/CY	\$ 22,061	101.1%	\$ 86,182
8/31/PY	21,802	103.8%	86,418
8/31/PPY	29,576	275.2%	87,237
<b>Judicial Retirement System Plan Two (JRS2)</b>			
8/31/CY	\$ 5,582	149.9%	\$ (7,395)
8/31/PY	5,724	143.3%	(4,613)
8/31/PPY	7,710	92.9%	(2,132)
<b>Teacher Retirement System of Texas (TRS)*</b>			
8/31/CY	\$1,525,025	82.5%	\$ (184,387)
8/31/PY	1,517,808	81.0%	(451,740)
8/31/PPY	1,461,335	84.0%	727,759
<b>Texas Statewide Emergency Services Retirement Act (TSESRA)**</b>			
8/31/CY	\$ 2,897	65.0%	N/A
8/31/PY***	1,768	100.0%	N/A
8/31/PPY****	1,470	100.0%	N/A

\* Actuary numbers for fiscal years 20XX and 20XX were restated based on a 30-year amortization.

\*\* TSESRA is not subject to NPO calculation since the state's contributions are insignificant.

\*\*\* Actuarial assumptions and methodology were changed for the August 31, 20XX valuation.

\*\*\*\* APC and percentage are updated to current actuarial numbers.





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## Chapter 9 – Sample Agency Financial Report

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## **Agency Transmittal Letter** **(for unaudited AFRs)**

(AGENCY LETTERHEAD)

Date

Honorable Rick Perry, Governor  
Honorable Susan Combs, Texas Comptroller  
John O'Brien, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the (agency name) for the year ended August 31, 20CY, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact (employee chiefly responsible for the annual report), at (telephone number). (Employee chiefly responsible for reporting of federal information) may be contacted at (telephone number) for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Agency Executive

## **Agency Transmittal Letter** **(for audited AFRs)**

(AGENCY LETTERHEAD)

Date

Honorable Rick Perry, Governor  
Honorable Susan Combs, Texas Comptroller  
John O'Brien, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the (agency name) for the year ended August 31, 20CY, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying annual financial report has been prepared in accordance with GAAP reporting requirements. The financial report has been audited by an independent Auditor as required by statute.

If you have any questions, please contact (employee chiefly responsible for the annual report), at (telephone number). (Employee chiefly responsible for reporting of federal information) may be contacted at (telephone number) for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Agency Executive

## **Combined Financial Statements**

Access the Combined Financial Statements (Excel files) online at <<https://fmx.cpa.state.tx.us/fmx/pubslafrrptreq/07/index.php>>.

## Notes to the Financial Statements

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**Attention:** Notes to the financial statements should include a header at the top of each page which contains the agency name and number. An example would be:

Sample Agency (XXX) — Unaudited  
Note 22 — Management Discussion and Analysis

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### **NOTE 1: Summary of Significant Accounting Policies** *(Illustrative only. Each agency's requirements are unique)*

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#### **Entity**

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Sample Agency is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

Sample Agency serves the state by (description of functions provided by the agency).

Sample Agency includes within this report all components as determined by an analysis of their relationship to Sample Agency as listed below (if any).

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

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**Note:** The above paragraph will be different for those agencies with audited reports.

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#### Blended Component Units

No component units have been identified which should have been blended into an appropriate fund.

#### Discretely Presented Component Units

Sample agency has one discrete component unit. Information on the component unit can be found in Note 17.

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#### **Fund Structure**

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The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

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**Note:** Please describe ALL funds applicable to the agency

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#### **Governmental Fund Types and Government-wide Adjustment Fund Types**

##### **General Revenue Funds**

The General Revenue Fund (Fund XXXX) is used to account for all financial resources of the state except those required to be accounted for in another fund. As of September 1, 20CY, the Texas Collegiate License Plate Account was consolidated into the General Revenue Fund. The Texas Collegiate License Plate Account was previously presented as Agency Funds.

Texas Highway Beautification Fund Account (Fund XXXX) – This fund was established to implement the Texas Highway Beautification Program. Revenues are obtained from outdoor advertising license and permit fees.

Texas Collegiate License Plate Account (Fund XXXX) – This fund is used to receive and account for fees charged for special collegiate license plates and is in addition to motor vehicle registration fees.

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### **Special Revenue Funds**

The State Highway Fund (Fund XXXX) is restricted to expenditures for the building, maintaining, and policing of state highways. It derives its financing primarily from legally dedicated revenue such as motor fuels tax and vehicle registration fees, and from federal reimbursement from selected construction projects.

### **Debt Service Funds**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term principal and interest.

Texas Water Development Board Bond Fund (Fund XXXX) receives proceeds to pay debt service on the bonds issued for the purpose of providing financial assistance for the construction of water and wastewater related projects, water supply, and sewer services.

### **Capital Project Funds**

The Capital Projects Fund (Fund XXXX) is used to account for general obligation bonds issued by the Texas Public Finance Authority. The purpose of these bonds is to provide financial assistance to counties for roadway projects serving border colonias.

### **Permanent Funds**

The Texas Permanent School Fund (Fund XXXX) was created with a \$2 million appropriation by the Legislature of 1854 expressly for the benefit of funding public education for present and future generations.

### **Capital Assets Adjustment Fund Type**

The Capital Assets Adjustment Fund (Fund XXXX) will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

### **Long-Term Liabilities Adjustment Fund Type**

The Long-Term Liabilities Adjustment Fund (Fund XXXX) will be used to convert governmental fund types' debt from modified accrual to full accrual.

### **Other Adjustment Fund Type**

The Other Adjustment Fund Type (Fund XXXX) will be used to convert all other governmental fund type activity from modified accrual to full accrual. Sample agency will use this column to convert FHWA deferred revenue that is collectable, but not within one year, to revenue under full accrual.

## **Proprietary Fund Types**

### **Enterprise Funds**

Enterprise Funds account for any activity for which a fee is charged to external users for goods and services. The Sample Agency accounts for its proprietary activities in two separate funds, as discussed below.

The Lottery Fund (Fund XXXX) is used to record all transactions related to the operation of the State Lottery.

The Lotto Prize Trust (Fund XXXX) is used to account for investments purchased by the Sample Agency to meet future installment obligations to prize winners.

### **Internal Service Funds**

Internal Service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of a governmental unit, or to other governmental units, within the State, on a cost reimbursement basis.

The Employees Life, Accident, and Health Insurance and Benefits (Fund XXXX) accounts for the services provided to state agencies and institutions of higher education that participate in the Texas Employees Group Benefits Program established by Chapter 1551, Texas Insurance Code.

## **Fiduciary Fund Types**

Fiduciary Funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund or a private purpose trust fund is used.

### ***Pension Trust Funds***

Pension and Other Employee Benefit Trust Funds (Pension Trust Funds) report the resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other employee benefit plans.

Employees Retirement System Fund (Fund XXXX) is established by V.T.C.A., Texas Government Code, Title 8, Subtitle B and is used to account for the accumulation of resources for pension benefit payments to qualified State employees or beneficiaries.

Law Enforcement and Custodial Officer Supplemental Retirement Fund (Fund XXXX) is established by V.T.C.A., Texas Government Code, Title 8, Subtitle B and is used to account for the payments of benefits as provided by the Commissioned Law Enforcement and Custodial Officer Supplemental Retirement Benefit Act.

### ***External Investment Trust Funds***

Texas Treasury Safekeeping Trust Company Municipal Utility Districts (Fund XXXX) is an investment pool available for municipal utility districts. The function of this fund is to invest moneys on behalf of these legally separate entities.

Texas Government Investment Pool Trust (Fund XXXX) is a local government investment pool. The investor base consists of cities, counties, school districts, institutions of higher education, special districts, and other public entities of Texas.

### ***Agency Funds***

Unappropriated Receipts (Fund XXXX) accounts for member contributions received from the Judicial Retirement System Plan One Fund.

TexasSaver 401(k) Trust (Fund XXXX) accounts for tax-deferred portions of salaries of state employees in accordance with the provisions of IRC Section 401(k).

### ***Private-Purpose Trust Fund***

Tobacco Settlement Permanent Trust (Fund XXXX) holds the portion of the tobacco settlement money designated for the exclusive benefit of political subdivisions.

Catastrophe Reserve Trust (Fund XXXX) is a state fund that was created to provide relief to insurance companies within the state in the event of certain catastrophic losses. Certain property insurers authorized to transact property insurance in Texas make payments to the fund.

## **Component Units**

The funds of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 17.

### ***Governmental Component Units***

Texas Agricultural Finance Authority operates the Young Farmer Program (Fund XXXX) as a Governmental Component Unit and its financial data is included in Exhibit I and II in columns marked, Governmental Component Unit which follow governmental fund accounting principles.

### ***Proprietary Component Units***

Texas Boll Weevil Eradication Foundation (Fund XXXX) operates from local funds as a Proprietary Component Unit. Financial data is included in Exhibit III and IV in columns marked, Proprietary Component Unit which follow proprietary fund measurement focus and accounting principles.

## Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for fund financial statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the Government-wide Financial Statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments, and full accrual revenues and expenses. The activity will be recognized in these fund types.

Proprietary funds, pension trust funds, external investment trust funds, and private-purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the enterprise and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

## Budget and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

## Assets, Liabilities, and Fund Balances/Net Assets

### Assets

#### **Cash and Cash Equivalents**

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

#### **Securities Lending Collateral**

Investments are stated at fair value in all funds except pension trust funds in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expenses in the operating statement. These costs are reported at gross.

### **Restricted Assets**

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

### **Inventories and Prepaid Items**

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

### **Capital Assets**

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all “exhaustible” assets. “Inexhaustible” assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

### **Other Receivables – Current and Non-Current**

The disaggregation of Other Receivables as reported in the financial statements is shown in Note 25, Disaggregation of Receivables and Payables Balances.

## **Liabilities**

### **Accounts Payable**

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

### **Other Payables – Current and Non-Current**

The disaggregation of Other Payables as reported in the financial statements is shown in Note 25, Disaggregation of Receivables and Payables Balances.

### **Employees’ Compensable Leave Balances**

Employees’ Compensable Leave Balances represent the liability that becomes “due” upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets. These obligations are normally paid from the same funding source from which each employee’s salary or wage compensation was paid.

### **Capital Lease Obligations**

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or non-current in the statement of net assets.



**Bonds Payable – General Obligation Bonds**

General obligation bonds are accounted for in the Long-Term Liabilities Adjustment column for governmental activities and in Proprietary Funds for business-type activities. These payables are reported as long-term liabilities – current for amounts due within one year and long-term liabilities – non-current for amounts due thereafter in the Statement of Net Assets/Balance Sheet. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains/(losses) on bond refunding activities.

For governmental activities, bond proceeds are accounted for, when received, as an “Other Financing Source” in the governmental fund receiving the proceeds. Payment of principal and interest is an expenditure recorded in the Debt Service Fund. All bond transactions and balances for business-type activities are reported in Proprietary Funds.

(If the agency issues deep discount bonds the following disclosure is needed):

Deep discount bonds (zero coupon, capital appreciation, or compound interest bonds) do not pay interest until the maturity of related principal. Bonds are initially reported at the “discounted” value. Accretion, the difference between the discounted value and the par (maturity) value of the bonds payable, is amortized over the life of the bond issue, so that at final maturity, accretion is fully amortized and the discounted bond value equals par value. Annual accretion amortized is recognized as an addition to bonds payable. (For governmental activities only, there is an operating statement effect in the first and last year of the bonds, none in the interim years.)

**Bonds Payable – Revenue Bonds**

Revenue bonds are accounted for in Proprietary Funds for business-type activities and in the Long-Term Liabilities Adjustment column for governmental activities. These payables are reported as long-term liabilities – current for amounts due within one year and long-term liabilities – non-current for amounts due thereafter in the Statement of Net Assets/Balance Sheet. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains/(losses) on bond refunding activities.

For governmental activities, bond proceeds are accounted for, when received, as an “Other Financing Source” in the governmental fund receiving the proceeds. Payment of principal and interest is an expenditure recorded in the Debt Service Fund. All bond transactions and balances for business-type activities are reported in Proprietary Funds.

(If the agency issues deep discount bonds the disclosure cited for General Obligation Bonds is needed.)

**Fund Balance/Net Assets**

The difference between fund assets and liabilities is “Net Assets” on the government-wide, proprietary, and fiduciary fund statements, and the ‘Fund Balance’ is the difference between fund assets and liabilities on the governmental fund statements.

**Reservations of Fund Balance**

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

**Reserved for Encumbrances**

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

**Unreserved/Undesignated:**

This represents the unappropriated balance at year-end.

**Invested In Capital Assets, Net Of Related Debt**

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

**Restricted Net Assets**

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Assets**

Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

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## **Interfund Activities and Balances**

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The agency has the following types of transactions between funds:

- (1) **Transfers:** Legally required transfers that are reported when incurred as “Transfers In” by the recipient fund and as “Transfers Out” by the disbursing fund.
- (2) **Reimbursements:** Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) **Interfund receivables and payables:** Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as “Current.” Balances for repayment due in two (or more) years are classified as “Non-Current.”
- (4) **Interfund Sales and Purchases:** Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the agency’s Interfund activities and balances are presented in Note 8.

**NOTE 2: Capital Assets** *(Illustrative, may not tie to exhibits)*

Revenue Received from the sale of Surplus Property has been transferred to Unappropriated General Revenue in accordance with HB7, Sec. 20.

A summary of changes in Capital Assets for the year ended August 31, 20CY, is presented below:

**Note:** Component Units must also provide a Note 2 in this format.

**Governmental Activities\***

	PRIMARY GOVERNMENT							
	Balance 09/01/20PY	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/20CY
			Completed CIP	Inc-Int' agy Trans	Dec-Int' agy Trans			
Non-Depreciable Assets								
Land and Land Improvements	5,202,129	(4,103)		135,000	(131,731)	267,304	(4,255)	5,464,344
Infrastructure	33,222,319		866,820					34,089,139
Construction in Progress	1,931,484	(16,815)	(1,736,979)			2,160,308		2,337,998
Other Assets	195,488	317		978	(399)	1,675	(355)	197,704
Total Non-Depreciable Assets	40,551,420	(20,601)	(870,159)	135,978	(132,130)	2,429,287	(4,610)	42,089,185
Depreciable Assets								
Buildings and Building Improvements	4,820,633	1,036		127,580	(102,429)	37,209	(3,286)	4,880,743
Infrastructure	13,106,252		870,159		(32,828)	14,628	(26,807)	13,931,404
Facilities and Other Improvements	164,219	272		37,581	(35,552)	5,767	(170)	172,117
Furniture and Equipment	946,054	(820)		6,800	(27,965)	111,769	(64,455)	971,383
Vehicle, Boats, and Aircraft	817,664	12		7,950	(8,442)	54,115	(42,737)	828,562
Other Assets	21,031	(32)			(434)	3,104		23,669
Total Depreciable Assets at Historical Costs	19,875,853	468	870,159	179,911	(207,650)	226,592	(137,455)	20,807,878
Less Accumulatd Depreciation for:								
Buildings and Improvements	(1,927,765)	45,334		(98,159)	102,429	(149,077)	1,920	(2,025,318)
Infrastructure	(6,776,693)					(450,980)	26,807	(7,200,866)
Facilities and Other Improvements	(85,228)	(177)		(26,941)	27,035	(6,622)	170	(91,763)
Furniture and Equipment	(683,999)	(148)		(4,132)	4,267	(80,324)	60,451	(703,885)
Vehicles, Boats, and Aircraft	(479,936)	1,799		(7,826)	8,574	(57,561)	38,381	(496,569)
Other Capital Assets	(4,103)	1,081				(1,561)		(4,583)
Total Accumulated Depreciation	(9,957,724)	47,889		(137,058)	142,305	(746,125)	127,729	(10,522,984)
Depreciable Assets, Net	9,918,129	48,357	870,159	42,853	(65,345)	(519,533)	(9,726)	10,284,894
Governmental Activities Capital Assets, Net	50,469,549	27,756		178,831	(197,475)	1,909,754	(14,336)	52,374,079

**Business-type Activities\***

	PRIMARY GOVERNMENT							
	Balance 09/01/20PY	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/20CY
			Completed CIP	Inc-Int' agy Trans	Dec-Int' agy Trans			
Non-Depreciable Assets								
Land and Land Improvements	466,826	9,949		131,731	(135,000)	152,420	(1,468)	624,458
Construction in Progress	1,753,940	43,851	(209,262)			786,008	(24,208)	2,350,329
Other Assets	1,261,670	(14,085)		399	(978)	75,308	(845)	1,321,469
Total Non-Depreciable Assets	3,482,436	39,715	(209,262)	132,130	(135,978)	1,013,736	(26,521)	4,296,256
Depreciable Assets								
Buildings and Building Improvements	8,810,620	86,179	209,262	102,429	(127,580)	571,361	(32,084)	9,620,187
Infrastructure	487,797	(27,067)		32,828		16,730	(748)	509,540
Facilities and Other Improvements	696,964	(24,995)		35,552	(37,581)	107,842	(1,590)	776,192
Furniture and Equipment	2,520,501	(63,053)		27,965	(6,800)	301,360	(148,341)	2,631,632
Vehicle, Boats, and Aircraft	168,290	(157)		8,442	(7,950)	11,463	(8,900)	171,188
Other Assets	64,032	34,463		434		22,616	(156)	121,389
Total Depreciable Assets at Historical Costs	12,748,204	5,370	209,262	207,650	(179,911)	1,031,372	(191,819)	13,830,128
Less Accumulated Depreciation for:								
Buildings and Improvements	(4,755,804)	(115,302)		(102,429)	98,159	(249,550)	19,754	(5,105,172)
Infrastructure	(292,665)	(5,849)				(13,553)	748	(311,319)
Facilities and Other Improvements	(324,720)	(1,879)		(27,035)	26,941	(25,194)	1,590	(350,297)
Furniture and Equipment	(1,695,454)	108,165		(4,267)	4,132	(233,398)	101,759	(1,719,063)
Vehicles, Boats, and Aircraft	(110,122)	(1,999)		(8,574)	7,826	(13,206)	8,123	(117,952)
Other Capital Assets	(28,100)	519				(5,994)	55	(33,520)
Total Accumulated Depreciation	(7,206,865)	(16,345)		(142,305)	137,058	(540,895)	132,029	(7,637,323)
Depreciable Assets, Net	5,541,339	(10,975)	209,262	65,345	(42,853)	490,477	(59,790)	6,192,805
Business-Type Activities Capital Assets, Net	9,023,775	28,740		197,475	(178,831)	1,504,213	(86,311)	10,489,061

\* These amounts do not tie to the sample exhibits. They are listed here to illustrate how capital assets should be shown.

Fiduciary funds are not required to submit this note for the CAFR preparation; however, agencies with these funds may want to report the balances in this note.

**NOTE 3: Deposits, Investments, and Repurchase Agreements***(Illustrative, may not tie to exhibits)*

Sample Agency is authorized by statute to make investments following the “prudent person rule.” There were no significant violations of legal provisions during the period.

**Deposits of Cash in Bank**

As of August 31, 20CY, the carrying amount of deposits was \$XXX as presented below.

**Governmental and Business-Type Activities**

CASH IN BANK – CARRYING AMOUNT	\$	XXX
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent		XX
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral		XX
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral		X
Total Cash In Bank per AFR	\$	XXX
Governmental Funds Current Assets Cash in Bank	\$	XXX
Governmental Funds Current Assets Restricted Cash in Bank		
Governmental Funds Non-Current Assets Restricted Cash in Bank		
Proprietary Funds Current Assets Cash in Bank		
Proprietary Funds Current Assets Restricted Cash in Bank		
Proprietary Funds Non-Current Restricted Cash in Bank		
Cash in Bank per AFR	\$	XXX

**Fiduciary Funds**

CASH IN BANK – CARRYING AMOUNT	\$	XXX
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent		XX
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral		XX
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral		X
Total Cash In Bank per AFR	\$	XXX
Fiduciary Funds Cash in Bank	\$	XX
Fiduciary Funds Restricted Cash in Bank		XX
Cash in Bank per AFR	\$	XXX

**Discrete Component Unit**

CASH IN BANK – CARRYING AMOUNT	\$	XXX
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent		XX
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral		XX
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral		X
Total Cash In Bank per AFR	\$	XXX
Discrete Component Unit Current Assets Cash in Bank	\$	XXX
Discrete Component Unit Current Assets Restricted Cash in Bank		
Discrete Component Unit Non-Current Assets Restricted Cash in Bank		
Cash in Bank per AFR	\$	XXX

These amounts consist of all cash in local banks and a portion of short-term investments. These amounts are included on the Combined Statement of Net Assets as part of the “Cash and Cash Equivalents” and “Securities Lending Collateral” accounts.

As of August 31, 20CY, the total bank balance was as follows.

Governmental and Business-Type Activities	\$XX	Fiduciary Funds	\$XX	Discrete Component Units	\$XX
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**Custodial credit risk** for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The agency does not have a deposit policy for custodial credit risk. The bank balances that were exposed to custodial credit risks are as follows.

**Note:** If the agency has bank balances subject to custodial credit risk, the agency should provide a brief description of its deposit policies that are related to deposit custodial credit risk or state that it does not have a deposit policy for custodial credit risk. Disclose only that portion of the total bank balance that was subject to deposit custodial credit risk. If no bank balance was subject to deposit custodial credit risk, the note should not include a discussion of deposit custodial credit risk.

Fund Type	GAAP Fund	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name
02	XXXX		\$X,XXX	
02	YYYY	\$XX		
19	ZZZZ			\$XXX

**Foreign currency risk** for deposits is the risk that changes in exchange rates will adversely affect the deposit. The agency's policy is to limit deposits subject to foreign currency risk to 5% of total deposits. The exposure to foreign currency risk for deposits as of August 31, 20CY is as follows.

**Note:** If the agency has balances subject to foreign currency risk, the agency should provide a brief description of its policies that are related to foreign currency risk or state that it does not have a policy for foreign currency risk. Disclose only if your agency has deposits denominated in foreign currency. Disclose the U.S. dollar balances of such deposits organized by currency denomination. If there are no deposits denominated in foreign currency, the note should not include a discussion of foreign currency risk for balances.

(This table is not all inclusive)

Fund Type	GAAP Fund	Currency	Balance
05	XXXX	Argentine peso	\$X,XXX
05	XXXX	Aruban guilder	XX
		Australian dollar	
		Bermudan dollar	
		Bolivian boliviano	
		Brazilian real	
		Bulgarian real	
		Canadian dollar	
		Cayman Island dollar	
		Chilean peso	
		Chinese yuan	
		Cyprus pound	
		Czech koruna	
		Danish krone	
		Egyptian pound	
		Estonian droon	
		Euro	
		Hong Kong dollar	
		Hungarian forint	
		Indian rupee	
		Indonesian rupiah	
		Japanese yen	
		Jersey pound	
		Lithuanian litas	
		Malaysian ringgit	
		Mexican peso	
		Netherlands Antillian guilder	
		New Isreal shekel	
		New Taiwan dollar	
		New Zealand dollar	
		Norwegian krone	
		Panamanian balboa	
		Philippine peso	
		Polish zloty	
		Pound sterling	
		Qatar riyal	
		Romanian leu	
		Russian ruble	
		Singapore dollar	
		South African rand	
		South Korean won	
		Swedish krona	
		Swiss franc	
		Thai baht	
		Turkish lira	
		Venezuelan bolivar	
		<b>TOTAL</b>	<b>\$XX,XXX</b>

## Investments

As of August 31, 20CY, the fair value of investments are as presented below.

### Governmental and Business-Type Activities

	Fair Value
U.S. Government	
U.S. Treasury Securities	\$ X,XXX
U.S. Treasury Strips	XX
U.S. Treasury TIPS	
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc)	
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	
Corporate Obligations	
Corporate Asset and Mortgage Backed Securities	
Equity	
International Obligations (Govt and Corp)	
International Equity	
Repurchase Agreement	
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	
Fixed Income Money Market and Bond Mutual Fund	
Other Commingled Funds	
International Other Commingled Funds	
Other Commingled Funds (Texpool)	
Commercial Paper	
Securities Lending Collateral Investment Pool	
Real Estate	
Alternative Investments	
Misc (Political subdivision, bankers' acceptance, negotiable CD)	
Total Investments	\$ XXX,XXX
Reconciliation of Investments per Exhibits – Governmental and Business-Type Activities	
Governmental Funds Current Assets Short-Term Investments	\$ XX,XXX
Governmental Funds Non-Current Assets Investments	X,XXX
Proprietary Funds Current Assets Restricted Short-Term Investments	X,XXX
Proprietary Funds Non-Current Assets Restricted Short-Term Investments	XXX
Investments per Exhibits	\$ XXX,XXX

### Fiduciary Funds

	Fair Value
U.S. Government	
U.S. Treasury Securities	\$ X,XXX
U.S. Treasury Strips	XX
U.S. Treasury TIPS	
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc)	
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	
Corporate Obligations	
Corporate Asset and Mortgage Backed Securities	
Equity	
International Obligations (Govt and Corp)	
International Equity	
Repurchase Agreement	
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	
Fixed Income Money Market and Bond Mutual Fund	
Other Commingled Funds	
International Other Commingled Funds	
Other Commingled Funds (Texpool)	
Commercial Paper	
Securities Lending Collateral Investment Pool	
Real Estate	
Misc (Political subdivision, bankers' acceptance, negotiable CD)	
Total Investments	\$ XXX,XXX
Reconciliation of Investments per Exhibits – Fiduciary Funds	
Fiduciary Funds Short-Term Investments	X,XXX
Fiduciary Funds Restricted Short-Term Investments	XXX
Investments per Exhibits	\$ XXX,XXX

**Discrete Component Unit**

	<b>Fair Value</b>
U.S. Government	
U.S. Treasury Securities	\$ X,XXX
U.S. Treasury Strips	XX
U.S. Treasury TIPS	
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc)	
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	
Corporate Obligations	
Corporate Asset and Mortgage Backed Securities	
Equity	
International Obligations (Govt and Corp)	
International Equity	
Repurchase Agreement	
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	
Fixed Income Money Market and Bond Mutual Fund	
Other Commingled Funds	
International Other Commingled Funds	
Other Commingled Funds (Texpool)	
Commercial Paper	
Securities Lending Collateral Investment Pool	
Real Estate	
Misc (Political subdivision, bankers' acceptance, negotiable CD)	
Total Investments	\$ XXX,XXX
Reconciliation of Total Investments per Exhibits – Discrete Component Units	
Discretely Presented Component Units Current Assets Short-Term Investments	X,XXX
Discretely Presented Component Units Non-Current Assets Short-Term Investments	XXX
Investments per Exhibits	\$ XXX,XXX

**Custodial credit risk** for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The agency's investment policy limits holding of securities by counterparties to those involved with securities lending. As of August 31, 20CY, the agency's investments were exposed to custodial credit risks as follows.

**Note:** If the agency has investments subject to custodial credit risk, the agency should provide a brief description of its policies that are related to investment custodial credit risk or state that it does not have a policy for custodial credit risk. Disclose only that portion of investments that was subject to investment custodial credit risk. If no investments were subject to investment custodial credit risk, the note should not include a discussion of investment custodial credit risk.

Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty	Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name
02	XXXX	Commercial Paper	\$	\$ XX
05	YYYY	Repurchase Agreement		XXX
05	YYYY	Equity	XX	

**Foreign currency risk** for investments is the risk that changes in exchange rates will adversely affect the investment. The agency's policy is to limit investments subject to foreign currency risk to 5% of total investments. The exposure to foreign currency risk as of August 31, 20CY is as follows.

**Note:** If the agency has investments subject to foreign currency risk, the agency should provide a brief description of its policies that are related to investment foreign currency risk or state that it does not have a policy for investment foreign currency risk. Disclose only if your agency has investments denominated in foreign currency, disclose the U.S. dollar balances of such investments organized by currency denomination. If no investments denominated in foreign currency, the note should not include a discussion of foreign currency risk.

(This table is not all inclusive)

Fund Type	GAAP Fund	Foreign Currency	International Obligation (Govt and Corp)	International Equity	International Other Commingled Funds
01	XXXX	U.S. Dollar denominated foreign security	\$ XX	\$ X	\$
01	XXXX	Argentine peso	X,XXX	XX	X
01	XXXX	Aruban guilder		XX	
		Australian dollar			
		Bermudan dollar			
		Bolivian boliviano			
		Brazilian real			
		Bulgarian real			
		Canadian dollar			
		Cayman Island dollar			
		Chilean peso			
		Chinese yuan			
		Cyprus pound			
		Czech koruna			
		Danish krone			
		Egyptian pound			
		Estonian droon			
		Euro			
		Hong Kong dollar			
		Hungarian forint			
		Indian rupee			
		Indonesian rupiah			
		Japanese yen			
		Jersey pound			
		Lithuanian litas			
		Malaysian ringgit			
		Mexican peso			
		Netherlands Antillian guilder			
		New Isreal shekel			
		New Taiwan dollar			
		New Zealand dollar			
		Norwegian krone			
		Panamamanian balboa			
		Philippine peso			
		Polish zloty			
		Pound sterling			
		Qatar riyal			
		Romanian leu			
		Russian ruble			
		Singapore dollar			
		South African rand			
		South Korean won			
		Swedish krona			
		Swiss franc			
		Thai baht			
		Turkish lira			
		Venezuelan bolivar			
		Total	\$ XXXX	\$ XXXXXX	\$ XXX

**Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of the agency limits investments in debt securities that are not in the top three investment grade ratings issued by nationally recognized statistical rating organizations to 5% of total investments. As of August 31, 20CY, the agency's credit quality distribution for securities with credit risk exposure was as follows.

**Note:** If the agency has debt securities, the agency should provide a brief description of its policies that are related to credit risk or state that it does not have a policy. Agencies are required to provide **Standard & Poor's** credit ratings.



(This table is not all inclusive of ratings)

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB
XX	XXXX	U.S. Government Agency Obligations (Exclude obligations explicitly guaranteed by the U.S. Government such as Ginnie Mae. GSEs such as Fannie Mae have implicit U.S. Government guarantees and therefore are considered to have credit risk and require disclosure of credit quality.)	\$XX	\$XXX	\$XX	\$XXX
		U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)				
		Corporate Obligations				
		Corporate Asset and Mortgage Backed Securities				
		International Obligation				
		Repurchase Agreement				
		Repurchase Agreement (Texas Treasury Safekeeping Trust Co)				
		Alternative Investments				
		Misc				
			AAAf	AAf		Af
		Fixed Income Money Market and Bond Mutual Fund				
			A-1	A-2		A-3
		Commercial Paper				
		Misc				

Unrated

		Corporate Obligations	\$
		International Obligation	\$

**Concentration of credit risk** is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 20CY, the agency's concentration of credit risk is as follows.

Fund Type	GAAP Fund	Issuer	Carry Value	% of total portfolio
XX	XXXX	Citicorp	\$XXX,XXX,XXX	X%

**Interest rate risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the agency manages its exposure to fair value losses arising from increasing interest rates by limiting the modified duration of its investment portfolio to less than one year as follows.

**Attention:** For CAFR purposes, interest rate risk disclosure is required only for agencies required to prepare their AFR in accordance with GAAP (i.e., audited AFR) as well as the Treasury-Fiscal (Agency 311), the Texas Education Agency (Agency 701), Texas A&M University System (Agency 798), and The University of Texas System (Agency 799). For audited AFRs, the agency can submit as a supplement to the AFR the interest rate risk disclosure in compliance with the requirements of this chapter.

	Agency
U.S. Treasury Securities	.21
U.S. Treasury Strips	.XX
U.S. Treasury TIPS	.XX
U.S. Government Agency Obligations	.XX
Corporate Obligations	.XX
Corporate Asset and Mortgage Backed Securities	.XX
International Obligations	.XX
Corporate Obligation	.XX
Repurchase Agreement	.XX
International Obligation	.XX
Fixed Income Money Market and Bond Mutual Fund	
Portfolio Modified Duration	.94

### Reverse Repurchase Agreements

Sample Agency, by statute, is authorized to enter into reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to the Agency and the Agency transfers securities to the broker-dealer and promises to repay the cash plus interest in exchange for the same or similar securities. Credit risk exposure for the Agency arises when a broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. There were no significant violations of legal or contractual provisions during the year.

### Securities Lending

Sample Agency participates in a security-lending program. The Agency began the program in February 1999 and had \$ 11,563,140 of securities out on loan to brokers/dealers at August 31, 20CY. These securities on loan are presented as uncategorized in the preceding schedule of custodial risk.

In securities lending transactions, the Agency transfers its securities to broker-dealers and other entities for collateral – which may be cash or securities – and simultaneously agrees to return the collateral for cash or the same securities in the future. The Agency invests the cash received as collateral and, if the returns on those investments exceed the “rebate” paid to the borrowers of the securities, the securities lending transactions generate income for the Agency. However, if the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss on principal, part of the payment to the borrower would come from the Agency’s resources. The borrower will pay a “loan premium or fee” for the securities loan, thus generating income for the Agency.

Securities lending is authorized by state statutes. The Agency is authorized to lend its U.S. Government and Agency securities. Collateral is either cash or U.S. Government or Agency securities at a value of 102 percent of the value of the securities lent. The securities lending contracts allow the Agency to pledge or sell collateral securities without borrower default. At year-end, the Agency has no credit risk exposure to borrowers because the amounts the Agency owes to borrowers exceed the amounts the borrowers owe the Agency. Contracts with the lending agents require them to indemnify the Agency if the borrowers fail to return the securities. The policy is to match the maturities of the collateral investments and the securities loans. There were no significant violations of legal or contractual provisions, any borrower or lending agent default losses, and no recoveries of prior-period losses during the year.

### Derivative Investing

The Agency holds collateralized mortgage obligations. These securities were purchased to provide incremental yield above that available on corporate securities with similar terms. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the fair value. It is estimated these securities will provide future cash inflows on a time schedule that approximately matches the outflows associated with the agency’s liabilities. These securities are rated AAA by the major rating agencies.

The Agency enters into forward-exchange contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform.

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#### **NOTE 4: Short-Term Debt**

*(Illustrative, may  
not tie to exhibits)*

Sample Agency has a line of credit available with Bank ABC. On April 5, 20CY, Sample Agency borrows \$200,000 from Bank ABC to cover temporary cash shortages in the General Fund due to the timing of revenue collection. Sample Agency paid in full on June 1, 20CY.

Governmental Activities	Beginning Balance 09/01/20PY	Additions	Deletions	Ending Balance 08/31/20CY
Line of Credit	\$0	\$200,000	\$200,000	\$0

**NOTE 5: Summary of Long-Term Liabilities***(Illustrative, may not tie to exhibits)***Changes In Long-Term Liabilities**

During the year ended August 31, 20CY, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/20PY	Additions	Reductions	Balance 08/31/20CY	Amounts Due Within One Year	Amounts Due Thereafter
Claims and Judgments	\$ 275,000	\$ 100,000	\$ 199,542	\$ 175,458	\$ 15,000	\$ 160,458
Capital Lease Obligations	57,500	*1,243	6,485	52,258	5,100	47,158
Employees' Compensable Leave	650,000	120,250	160,000	610,250	120,250	490,000
Notes and Loans Payable	0	400,100	0	400,100	0	400,100
General Obligation Bonds Payable	4,000,000	1,528,682	1,000,000	4,528,682	75,100	4,453,582
Revenue Bonds Payable	1,900,000		949,400	950,600	22,500	928,100
<b>Total Governmental Activities</b>	<b>\$ 6,882,500</b>	<b>\$ 2,150,275</b>	<b>\$ 2,315,427</b>	<b>\$ 6,717,348</b>	<b>\$ 237,950</b>	<b>\$ 6,479,398</b>

Business-Type Activities	Balance 09/01/20PY	Additions	Reductions	Balance 08/31/20CY	Amounts Due Within One Year	Amounts Due Thereafter
Claims and Judgments	\$ 275,000	\$ 100,000	\$ 350,000	\$ 25,000	\$ 25,000	\$ 0
Capital Lease Obligations	2,500	0	1,447	1,053	142	911
Employees' Compensable Leave	8,600	6,658	7,310	7,948	6,658	1,290
Notes and Loans Payable	20,000	10,000	14,415	15,585	0	15,585
General Obligation Bonds Payable	550,000	60,246	50,000	560,246	60,246	500,000
Revenue Bonds Payable	1,000,000	45,000	169,867	875,133	45,000	830,133
Liabilities Payable from Restricted Assets	200,000	10,000		210,000	3,168	206,832
<b>Total Business-Type Activities</b>	<b>\$ 2,056,100</b>	<b>\$ 231,904</b>	<b>\$ 593,039</b>	<b>\$ 1,694,965</b>	<b>\$ 140,214</b>	<b>\$ 1,554,751</b>

Component Units	Balance 09/01/20PY	Additions	Reductions	Balance 08/31/20CY	Amounts Due Within One Year	Amounts Due Thereafter
Capital Lease Obligations	\$ 256	\$ 288	\$ 227	\$ 317	\$ 198	\$ 119
Employees' Compensable Leave	4,291	10,799	10,516	4,574	3,236	1,338
Notes and Loans Payable	195,267	246,944	257,530	184,681	46,308	138,373
Revenue Bonds Payable	209,595	78,183	25,630	262,148	6,087	256,061
Liabilities Payable from Restricted Assets	210,566	41,140	34,567	217,139	4,208	212,931
	<b>\$ 619,975</b>	<b>\$ 377,354</b>	<b>\$ 328,470</b>	<b>\$ 668,859</b>	<b>\$ 60,037</b>	<b>\$ 608,822</b>

\*Must tie to Exh. II, total Governmental Funds column and "Increase in Obligations- Capital Leases" line item.

**Note:** Each agency, independent university, and university system must enter the liability transactions into USAS to support amounts reported in this note. Actual transactions (not reversal of beginning balance and addition of ending balance) should be reported.

**Notes and Loans Payable**

Notes payable consists of amounts used to finance the acquisition of mainframe computer equipment. The debt service requirements for Notes payable in the Governmental and Business-Type Activities are as follows:

Year	Governmental Activities			Business-Type Activities			Discretely Presented Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
XXX1	\$ 20,320	\$ 27,010	\$ 47,330	\$ 2,081	\$ 1,052	\$ 3,133	\$ 500	\$ 1,250	\$ 1,750
XXX2	18,565	25,635	44,200	2,181	915	3,096	600	1,215	1,815
XXX3	24,683	24,400	49,083	2,500	765	3,265	700	1,175	1,875
XXX4	16,357	22,720	39,077	2,200	595	2,795	800	1,125	1,925
XXX5	22,981	21,615	44,596	2,000	450	2,450	900	1,075	1,975
XXX6-XX10	16,688	60,180	76,868	2,100	945	3,045	6,500	3,045	9,545
XX11-XX15	12,000	56,800	68,800	2,000	510	2,510	8,500	1,725	10,225
XX16-XX20	268,506	54,375	322,881	523	105	628	0	0	0
<b>Totals</b>	<b>\$ 400,100</b>	<b>\$ 292,735</b>	<b>\$ 692,835</b>	<b>\$ 15,585</b>	<b>\$ 5,337</b>	<b>\$ 20,922</b>	<b>\$ 18,500</b>	<b>\$ 10,610</b>	<b>\$ 29,110</b>

Variable rate interest equaled 6% for 20XX and will fluctuate based upon current market conditions.

## Claims and Judgments

Sample Agency was involved in litigation regarding an employee dispute. The settlement of \$125,000 was accrued but unpaid as of 08/31/CY.

## Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. Both an expense and a liability for business-type activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid.

### NOTE 6: Capital Leases *(Illustrative, may not tie to exhibits)*

The Agency has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31, 20CY:

Assets Under Capital Leases									
Year Ending August 31, 20CY									
Class of Property	Primary Government								
	Governmental Activities			Business-Type Activities			Discretely Presented Component Units		
	Assets under Capital Lease	Accumulated Depreciation	Total	Assets under Capital Lease	Accumulated Depreciation	Total	Assets under Capital Lease	Accumulated Depreciation	Total
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ 10
Buildings			-			-	1,500	(65)	1,435
Furniture and Equipment	92,479	(12,200)	80,279	5,359	(50)	5,309	2,225	(125)	2,100
Vehicles, Boats, etc.	3,337		3,337		12,496	12,496	750	(300)	450
<b>Totals</b>	<b>\$95,816</b>	<b>\$(12,200)</b>	<b>\$83,616</b>	<b>\$5,359</b>	<b>0</b>	<b>\$17,805</b>	<b>\$4,485</b>	<b>\$(490)</b>	<b>\$3,995</b>

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year-end, are as follows:

Future Capital Lease Payments									
Year Ending August 31, 20CY									
Year	Primary Government								
	Governmental Activities			Business-Type Activities			Discretely Presented Component Units		
	Principal	Interest	Total Future Min. Lease Payments	Principal	Interest	Total Future Min. Lease Payments	Principal	Interest	Total Future Min. Lease Payments
XXX1	\$1,000	\$1,970	\$2,970	\$500	\$655	\$1,155	\$250	\$66	\$316
XXX2	1,000	1,880	2,880	500	615	1,115	250	44	294
XXX3	1,000	1,795	2,795	500	570	1,070	250	22	272
XXX4	1,000	1,706	2,706	500	525	1,025	-	-	0
XXX5	1,000	1,620	2,620	500	480	980	-	-	0
XXX6-XX10	5,000	4,590	9,590	2,500	1,320	3,820	-	-	0
XX11-XX15	5,000	3,285	8,285	2,500	660	3,160	-	-	0
XX16-XX20	7,500	1,968	9,468	-	-	0	-	-	0
<b>Totals</b>	<b>\$22,500</b>	<b>\$18,814</b>	<b>\$41,314</b>	<b>\$7,500</b>	<b>\$4,825</b>	<b>\$12,325</b>	<b>\$750</b>	<b>\$132</b>	<b>\$882</b>

**NOTE 7: Operating Leases**

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases:

Fund Type	Amount
General Fund	\$ 75,000

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ended August 31	
XXX1 (Future Year 1)	\$ 100,000
XXX2 (Future Year 2)	100,000
XXX3 (Future Year 3)	100,000
XXX4 (Future Year 4)	100,000
XXX5 (Future Year 5)	100,000
XXX6-10 (Future Years 6-10)	100,000
XXX11-15 (Future Years 11-15)	300,000
Total Minimum Future Lease Rental Payments	\$ 900,000

**Note:** Agencies must also provide a table for any Component Units.

**NOTE 8: Interfund Balances / Activities**

*(Illustrative, may not tie to exhibits)*

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables (Note 8 presentation required)
- Due From Other Agencies or Due To Other Agencies (Note 8 presentation optional)
- Due From Other Funds or Due To Other Funds (Note 8 presentation optional)
- Transfers In or Transfers Out (Note 8 presentation optional)
- Legislative Transfers In or Legislative Transfers Out (Note 8 presentation required)

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances and activity at August 31, 20CY, follows:

Required Note 8 Presentation:			
Current Portion	Current Interfund Receivable	Current Interfund Payable	Purpose (Disclosure required)
GENERAL (01)	-0-	-0-	
Total Interfund Receivable/Payable	-0-	-0-	

Required Note 8 Presentation:			
Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable	Purpose (Disclosure required)
GENERAL (01)	-0-	-0-	
SPECIAL REVENUE (02)			
Appd Fund 0210 and D23 Fund 0210			
Agency 700, D23 Fund 0400	-0-		
ENTERPRISE FUND (05)			
Appd Fund 9999, D23 Fund 1999			
Agency 700, D23 Fund 0500		-0-	
Total Interfund Receivable/Payable	-0-	-0-	

<b>Optional Note 8 Presentation:</b>			
	<b>Due From Other Agencies</b>	<b>Due To Other Agencies</b>	<b>Source</b>
GENERAL (01)			
Appd Fund 0001, D23 Fund 0001			
Agency 900, D23 Fund 9999		\$ 1,000	State P-T
Agency 100, D23 Fund 0499	\$ 31,000		Federal P-T
Agency 200, D23 Fund 0299	100,000		Federal P-T
SPECIAL REVENUE (02)			
Appd Fund 9999, D23 Fund 9999			
Agency 500, D23 Fund 0399		1,000	Transfer
AGENCY FUNDS (09)			
Appd Fund 0001, D23 Fund 1000			
Agency 902, D23 Fund 0001		43,000	
Appd Fund 0650, D23 Fund 0650			
Agency 700, D23 Fund 0650	500		
<b>Total Due From/To Other Agencies</b>	<b>\$ 131,500</b>	<b>\$ 45,000</b>	

<b>Optional Note 8 Presentation:</b>			
	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>	<b>Source</b>
GENERAL (01)			
Appd Fund 0001, D23 Fund 0001			
Agency 400, D23 Fund 0804	\$ 10,000		State P-T
Appd Fund 0804, D23 Fund 0804			
Agency 400, D23 Fund 0001		\$ 10,000	State P-T
<b>Total Due From/To Other Funds</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	

<b>Optional Note 8 Presentation:</b>			
	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Purpose (Disclosure Required)</b>
GENERAL (01)			
Appd Fund 0001, D23 Fund 0001			
Agy 601, D23 Fund 0006	200,000		(Intrafund Transfer)
Agy 400, D23 Fund 0310	5,000		(Intrafund Transfer)
Agy 902, D23 Fund 0001		300,000	(Service Transfer)
<b>Total Transfers for Fund 0001</b>	<b>\$ 205,000</b>	<b>\$ 300,000</b>	
GENERAL (01)			
Appd Fund 0804, D23 Fund 0804			
Agy 347, D23 Fund 0804	55,000		(Shared Fd Bonus)
Agy 353, D23 Fund 0001		15,000	(Productivity Bonus)
<b>Total Transfers for Fund 0804</b>	<b>\$ 55,000</b>	<b>\$ 15,000</b>	
<b>Total Transfers</b>	<b>\$ 260,000</b>	<b>\$ 315,000</b>	

<b>Required Note 8 Presentation:</b>		
	<b>Legislative Transfer In</b>	<b>Legislative Transfer Out</b>
GENERAL (01)		
Appd Fund 0001, D23 Fund 0001		
Agy 902, D23 Fund 0001	\$ 150,000	
<b>Total Legislative Transfers</b>	<b>\$ 150,000</b>	

The detailed State Grant Pass-Through information is listed on Schedule 1B – Schedule of State Grant Pass-Through From/To State Agencies.

*It is at the agency's discretion to include all Interfund transactions in Note 8, but USAS will override the Due To/From and Transfer In/Out information given in this note.*

**NOTE 9: Contingent Liabilities***(Illustrative, may not tie to exhibits)*

The agency is a defendant in pending litigation alleging unlawful discrimination. The plaintiff is seeking \$2 million in damages. An adverse ruling is reasonably possible, but in management's opinion that possibility is remote.

The agency has received several federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowance's, if any, will be immaterial.

**Commodity Swap**

*Objective of the swap.* The city's power utility is exposed to market price fluctuations of the cost of its purchase of fuel oil. The utility uses derivatives—commodity swaps—to protect itself from increases in market prices.

*Terms.* On January 1, 20CY, the utility entered into a commodity swap for a period of three years with semiannual payments based on the notional amount of 2 million gallons. Payment between the swap parties is based on the then-current spot price.

*Fair value.* As of August 31, 20CY, the commodity swap had a negative fair value of \$550,000, estimated by discounting actual or implied forward prices.

*Credit risk.* Because the swap had a negative fair value, the city is not exposed to credit risk as of August 31, 20CY. Credit risk may increase in future periods depending on changes related to price of No. 2 fuel oil. As of August 31, 20CY, the swap counterparty was rated AA by Fitch Ratings and Standard & Poor's and Aa by Moody's Investors Service. To mitigate the potential for credit risk, if the counterparty's credit quality falls below AA/Aa, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

*Basis risk.* Because the price changes of its fuel oil from its provider may not correlate with price changes of the quoted spot price by the New York Mercantile Exchange called for in the commodity swap, the city is exposed to basis risk.

**NOTE 10: Continuance Subject to Review**

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 20XX, unless continued in existence by the XXth Legislature as provided by the Act. If abolished, the agency may continue until September 1, 20XY to close out its operations.

**NOTE 11: Risk Financing and Related Insurance***(Illustrative, may not tie to exhibits)*

Sample Agency is exposed to a variety of civil claims resulting from the performance of its duties. It is agency policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The Agency assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance, nor is the agency involved in any risk pools with other government entities.

The Agency's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. Changes in the balances of the agency's claims liabilities during fiscal 20PY and 20CY were:

	Beginning Balance	Increases	Decreases	Ending Balance
20PY	\$250,000	\$125,000	\$(100,000)	\$275,000
20CY	\$275,000	\$100,000	\$(150,000)	\$225,000

Included in the \$225,000 are claims of \$45,000, representing losses for which the lowest amount in a range of probable losses has been accrued because no amount within that range is a better estimate of loss. These losses could be as high as \$90,000.

**NOTE 12: Segment Information***(Illustrative, may  
not tie to exhibits)***Condensed Statement of Net Assets**

	Segment 1	Segment 2	Segment 3
<b>Assets:</b>			
Current assets			
Cash	\$ 8,414	\$ 9,253	\$ 10,175
Taxes Receivable	963	84,943	81,555
Due From other funds	15	20	
Restricted assets			
Loans and Contracts	26,661		26,500
Capital assets			
Buildings	68,047	12,225	
Total Assets:	104,100	106,441	118,230
<b>Liabilities:</b>			
Current liabilities			
Accounts Payable	1,123	200	
Due To other funds	33	45	60
Current liabilities payable from restricted assets	3,565	4,565	5,000
Non-Current liabilities			
Notes and loans payable	32,053	33,000	80,000
Total Liabilities	36,774	37,810	85,060
<b>Net Assets:</b>			
Invested in capital assets, net of related debt			
	57,309	60,000	25,000
Restricted	632	631	645
Unrestricted	9,385	8,000	7,525
	\$ 67,326	\$ 68,631	\$ 33,170

**Condensed Statement of Revenue, Expenses, and Changes in Net Assets**

	Segment 1	Segment 2	Segment 3
Other sales of goods and services	\$ 6,498	\$ 8,452	\$ 9,025
Cost of goods sold	(1,461)	(2,500)	(1,328)
Other operating expenses	(3,469)	(2,536)	(3,567)
Net Operating income	1,568	3,416	4,130
Nonoperating revenues(expenses)			
Legislative revenue	1,102	2,000	1,158
Investment Income	122	6,523	632
Interest expense and fiscal fees	(920)		(638)
Capital contributions	2,576	3,000	2,076
Change in Net Assets	4,448	14,939	7,358
Beginning Net Assets	62,878	53,692	25,812
Ending Net Assets	\$ 67,326	\$ 68,631	\$ 33,170

**Condensed Statement of Cash Flows**

	Segment 1	Segment 2	Segment 3
Net cash provided (used) by:			
Operating activities			
	\$ 2,106	\$ 1,072	\$ 3,260
Noncapital financing activities			
	122		235
Capital and related financing activities			
	23,936	25,003	22,008
Investing activities			
	(19,354)	(18,325)	(17,328)
Net increase (decrease)	6,810	7,750	8,175
Beginning cash and cash equivalents	1,604	1,503	2,000
Ending cash and cash equivalents	\$ 8,414	\$ 9,253	\$ 10,175

Segment disclosure is not required for segments that are also major individual enterprise funds.



**NOTE 13: Bonded Indebtedness***(Illustrative, may not tie to exhibits)***Bonds Payable**

Detailed supplemental bond information is disclosed in:

- Schedule 2A – Miscellaneous Bond Information
- Schedule 2B – Changes in Bonded Indebtedness
- Schedule 2C – Debt Service Requirements
- Schedule 2D – Analysis of Funds Available for Debt Service
- Schedule 2E – Defeased Bonds Outstanding
- Schedule 2F – Early Extinguishment and Refunding

General information related to bonds is summarized below:

- Bond Issue Name, Series 20XX
- To construct additional facilities to carry out the functions of Sample Agency
- Issued mm-dd-yy
- \$XX,XXX,XXX; all authorized bonds have been issued
- Source of revenue for debt service – Fund 0001 Appropriations

**Advance Refunding Bonds**

Refunded \$XXX,XXX,XXX of Revenue Bonds, Series 1987:

- Issued General Obligation Bonds – Refunding Series 20XX on MM-DD-YY
- \$XXX,XXX, all authorized bonds have been issued
- Average interest rate of bonds refunded – 12.5%
- Net proceeds from Refunding Series – \$XXX,XXX; after payment of \$XX,XXX in underwriting fees, insurance, and other issuance costs
- Additional \$XXX,XXX of 1987 Series sinking fund moneys was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1987 Series bonds
- Advance refunding of the 1987 Series bonds reduced the agency's debt service payments over the next 20 years by approximately \$XXX,XXX
- Economic Gain – \$XXX,XXX difference between the net present value of the old and new debt service payments
- Accounting Gain – \$XXX,XXX accounting gain resulted from the advance refunding

**Variable to Fixed Interest Rate Swap**

*Objective of the swaps.* The Agency enters into pay-fixed, receive-variable interest rate swap agreements with the objective of reducing the interest rate risk of variable rate bonds at a lower total interest cost to the authority than interest rate costs of traditional fixed rate products.

*Terms and fair Value.* The terms, including the fair value of the outstanding swaps as of August 31, 20CY are as follows. The notional amount of the swaps match the principal amount of the associated debt.

<b>Associated Bond Issue</b>	<b>Notional Amount</b>	<b>Effective Date</b>	<b>Fixed Rate Paid</b>	<b>Variable Rate Received</b>	<b>Fair Value</b>	<b>Swap Termination Date</b>	<b>Counterparty Credit Rating</b>
HMRB 1999A	\$60,450,000	08/27/99	5.540%	BMA	\$(5,240,325)	June 2014	AA/Aa
HMRB 2000A	32,250,500	06/08/00	4.650%	BMA	(3,647,458)	June 2015	AA/Aa
HMRB 2000B	5,000,000	06/08/00	5.250%	65% of LIBOR	(856,234)	June 2015	AA/Aaa
HMRB 2000B2	12,550,000	09/28/00	5.150%	65% of LIBOR	(1,243,384)	June 2012	AA/Aa2
HMRB 2001A	54,234,000	02/14/01	3.750%	BMA	(458,244)	June 2017	AA/Aa
HMRB 2001C	13,470,000	02/14/01	3.645%	65% of LIBOR	(234,541)	June 2012	AA/Aa
HMRB 2002A	25,000,000	09/28/02	3.254%	BMA	(149,957)	June 2007	AA/Aa
MHRB 2000A	36,785,000	12/16/00	4.144%	BMA	(1,135,869)	June 2015	AAA/Aaa
MHRB 2001B	12,948,000	05/31/01	3.987%	65% of LIBOR	(459,834)	June 2020	AA/Aa1
MHRB 2001B2	23,234,480	07/31/01	4.230%	65% of LIBOR	(549,038)	June 2011	AAA/Aaa
MHRB 2002A	12,934,380	02/17/02	3.863%	BMA	(65,985)	June 2012	AA/Aa2
MHRB 2003A	34,560,000	04/15/03	3.145%	BMA	(46,234)	June 2013	AAA/Aaa
Total	<u>\$323,416,360</u>				<u>\$14,087,103</u>		

**Note:** The counterparty has the option to terminate the swap on each June 30, commencing on June 30, 2016.

*Credit risk.* As of August 31, 20CY, the *agency* is not exposed to credit risk on any of its outstanding swaps because the swaps have negative fair values. However, should interest rates change and the fair value of the swaps becomes positive, the *agency* would be exposed to credit risk on those swaps. The counterparties credit ratings range from AAA to AA from Fitch Ratings and Standard & Poors and Aaa to Aa2 by Moody's Investors Service. The fair value of the swaps represents the authority's credit exposure to the various counterparties with which the swaps were executed. The swap agreements contain varying collateral agreements with the counterparties. The swaps require full collateralization of the fair value of the swap should the counterparty's credit rating fall below AA/Aa or A/A. Collateral on all swaps is to be in the form of U.S. government securities held by a third party custodian.

The *agency* also enters into master netting agreements when the authority has entered into more than one derivative transaction with one counterparty. Under the terms of these agreements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Although the *agency* executes swap transactions with various counterparties, 4 swaps, approximating 53% of the notional amount of swaps outstanding, are held with one counterparty. That counterparty is rated AA/Aa. Of the remaining swaps, the *agency* holds 3 agreements with another counterparty, rated AAA/Aaa, approximating 29% of the outstanding notional value. All other swaps are held with separate counterparties. Those counterparties are rated AA/Aa or better.

*Basis risk.* The *agency's* variable-rate bond coupon payments are equivalent to the BMA rate. For those swaps where the authority receives a variable rate payment other than BMA, the *agency* is exposed to basis risk should the relationship between LIBOR and BMA converge. The swap related to the multifamily housing revenue bonds (MHRB) 2001B provides the counterparty with the option to terminate the swap agreement each June 30, commencing on June 30, 2016.

*Rollover risk.* The *agency* is exposed to rollover risk on swaps which mature or may be terminated prior to the maturity of the associated debt. The following debt is exposed to rollover risk:

<b>Associated Debt Issuance</b>	<b>Debt Maturity Date</b>	<b>Swap Termination Date</b>
HMRB 2000B2	June 2020	June 2012
HMRB 2001A	June 2031	June 2017
HMRB2001C	June 2016	June 2012
MHRB 2001B	June 2020	May be called June 2016

*Swap payments and associated debt.* Using rates as of August 31, 20XX, debt service requirements of the agency’s outstanding variable-rate debt and net swap payments are as follows. Interest calculations were based on rates as of August 31, 20XX. As rates vary, variable-rate bond interest payments and net swap payments will vary. Certain of the agency’s swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled and/or anticipated reductions in the associated “bonds payable” category.

Fiscal Year Ending August 31	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
XXX1	\$	\$ 4,918,448	\$ 8,787,205	\$ 13,705,653
XXX2		4,918,448	8,787,205	13,705,653
XXX3		4,918,448	8,787,205	13,705,653
XXX4	25,000,000	4,543,448	8,348,705	37,892,153
XXX5		4,543,448	8,348,705	12,892,153
XXX6–XX10	70,728,860	20,695,554	37,288,559	128,712,973
XX11–XX15	147,955,500	7,653,963	7,377,125	162,986,588
XX16–XX20	25,498,000	4,475,518	309,069*	30,282,587
XX21–XX25		4,067,550		4,067,550
XX26–XX30	54,234,000	1,627,020		55,861,020
Total	\$ 323,416,360	\$ 62,361,845	\$ 88,033,778	\$ 473,811,983

\*The agency is required by authoritative standards to assume that the interest rate swap will not be terminated prior to maturity

#### **NOTE 14: Subsequent Events**

An additional \$1,100.00 of Sample Rev Bds Ser 20CY, General Obligation bonds, were issued on October 1, 20CY, with interest rates ranging from 9.0% to 12.0%.

#### **NOTE 15: Related Parties**

The Sample Entity Authority is the coordinating body for the policies and programs of management regulation, and control of ‘specific activity’ conducted by Sample Agency A, Agency B, Agency C, and Agency D. It was created by the 77th Legislature.

The Commissioner of Sample Agency A serves as presiding officer for the authority and has the duties to:

1. As necessary, employ personnel as the duties of the authority may require and to the extent of legislative appropriations to the authority;
2. Keep an accurate and complete record of all authority meetings and hearings of the authority and maintain legal custody of all books, papers, documents, and other records of the authority.

Since the authority employed no employees during fiscal year 20CY, the Commissioner delegated the administrative functions to Sample Agency A employees. The authority did not receive any appropriation to operate, so Sample Agency A paid all costs of Sample Entity Authority meetings.

Also, Sample Agency A has entered into a staff development contract with a regional executive training group. The training group is owned and operated by a board member of Sample Agency A. The contract is for six months of staff development analysis and training classes at a set fee of \$3,000. As of 08/31/CY, Sample Agency A had remitted a 20 percent down payment. The remainder of the contract (\$2,400) is due and payable after services are complete.

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### **NOTE 16: Stewardship, Compliance and Accountability**

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A negative Change in Net Assets occurred in the Enterprise fund operations primarily as a result of two factors. The first was a required balloon payment for bond interest. The second was a required statutory transfer.

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### **NOTE 17: The Financial Reporting Entity and Joint Ventures**

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#### **The Financial Reporting Entity**

As required by Generally Accepted Accounting Principles, the financial statements present Sample Agency (the primary government) and its component units. The component units discussed in this note are included in Sample Agency's reporting entity because of the significance of their operational or financial relationships with the Sample Agency.

#### **Individual Component Unit Disclosures**

*Blended Component Units.* A five-member board appointed by the Sample Agency board governs the Sample Component Building Authority (SCBA). Although it is legally separate from the Sample Agency, the SCBA is reported as if it were part of the primary government because its sole purpose is to finance and construct Sample Agency's public buildings. The SCBA's financial data is reported in the Capital Projects Fund (USAS D22 fund XXXX) of the Governmental Fund Type in Sample Agency's AFR.

*Discretely Presented Component Units:* Sample Agency is financially accountable for the following legally separate entities (Component Units); however, they do not provide services entirely or almost entirely to the Sample Agency. The component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the Sample Agency. Except for the Sample Component School District (SCSD), the Sample Agency board appoints the governing bodies of all component units. The voters of Sample Agency elect the SCSD's board.

1. The *Sample Component School District* operates twelve elementary and three high schools. The SCSD may not issue debt without the Sample Agency's approval and its property tax levy request is subject to Sample Agency board approval. The district's taxes are levied under the taxing authority of the Sample Agency and are included as part of the Sample Agency's total tax levy. The SCSD is reported for the year ended September 30, 20PY.
2. The *Sample Component Governmental Parks and Recreation Commission* (SCPRC) operates and maintains three public golf courses and the public parks. Sample Agency provides a material subsidy to the commission, primarily to finance the operations of the public parks. The SCPRC is reported for the year ended August 31, 20CY.
3. The *Sample Proprietary Component Transit Authority* (SCTA) provides mass transit services to the citizens. The Sample Agency annually provides significant operating subsidies to the authorities. The SCTA is reported for the year ended December 31, 20PY.
4. The *Sample Proprietary Component Airport Authority* (SCAA) operates a noncommercial airport facility. The authority's operating budget is subject to the approval of the Sample Agency board. The board is also required to approve proposed capital improvements or additions to the authority's facilities. The SCAA is reported for the year ended August 31, 20CY.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

#### **Administrative Offices**

Sample Component Building Authority  
665 Main Street  
Major City

Sample Component School District  
112 Education Street  
Major City

Sample Component Parks and Recreation Commission  
789 Parks Drive  
Eastville

Sample Component Airport Authority  
10 Airport Road  
Westburg

Sample Component Transit Authority  
123 Trolley Avenue  
Major City

#### **Related Organizations**

The Sample Agency's officials are also responsible for appointing the members of the boards of other organizations, but Sample Agency's accountability for these organizations does not extend beyond making the appointments. The Sample Agency board chairman or specific committees of the Sample Agency board appoint the board members of the Sample Conservation Commission, the Bicentennial Commission, and the Economic Development Association. In 20CY, the Sample Agency appropriated operating grants of \$1,000 and \$5,000 to the Bicentennial Commission and the Economic Development Association, respectively.

#### **Joint Ventures**

The Sample Agency is a participant with Major City (the city) in a joint venture to operate Memorial Stadium, a sports and recreation facility. The Memorial Stadium Authority (MSA), a public benefit corporation, was created for that purpose. On dissolution of the corporation, the Sample Agency and the city will share the net assets of the MSA equally. A six-member board composed of three appointees from the Sample Agency and three from the city governs the MSA. The Sample Agency and the city are each obligated by contract to remit \$250,000 annually to supplement the MSA's operating revenues and are each entitled to one-half of the MSA's annual operating income, if any. In accordance with the joint venture agreement, the MSA remitted \$350,000 to the Sample Agency for FY 20CY. The Sample Agency's net investment and its share of the operating results of the MSA are reported in the Sample Agency's recreation fund (an enterprise fund). The Sample Agency's equity interest in the MSA was \$2.3 million at August 31, 20CY. Complete financial statements for the MSA can be obtained from the MSA's administrative office at 460 Stadium Drive, Major City, or from the Sample Agency.

#### **Jointly Governed Organizations**

The Sample Agency, in conjunction with North and South counties and the cities of Eastville, Westburg, and Major City, has created the Regional Planning Commission (RPC). The RPC's board is composed of three members from Sample Agency, three members from each of the county boards and one member from the governing board of each of the three municipalities. The Sample Agency appropriated \$60,000 for an operating grant to the RPC for 20CY.

## Long-Term Liabilities

### Sample County

The county issues general obligation bonds to provide funds for a variety of purposes, including public safety, transportation, and general government. In addition, the SCBA issues lease revenue bonds that are secured by lease payments from the county. Bonds currently outstanding are:

<b>Purpose</b>	<b>Interest Rate</b>	<b>Amount</b>
General Government	X%	\$ X,XXX
Public Safety	X%	X,XXX
Transportation	X%	X,XXX
SCBA	X%	<u>X,XXX</u>
		<u>\$XX,XXX</u>

Annual debt service requirements to maturity for the above bonds, including interest of \$XXX, are:

Fiscal Year Ending August 31	Principal	Interest	TOTAL
XXX1 (Future Year 1)	\$ XXX	\$ XXX	\$ XXX
XXX2 (Future Year 2)	XXX	XXX	XXX
XXX3 (Future Year 3)	XXX	XXX	XXX
XXX4 (Future Year 4)	XXX	XXX	XXX
XXX5 (Future Year 5)	XXX	XXX	XXX
XXX6-XX10 (Future Year 6 to 10) (future year 6 and beyond must be reported in 5 year increments)	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>
Total	<u>\$X,XXX</u>	<u>\$X,XXX</u>	<u>\$X,XXX</u>

### Component Units

The Sample Agency is secondarily liable for the Convention Center Authority's revenue bonds. The primary sources of repayment for the bonds are the authority's operating revenues and the hotel and amusement tax. Debt service requirements to maturity for the authority's revenue bonds, including \$XX of interest, are as follows:

Fiscal Year Ending December 31	TOTAL
XXX1 (Future Year 1)	\$ XX
XXX2 (Future Year 2)	XX
XXX3 (Future Year 3)	XX
XXX4 (Future Year 4)	XX
XXX5 (Future Year 5)	XX
XXX6 (Future Year 6 to 10) (future year 6 and beyond must be reported in 5 year increments)	<u>XXX</u>
Total	<u>\$XXX</u>

The Sample Agency is not obligated in any manner for the debt of the Parks and Recreation Commission, the Airport Authority, or the School District.

**Attention:** The Long-Term Liabilities section above illustrates the provisions of paragraphs 62 and 63 of GASB Statement No. 14, *The Financial Reporting Entity*, as they might apply to the long-term liabilities disclosures of Sample Agency, as required by Cod. Sec. 2300.104i. If the long-term liabilities of the individual component units Parks and Recreation Commission, the Airport Authority, or the School District is significant in relation to the total component units column, disclosure of the debt service requirements to maturity should be made. Although not required, the Sample Agency could have included the long-term liabilities disclosures for the Parks and Recreation Commission, the Airport Authority, and the School District in a summary schedule ("Other Component Units"). The detail of the long-term liabilities disclosures agrees with the total long-term liabilities reported in the component unit column.

(Other individual component unit disclosures, not illustrated here, may also be necessary.)

**NOTE 18: Restatement of Fund Balances/Net Assets***(Illustrative, may not tie to exhibits)*

During FY 20CY, the implementation of GASB Statement No. XX required the restatement of the amounts in fund balances and net assets as shown.

	General Funds	Special Revenue Funds	Permanent Funds	Enterprise Funds	Pension and Other Employee Benefit Trust Funds	External Investment Trust Funds	Total
Fund Bal/Net Assets August 31, 20PY	\$291,830	\$86,194	\$981,558	\$3,215,604	\$368,418	\$166,139	\$5,109,743
Restatements	184,644	33,806	592	81	(119)	(100,724)	118,280
<b>Fund Bal/Net Assets Sept 1, 20PY As Restated</b>	<b>\$ 476,474</b>	<b>\$ 120,000</b>	<b>\$ 982,150</b>	<b>\$ 3,215,685</b>	<b>\$ 368,299</b>	<b>\$ 65,415</b>	<b>\$ 5,228,023</b>

**NOTE 19: Employees Retirement Plans (administering agencies only)**

Agencies administering the plans (ERS, TRS, and Fire Fighters' Pension Commission) must provide the information specified in GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*. Additional information is included in GASB 27, *Accounting for Pensions by State and Local Governmental Employers*. The detail of the required information is listed in paragraphs 20, 21, and 22 of GASB 27 and paragraphs 32, 33, and 34 of GASB 25. **For the statewide CAFR, additional information regarding the calculation of Net Pension Obligation for the current year and the preceding two years is required for the agencies administering the plans.**

An example of the required information needed from the administering agencies (ERS, TRS, and Fire Fighter's Pension Commission) is in Appendix D, Illustration 2 of GASB 27 for the Single-Employer Defined Benefit Pension Plan, Illustration 3 for the Cost-Sharing Multiple-Employer Defined Pension Plan, and Illustration 4 for the Agent Multiple-Employer Defined Pension Plan.

Agencies administering pension plans are also required to complete the following pension schedules:

- Schedule 5A: Annual Pension Cost and Net Pension Obligation/(Asset)
- Schedule 5B: Retirement Systems' Membership
- Schedule 5C: Funding Information, Actuarial Methods, and Assumption
- Schedule 5D: Schedule of Funding Progress
- Schedule 5E: Three-Year Trend Information

The format and instructions for USAS entry for the above schedules is shown in **Chapter 8 – Requirements for Schedules to the Financial Statements**. Templates for the schedules are available on the Fiscal Management Web site on FMX at <<https://fmx.cpa.state.tx.us/fmx/fnrpt/afri/index.php>> under **Forms, Templates, and Working Papers**.

**NOTE 20: Deferred Compensation (administering agencies only)**

The state offers a deferred compensation plan to its employees. The plan is in compliance with Internal Revenue Code Section 457 and is accounted for under the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The plan permits employees to defer a portion of their salary until future years. The funds are not available for distribution until termination, retirement, death, or unforeseeable emergency. Amounts deferred, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust by a Board of Trustees for the exclusive benefit of the participants and their beneficiaries. They may not be used for or diverted to any other expense except to defray the reasonable expenses of administering the plan. The state has no liability for losses under the plan, but must exercise due care that would be required of an ordinary prudent investor.

The deferred compensation plan balances are recorded as a pension trust fund at fair value. The estimated fair value of the aggregate deferred compensation plan was \$XXX,XXX,XXX as of August 31, 20XX.

The state also administers the “TexaSaver” plan created in accordance with Internal Revenue Code 401(k). Assets of this plan do not belong to the state and the state has no liability related to this plan.

**NOTE 21: Donor-Restricted Endowments**

*(Illustrative, may not tie to exhibits)*

Donor- Restricted Endowment	Amounts of Net Appreciation*	Reported in Net Assets
True Endowments	\$ –	Restricted for Expendable
Term Endowments	–	Restricted for Expendable
	<u>\$ –</u>	

\* There was a negative fair value adjustment totaling (\$xx,xxx) for fiscal year 20CY.

**NOTE 22: Management Discussion and Analysis**

The following events occurred at our agency:

The agency did not issue new bonds or contracts during the fiscal year. However, the agency projects spending another \$16 million for capital projects, particularly to renovate the fire alarm system and evacuation routes throughout the buildings and grounds. The agency does not anticipate a need to issue additional debt to finance these improvements.

The agency experienced a loss of \$2.3 million for the clean up and replacement of expendable items lost in the flooding that accompanied Hurricane GASB.



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**NOTE 23: Post Employment Health Care and Life Insurance Benefits  
(UT, A&M, TRS and ERS only)**

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This note will contain information concerning Other Post Employment Benefits (OPEB). This note pertains only to:

- Teacher Retirement System (Agency 323)
- Employees Retirement System (Agency 327)
- University of Texas System (Agency 799)
- Texas A&M University System (Agency 798)

The instructions for Note 23 will be sent to the agencies listed above. All other agencies do not need to prepare this note.

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**NOTE 24: Special and Extraordinary Items** *(Illustrative, may not tie to exhibits)*

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The agency reported a special item equal to \$XX,XXX in the current fiscal year from FEMA for flood damage.

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**NOTE 25: Disaggregation of Receivable and Payable Balances** *(Illustrative, may not tie to exhibits)*

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**A. Taxes Receivable**

The Comptroller-Fiscal collects certain taxes for the State of Texas. Taxes receivable represent amounts due to the State at August 31, for revenues earned in the current fiscal year which will be collected in the future. The receivables have been recorded net of allowances for uncollectible accounts. Revenue is recorded on the governmental fund financial statements using the modified accrual basis of accounting for amounts due to the State of Texas at August 31 that are considered as “available” (e.g. received by the State within approximately 60 days after that date). Revenue earned but not “available” at August 31 is recorded as deferred revenue. Prepaid taxes are also recorded as deferred revenue.

On the Government-wide Financial Statements a corresponding amount is recorded as revenue using the accrual basis of accounting, which includes revenue earned at fiscal year end regardless if it is available. Deferred revenue includes only the prepaid taxes that have not been earned by fiscal year end. Taxes receivable are the same for both modified and full accrual basis.

See Schedule 5 for basis conversion entries to convert tax revenues to the full accrual basis, which are reported on the Government-wide Financial Statements in the *State of Texas Comprehensive Annual Financial Report*.

Taxes receivable, as reported in the General Fund (Exhibit I), are detailed by tax type as follows:

<b>Tax Type</b>	<b>Net Taxes Receivable</b>
Sales and Use Tax	\$ 1,013,800,826.51
Motor Vehicle and MFG Housing	128,957,812.85
Motor Fuels	92,039,091.49
Oil and Natural Gas Production	136,876,271.07
Franchise	442,941,954.35
Insurance	79,326,750.64
Cigarette and Tobacco	4,474,713.19
Other	131,120,453.27
<b>Total Net Taxes Receivable</b>	<b>\$ 2,029,537,873.37</b>
<i>As Reported on the Financial Statements</i>	
Current Taxes Receivable	\$ 1,565,535,064.84
Noncurrent Taxes Receivable	464,002,808.53
<b>Total Net Taxes Receivable</b>	<b>\$ 2,029,537,873.37</b>

## B. Federal Receivable

<b>Federal Receivable Program</b>	<b>Net Taxes Receivable</b>
Transportation	\$ 1,001,100,100.10
Education	200,000,000.00
<b>Total Net Federal Receivable</b>	<b>\$ 1,201,100,100.10</b>
<i>As Reported on the Financial Statements</i>	
Current Federal Receivable	\$ 1,200,000,100.10
Noncurrent Federal Receivable	1,100,100.10
<b>Total Net Federal Receivable</b>	<b>\$ 1,201,100,100.10</b>

## C. Tax Refunds Payable

The amount shown as Tax Refund Payable and reported in the General Revenue Fund (Exhibit I) represents tax refunds payable to taxpayers as of August 31, 20CY. These payable amounts are detailed by tax type as follows:

<b>Tax Type</b>	<b>Amount</b>
Sales and Use Tax	\$ 18,108,956.01
Motor Vehicle and MFG Housing	321,926.59
Motor Fuels	2,917,612.59
Oil and Natural Gas Production	310,244.38
Franchise	15,652,334.85
Insurance	279,794.08
Cigarette and Tobacco	3,017.31
Other	2,080,973.75
<b>Total Taxes Payable</b>	<b>\$ 39,669,859.56</b>

## D. Other Receivables – Non-Current

<b>Type</b>	<b>Amount</b>
Receivable From Private Sponsored Programs	\$ 20,000.00
Loan Funds Receivables	2,700.00
	<b>\$ 22,700.00</b>

## E. Other Payables – Current

<b>Type</b>	<b>Amount</b>
Unclaimed Checks	\$ 10,500.00
Deposits From Students	1,600.00
	<b>\$ 12,100.00</b>

**NOTE 26: Termination Benefits**

During the XXth Legislative Session, the Legislature enacted House Bill (HB) XXXX, which provides for a temporary retirement incentive payment to eligible retiring members of the Employees Retirement System of Texas (ERS). The retirement incentive payment equals 25 percent of an employee's regular salary for the 12 months immediately preceding the month in which the employee retires. Employees who become eligible to retire during the period between September 1, 20PY, and August 31, 20CY, had to retire in the first month of eligibility in order to qualify for the retirement incentive payment. ERS determined eligibility. Of the 40 agency employees that were eligible for the retirement incentive plan, 28 retired. Incentive payments for the reporting period were \$196,000.

Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is provided for both voluntary and involuntary terminations. The COBRA members are eligible to remain in the Group Benefits Program for 18 months or 29 months if disabled. Dependents are eligible to remain in the program for 36 months. COBRA benefits for the Sample Agency for fiscal year 20XX are shown below:

Number of Participants*	3,582
Premium Revenue	\$ 5,152,634.89
2 Percent Administrative Fee Revenue**	<u>103,052.70</u>
Total Revenue for COBRA	\$ 5,255,687.59
Less Claims Paid	<u>&lt; 10,567,982.64 &gt;</u>
Cost to State	<u>&lt;\$ 5,312,295.05 &gt;</u>

\* The participants above are for the self insured program. Sample Agency also has 360 participants in Health Maintenance Organization (HMO) groups. The cost for the HMO is unknown.

\*\*The 2 percent administrative fee is not retained by Sample Agency but is passed to the carrier.

## Combining Financial Statements

Access the Combining Financial Statements (Excel files) online at <https://fmx.cpa.state.tx.us/fmx/pubs/afrrptreq/07/index.php>.

**Sample Agency**  
**Schedule 1A – Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended August 31, 20CY**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From			Direct Program Amount
			Agy./ Univ. No.	Agencies Or Univ. Amount	Non-State Entities Amount	
<b>U.S. Department of Agriculture</b>						
Direct Programs:						
Cooperative Extension Service	10.500			\$	\$	\$ 250,000
Nutrition Education & Training Program	10.564					508,000
Pass Through To:						
MHMR						1,055,000
Pass Through From:						
School Lunch Program	10.555		701	758,000		
Pass Through To:						
School for the Deaf			701	975,000		
Other Non State Entities			701	5,000		
Texas Dept. of Human Services						
Food Distribution (NON-MONETARY)	10.550		324	388,000 <sup>1</sup>		
Total U.S. Department of Agriculture				<u>2,126,000</u>	<u>0</u>	<u>1,813,000</u>
<b>U.S. Department of Labor</b>						
Direct Programs:						
Unemployment Insurance	17,225					200,000
Labor Statistics	17.000	43569D				16,000
Total U.S. Department of Labor				<u>0</u>	<u>0</u>	<u>216,000</u>
<b>General Services Administration</b>						
Pass Through From:						
General Services Commission						
Donation of Federal Surplus Personal						
Property (NON-MONETARY)	39.003		303	340,000 <sup>1</sup>		
Total General Services Administration				<u>340,000</u>	<u>0</u>	<u>0</u>
<b>U.S. Environmental Protection Agency</b>						
Direct Programs:						
Capitalization Grants for State Revolving Funds						
Administrative Costs Recovered	66.458					3,000
New Loans Processed						
Pass Through To:						
Other Non State Entities:						26,000
Total U.S. Environmental Protection Agency				<u>0</u>	<u>0</u>	<u>29,000</u>
<b>U.S. Department of Education</b>						
Pass Through From:						
Texas Education Agency						
Vocational Education – Basic Grants	84.048			920,000		
Other Non-State Entities:						
City of Corpus Christi						
National Science Scholars	84.242	666-CCC-97			153,000	
Total U.S. Department of Education				<u>920,000</u>	<u>153,000</u>	<u>0</u>
<b>Student Financial Assistance Cluster</b>						
<b>U.S. Department of Education</b>						
Direct Programs:						
Federal Perkins Loan Program						
Administrative Costs Recovered	84.032 <sup>2</sup>					30,000
New Loans Processed						
Pass Through To:						
U. T. Austin	84.038					1,025,000
<b>U.S. Dept of Health and Human Services</b>						
Direct Programs:						
New Loans Processed						
Health Education Assistance Loans	93.108					4,000
Total Student Financial Assistance Cluster				<u>0</u>	<u>0</u>	<u>1,059,000</u>

Total PT From & Direct Program	Pass Through To			Expenditures Amount	Total PT To and Expenditures
	Agy./ Univ. No.	Agencies Or Univ. Amount	Non-State Entities Amount		
\$ 250,000		\$	\$	\$ 250,000	\$ 250,000
508,000				508,000	508,000
1,055,000	465	1,055,000			1,055,000
758,000				758,000	758,000
975,000	772	975,000			975,000
5,000			4,000	1,000	5,000
388,000				388,000	388,000
<u>3,939,000</u>		<u>2,030,000</u>	<u>4,000</u>	<u>1,905,000</u>	<u>3,939,000</u>
200,000				200,000	200,000
16,000				16,000	16,000
<u>216,000</u>		<u>0</u>	<u>0</u>	<u>216,000</u>	<u>216,000</u>
340,000				340,000	340,000
<u>340,000</u>		<u>0</u>	<u>0</u>	<u>340,000</u>	<u>340,000</u>
3,000				3,000	3,000
26,000			26,000		26,000
<u>29,000</u>		<u>0</u>	<u>26,000</u>	<u>3,000</u>	<u>29,000</u>
920,000				920,000	920,000
153,000				153,000	153,000
<u>1,073,000</u>		<u>0</u>	<u>0</u>	<u>1,073,000</u>	<u>1,073,000</u>
30,000				30,000	30,000
1,025,000	721	1,025,000			1,025,000
4,000				4,000	4,000
<u>1,059,000</u>		<u>1,025,000</u>	<u>0</u>	<u>34,000</u>	<u>1,059,000</u>

**Sample Agency**  
**Schedule 1A – Schedule of Expenditures of Federal Awards (continued)**  
**For the Fiscal Year Ended August 31, 20CY**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass Through From			Direct Program Amount
			Agy./Univ. No.	Agencies or Univ. Amount	Non-State Entities Amount	
<b>Research and Development (R&amp;D) Cluster</b>						
<b>National Science Foundation</b>						
Direct Programs:						
Materials Dev. Research and Informal Science	47.067					4,000
<b>Department of Energy</b>						
<b>Office of Energy Research</b>						
Direct Programs:						
Fossil Energy Research and Development	81.089					3,000
<b>National Aeronautics &amp; Space Admin</b>						
Direct Programs:						
NASA Undergraduate Student Researchers	43.000	CC-617				7,000
<b>Environmental Protection Agency</b>						
<b>Office of Research and Development</b>						
Direct Programs:						
Evaluation of the Three Public-Sector Pollution	66.000	41293-6				10,000
Total R&D Cluster Programs				<u>0</u>	<u>0</u>	<u>24,000</u>
<b>HUD Section 8 Tenant-Based Cluster</b>						
Direct Programs:						
Section 8 Rental Certification Program	14.857					10,578,864
HUD Section 8 Moderate Rehab. for Single Room Occupancy Dwelling for Homeless	14.000	ABC123				30,000
Total HUD Section 8 Tenant-Based Cluster				<u>0</u>	<u>0</u>	<u>10,608,864</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u>\$ 3,386,000</u>	<u>\$ 153,000</u>	<u>\$ 13,749,864</u>

<sup>1</sup>Non-monetary items that should not be reported on Exhibit II

<sup>2</sup>Example assumes the Sample Agency is the Texas Higher Education Coordinating Board for purposes of the Federal Family Education Loans, CFDA 84.032, and that the loans were made to students enrolled in state colleges and universities.

Total PT From & Direct Program	Pass Through To			Expenditures Amount	Total PT To and Expenditures
	Agy./Univ. No.	Agencies or Univ. Amount	Non-State Entities Amount		
4,000				4,000	4,000
3,000				3,000	3,000
7,000				7,000	7,000
<u>10,000</u>				<u>10,000</u>	<u>10,000</u>
<u>24,000</u>		<u>0</u>	<u>0</u>	<u>24,000</u>	<u>24,000</u>
10,578,864				10,578,864	10,578,864
<u>30,000</u>				<u>30,000</u>	<u>30,000</u>
<u>10,608,864</u>		<u>0</u>	<u>0</u>	<u>10,608,864</u>	<u>10,608,864</u>
<u>\$17,288,864</u>		<u>\$3,055,000</u>	<u>\$30,000</u>	<u>\$14,203,864</u>	<u>\$17,288,864</u>

Sample Agency  
 Schedule 1A – Schedule of Expenditures of Federal Awards (continued)  
 For the Fiscal Year Ended August 31, 20CY

### Note 1 – NonMonetary Assistance

The Food Distribution Program is presented at the federally assigned value of the commodities distributed. These are received from the U.S. Department of Agriculture (Federal CFDA Number 10.550). The estimated dollar value for fiscal year 20CY was \$388,000.

The *Donation of Federal Surplus Personal Property* is presented at 23.3% of the federal acquisition cost of \$1,459,227. The surplus property is passed through from the Building and Procurement Commission (TBPC). The federal grantor agency is the General Services Administration (GSA) and the federal CFDA number is 39.003. The estimated fair value for fiscal year 20CY is \$340,000. (Note: The difference of the values of the surplus property recorded on the federal schedule and Exhibit II (Federal Revenues) will be a reconciling item for Note 2.)

### Note 2 – Reconciliation

Below is a reconciliation of the total federal pass-through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total **federal revenues** and **federal grant pass-through revenues** as reported in the general-purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Per Combined Governmental Operating Statement/Statement of Activities and Proprietary Statement of Changes in Revenues, Expenses, and Net Assets	
Governmental Funds – Federal Revenue (Exh. II)	\$12,000,000
– Federal Pass-Through Revenue (Exh. II)	3,000,000
Proprietary Funds – Federal Revenue (Exh. IV) (SRECNA for Higher Ed)	63,163
– Federal Pass-Through Revenue (Exh. IV) (SRECNA for Higher Ed)	30,000
Fiduciary Funds Funds– Federal Revenue (Exh. VII)	596,000
– Federal Pass-Through Revenue (Exh. VII)	<u>42,701</u>
Subtotal	\$15,731,864
<u>RECONCILING ITEMS:</u>	
Non-monetary	
Federal Commodities	388,000
Federal Surplus Property	140,000
New Loans Processed:	
Federally Funded Student Loans	1,029,00
Federal Revenue on Exhibit but not considered to be Federal Revenue for the Schedule:	
Texas A&M Research Foundation	<u>&lt; 200,000 &gt;</u>
Total Pass Through and Expenditures per Federal Schedule	<u>\$17,288,864</u>

(Total must tie to the Total Pass-through & Expenditures column of the Federal Schedule.)



Sample Agency  
Schedule 1A – Schedule of Expenditures of Federal Awards (continued)  
For the Fiscal Year Ended August 31, 20CY

(The following examples have been provided to demonstrate situations that may exist at state agencies.)

**Note 3a – Student Loans Processed and Administrative Costs Recovered**

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed and Admin. Costs Recovered	Ending Balances of Previous Years' Loans
Department of Education 84.038 Federal Perkins Loan Program	\$ 1,025,000	\$30,000	\$1,055,000	\$ 4,055,000
Total Department of Education	\$ 1,025,000	\$30,000	\$1,055,000	\$ 4,055,000
Department of Health and Human Services 93.108 Health Education Assistance Loans	\$ 4,000	0	\$ 4,000	\$ 25,000
Total Department of Health and Human Services	\$ 4,000	0	\$ 4,000	\$ 25,000

— or —

**Note 3b – Federally Funded Loans Processed and Administrative Costs Recovered**

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed and Admin. Costs Recovered	Ending Balances of Previous Years' Loans
U.S. Environmental Protection Agency Capitalization Grants for State Revolving Funds 66.458	\$ 26,000	\$ 3,000	\$ 29,000	\$ 1,029,000
Total Department of Education	\$ 26,000	\$ 3,000	\$ 29,000	\$ 1,029,000

**Note 4 – Governmental Publications**

The agency participates as a depository library in the Government Printing Office's Depository Libraries for Government Publications program, CFDA 40.001. The agency is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the Government Printing Office.

**Note 5 – Unemployment Insurance Funds**

For the expenditures of CFDA 17.225 included in the Schedule, \$96,000 was federal funds and \$104,000 was state UI funds.

**Note 6 – Agency 537 Only (WIC Program)**

**Comments:** During the fiscal year ended August 31, 20CY the Department of State Health Services received cash rebates from infant formula manufacturers in the amount of \$224,549,689.90 on sales of formula to participants in the WIC program (CFDA 10.557). Rebate contracts with infant formula manufacturers are authorized by Code of Federal Regulations, Title 7: Agriculture, Chapter II, Subchapter A, Part 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures incurred for WIC food benefit costs. Applying the rebates received to such costs enables the agency to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

**Note 7 – Federal Deferred Revenue**

CFDA	Balance 09/01/PY	Net Change	Balance 08/31/CY
12.401	\$ 500.00	\$ 150.00	\$ 650.00
15.614	300.00	60.00	360.00
93.113	1,200.00	(900.00)	300.00
	<u>\$ 2,000.00</u>	<u>\$ (690.00)</u>	<u>\$ 1,310.00</u>

The deferred revenue of \$1,310.00 consists of \$1,010.00 federal grant prepayments that have not been earned, and \$300.00 revenues earned but not available to finance expenditures of the current fiscal year.

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**Note:** The availability criterion applies to the Governmental Funds only.

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**Sample Agency**  
**Schedule 1B – Schedule of State Grant Pass Throughs From/To State Agencies**  
**For the Fiscal Year Ended August 31, 20CY**

**Pass Through From: (Illustrative only)**

General Land Office (Agy 305)		
Texas Recycling Summit Project	\$	200
		12
Texas Workforce Commission (Agy 320)		
Welfare-To-Work Grants to States and Localities		10
State Energy Conservation Office (Agy 907)		
Oil Overcharge Receipts		
Total Pass Through From Other Agencies (Exh. II)	\$	<u>222</u>

**Pass Through To:**

Attorney General's Office (Agy 302)	\$	60,000
Texas Automobile Theft Prevention		
Authority Grants		2,011
Sam Houston State University (Agy 753)		
State and Community Highway Safety Grant		
Total Pass Through To Other Agencies (Exh. II)	\$	<u>62,011</u>

Sample Agency  
 Schedule 2A – Miscellaneous Bond Information  
 For the Fiscal Year Ended August 31, 20CY

**Governmental Activities**

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates	Scheduled Maturities		First Call Date
					First Year	Last Year	
General Obligation Bonds Sample Ln Sec Bds Ser '80	\$ 6,500,000	VAR	VAR	Weekly	1999	2015	10/1/2000
Revenue Bonds Sample Rev Bds Ser '87	5,000,000	6.250%	7.150%		1998	2013	10/1/1999
Total	<u>\$ 11,500,000</u>						

**Business-Type Activities**

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates	Scheduled Maturities		First Call Date
					First Year	Last Year	
General Obligation Bonds Sample Ln Sec Bds Ser '80	\$ 800,000	VAR	VAR	Quarterly	1991	2015	10/1/2000
Revenue Bonds Sample Rev Bds Ser '87	2,000,000	5.555%	6.250%		1993	2015	10/1/2003
Total	<u>\$ 2,800,000</u>						

**Component Units**

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates	Scheduled Maturities		First Call Date
					First Year	Last Year	
Revenue Bonds Sample Ln Sec Bds Ser '00	\$ 500,000	VAR	VAR	Quarterly	2001	2020	10/1/2011
Sample Rev Bds Ser '02	300,000	4.150%	5.650%		2003	2022	10/1/2013
Total	<u>\$ 800,000</u>						

Sample Agency  
 Schedule 2B – Changes in Bonded Indebtedness  
 For the Fiscal Year Ended August 31, 20CY

**Governmental Activities**

Description of Issue	Bonds Outstanding 09/01/20PY	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/20CY	Amt's Due Within One Year
General Obligation Bonds Sample Ln Sec Bds Ser '80	\$ 4,000,000	\$ 1,528,662	\$ 70,000	\$ 930,000	\$ 4,528,682	\$ 75,100
Revenue Bonds Sample Rev Bds Ser '87	1,900,000		20,000	929,400	950,600	22,500
Total	<u>\$ 5,900,000</u>	<u>\$ 1,528,662</u>	<u>\$ 90,000</u>	<u>\$ 1,859,400</u>	<u>\$ 5,479,282</u>	<u>\$ 97,600</u>
					(Exh. 1)	(Exh. 1)

**Business-Type Activities**

Description of Issue	Bonds Outstanding 09/01/20PY	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/20CY
General Obligation Bonds Sample Ln Sec Bds Ser '80	\$ 550,000	\$ 65,409	\$ 10,000	\$ 40,000	\$ 565,409
Revenue Bonds Sample Rev Bds Ser '92	1,000,000		24,867	100,000	875,133
Total	<u>\$ 1,550,000</u>	<u>\$ 65,409</u>	<u>\$ 34,867</u>	<u>\$ 140,000</u>	<u>\$ 1,440,542</u>

(For Proprietary Funds Only: Reconciliation)

	Unamortized Premium	Unamortized Discount	Unamortized Issuance Costs	Unamortized Gain/(Loss) on Refunding	Net Bonds Outstanding 08/31/20CY	Amt's Due Within One Year
	\$ 2,000	\$ (63)	\$ (100)	\$ (7,000)	\$ 560,246	\$ 60,246
	975	(55)	(200)	(720)	875,133	45,000
	<u>\$ 2,975</u>	<u>\$ (118)</u>	<u>\$ (300)</u>	<u>\$ (7,720)</u>	<u>\$ 1,435,379</u>	<u>\$ 105,246</u>

**Component Units**

Description of Issue	Bonds Outstanding 09/01/20PY	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/20CY
Revenue Bonds Sample Ln Sec Bds Ser '00	\$ 400,000	\$ 0	\$ 20,000	\$ 0	\$ 380,000
Sample Rev Bds Ser '02	275,000		10,000	25,000	240,000
Total	<u>\$ 675,000</u>	<u>\$ 0</u>	<u>\$ 30,000</u>	<u>\$ 25,000</u>	<u>\$ 620,000</u>

(For Proprietary Funds Only: Reconciliation)

	Unamortized Premium	Unamortized Discount	Unamortized Issuance Costs	Unamortized Gain/(Loss) on Refunding	Net Bonds Outstanding 08/31/20CY	Amt's Due Within One Year
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 380,000	\$ 20,000
	975	(55)	(200)	(720)	240,000	15,000
	<u>\$ 975</u>	<u>\$ (55)</u>	<u>\$ (200)</u>	<u>\$ (7,720)</u>	<u>\$ 620,000</u>	<u>\$ 35,000</u>

Sample Agency  
 Schedule 2C – Debt Service Requirements  
 For the Fiscal Year Ended August 31, 20CY

**Governmental Activities**

Description of Issue	Year	Principal	Interest
General Obligation Bonds			
Sample Ln Sec Bds Ser '80	XXX1	\$ 300,000	\$ 181,147
	XXX2	300,000	169,147
	XXX3	300,000	157,147
	XXX4	300,000	145,147
	XXX5	300,000	133,147
	XXX6 - XX10	1,500,000	363,442
	XX11 - XX15	1,528,682	183,442
		<u>\$ 4,528,682</u>	<u>\$ 1,332,620</u>
Revenue Bonds			
Sample Rev Bds Ser '87	XXX1	\$ 65,000	\$ 64,166
	XXX2	65,000	59,778
	XXX3	65,000	55,391
	XXX4	65,000	51,003
	XXX5	65,000	46,616
	XXX6 - XX10	325,000	126,684
	XX11 - XX15	300,600	30,436
		<u>\$ 950,600</u>	<u>\$ 434,072</u>

**Business-Type Activities**

Description of Issue	Year	Principal	Interest
General Obligation Bonds			
Sample Ln Sec Bds Ser '80	XXX1	\$ 37,000	\$ 22,616
	XXX2	37,000	21,136
	XXX3	37,000	19,656
	XXX4	37,000	18,176
	XXX5	37,000	16,696
	XXX6 - XX10	185,000	45,649
	XX11 - XX15	195,409	23,449
		<u>\$ 565,409</u>	<u>\$ 167,380</u>
Revenue Bonds			
Sample Rev Bds Ser '92	XXX1	\$ 60,000	\$ 54,280
	XXX2	60,000	50,740
	XXX3	60,000	47,200
	XXX4	60,000	43,660
	XXX5	60,000	40,120
	XXX6 - XX10	300,000	109,740
	XX11 - XX15	320,000	56,640
		920,000	402,380
	Less Accretion:	44,867	
		<u>\$ 875,133</u>	<u>\$402,380</u>

Sample Agency  
 Schedule 2C – Debt Service Requirements (Cont.)  
 For the Fiscal Year Ended August 31, 20CY

### Component Units

Description of Issue	Year	Principal	Interest
Revenue Bonds			
Sample Ln Sec Bds Ser '00	XXX1	\$ 15,000	\$ 15,200
	XXX2	15,000	14,600
	XXX3	15,000	14,000
	XXX4	15,000	13,400
	XXX5	20,000	12,800
	XXX6 - XX10	100,000	36,000
	XX11 - XX15	100,000	24,000
	XX16 - XX20	100,000	12,000
		<u>\$ 380,000</u>	<u>\$ 142,000</u>
Sample Rev Bds Ser '02	XXX1	\$ 10,000	\$ 12,600
	XXX2	10,000	12,075
	XXX3	10,000	11,550
	XXX4	10,000	11,025
	XXX5	10,000	10,500
	XXX6	50,000	29,925
	XX11	50,000	22,050
	XX16	60,000	14,175
	XX21	30,000	2,756
		<u>\$ 240,000</u>	<u>\$ 126,656</u>

Sample Agency  
 Schedule 2D – Analysis of Funds Available for Debt Service  
 For The Year Ended August 31, 20CY

**Governmental Activities**

Description of Issue	Application of Funds			
	Principal	Interest		
General Obligation Bonds				
Sample Ln Sec Bds Ser '80	\$ 70,000	\$ 195,147		
Total	\$ 70,000	\$ 195,147		
<b>Pledged and Other Sources and Related Expenditures for FY 20CY</b>				
<b>Net Available for Debt Service</b>				
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Debt Service	
			Principal	Interest
Revenue Bonds				
Sample Rev Bds Ser '87	\$ 950,000	\$ 777,500	\$ 20,000	\$ 72,525
Total	\$ 950,000	\$ 777,500	\$ 20,000	\$ 72,525

**Business-Type Activities**

Description of Issue	Application of Funds			
	Principal	Interest		
General Obligation Bonds				
Sample Ln Sec Bds Ser '80	\$ 10,000	\$ 24,227		
Total	\$ 10,000	\$ 24,227		
<b>Pledged and Other Sources and Related Expenditures for FY 20CY</b>				
<b>Net Available for Debt Service</b>				
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Debt Service	
			Principal	Interest
Revenue Bonds				
Sample Rev Bds Ser '87	\$ 2,275,000	\$ (A)	\$ 24,867	\$ 58,925
Total	\$ 2,275,000	\$ 0	\$ 24,867	\$ 58,925

(A) - Expenditures associated with pledged sources were approximately \$1,850,000. (Footnote disclosure for Gross Revenue Pledges only.)

**Component Units**

<b>Pledged and Other Sources and Related Expenditures for FY 20CY</b>				
<b>Net Available for Debt Service</b>				
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Debt Service	
			Principal	Interest
Revenue Bonds				
Sample Ln Sec Bds Ser '00	\$ 325,795	\$ 229,788	\$ 20,000	\$ 16,975
Sample Rev Bds Ser '02	\$ 277,865	\$ 189,798	10,000	14,800
Total	\$ 603,660	\$ 419,586	\$ 30,000	\$ 31,775



Sample Agency  
 Schedule 2E – Defeased Bonds Outstanding  
 For The Year Ended August 31, 20CY

### Governmental Activities

Description of Issue	Year Defeased	Par Value Outstanding
General Obligation Bonds		
Sample Ln Sec Bds Ser '78	1985	\$ 5,500,000
Sample Ln Sec Bds Ser '78-A	1985	10,500,000
Sample Ln Sec Bds Ser '79	1985	7,300,000
Sample Ln Sec Bds Ser '80	20CY	300,000
Total General Obligation Bonds		<u>\$ 23,600,000</u>
Revenue Bonds		
Sample Rev Bds Ser '87	1989	\$ 1,000,000
	1989	3,500,000
	1991	5,700,000
Total Revenue Bonds		<u>\$ 10,200,000</u>

### Business-Type Activities

Description of Issue	Year Defeased	Par Value Outstanding
General Obligation Bonds		
Sample Ln Sec Bds Ser '78	1985	\$ 5,500,000
Sample Ln Sec Bds Ser '78-A	1985	10,500,000
Sample Ln Sec Bds Ser '79	1985	7,300,000
Sample Ln Sec Bds Ser '80	1986	13,000,000
Total General Obligation Bonds		<u>\$ 36,300,000</u>
Revenue Bonds		
Sample Ln Sec Bds Ser '67	1989	\$ 1,000,000
Sample Ln Sec Bds Ser '67-A	1989	3,500,000
Sample Ln Sec Bds Ser '75	1991	5,700,000
Sample Ln Sec Bds Ser '92	20CY	100,000
Total Revenue Bonds		<u>\$ 10,300,000</u>

### Component Units

Description of Issue	Year Defeased	Par Value Outstanding
Revenue Bonds		
Sample Rev Bds Ser '02	20CY	25,000
Total		<u>\$ 25,000</u>

Sample Agency  
Schedule 2F – Early Extinguishment and Refunding  
For the Year Ended August 31, 20CY

### Governmental Activities

Description of Issue	Category	Amount Extinguished or Refunded	For Refundings Only		
			Refunding Issued Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
General Obligation Bonds					
Sample Ln Sec Bds Ser '80	Early Extinguishment	\$ 630,000	\$ 0	\$ 0	\$ 0
Sample Ln Sec Bds Ser '80	Advance Refunding	300,000	320,000	27,500	25,000
Total General Obligation Bonds		930,000	320,000	27,500	25,000
Revenue Bonds					
Sample Rev Bds Ser '87	Early Extinguishment	449,400	0	0	0
Sample Rev Bds Ser '87	Current Refunding	480,000	495,000	20,400	12,795
Total Revenue Bonds		929,400	495,000	20,400	12,795
Total Governmental Activities		\$ 1,859,400	\$ 815,000	\$ 47,900	\$ 37,795

### Business-Type Activities

Description of Issue	Category	Amount Extinguished or Refunded	For Refundings Only		
			Refunding Issued Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
General Obligation Bonds					
Sample Ln Sec Bds Ser '90	Current Refunding	\$ 40,000	\$ 45,000	\$ 1,000	\$ 900
Total General Obligation Bonds		40,000	45,000	1,000	900
Revenue Bonds					
Sample Rev Bds Ser '92	Early Extinguishment	60,000			
Sample Rev Bds Ser '92	Advance Refunding	40,000	42,555	1,275	798
Total Revenue Bonds		100,000	42,555	1,275	798
Total Business-Type Activities		\$ 140,000	\$ 87,555	\$ 2,275	\$ 1,698

### Component Units

Description of Issue	Category	Amount Extinguished or Refunded	For Refundings Only		
			Refunding Issued Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds					
Sample Rev Bds Ser '02	Advance Refunding	\$ 25,000	\$ 27,225	\$ 855	\$ 925
Total Revenue Bonds		25,000	27,225	855	925
Total Component Units		\$ 25,000	\$ 27,225	\$ 855	\$ 925

Sample Agency  
 Schedule 3 – Reconciliation of Cash in State Treasury (Higher Ed Only)  
 August 31, 20CY

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Available University Fund 0288	\$ 70,459	\$ 264,039	\$ 334,498
Local Revenue Fund 0211	291,473		291,473
Departmental Suspense Fund 0900			
U.S. Savings Bond Account Fund 0901	150		150
Correction Account for Direct Deposit Fund 0980	500		500
Workforce Development Fund 0599			
Direct Deposit Hold – Transmit Account Fund 0979			
<b>Total Cash in State Treasury (Stmnt of Net Assets)</b>	<b>\$ 362,582</b>	<b>\$ 264,039</b>	<b>\$ 626,621</b>





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# Chapter 10 – University Financial Statement Requirements and Sample

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## Introduction

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**Note:** This chapter outlines additional reporting requirements that are specific to universities; this chapter is not applicable to state agencies.

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GASB 35, paragraph 27, superseded GASB 15 which allowed public higher education institutions to choose one of two models when preparing their financial statements — the model contained in the 1973 AICPA Industry Audit Guide, *Audits of Colleges and Universities*, or the Governmental model. Under GASB 35, public colleges and universities within Texas are reported as Business Type Activities within the Proprietary Funds.

## Additional Requirements for GASB 34/35

### Reporting Federal and State Revenues Received from a State Agency or University

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**Federal and State grants received from other state agencies as well as colleges and universities are now recognized as either Federal or State Pass-Through Revenue. Funds passed through to other state agencies and universities are now recognized as either Federal or State Pass-Through Expenditures.**

GASB 35 amends GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, paragraph 4, to require pass-through grants to be recognized as revenue and expenditures or expenses in a governmental, proprietary, or fiduciary fund. If the grant originated from federal dollars, use the Federal Pass-Through Revenue comptroller object (3971 for non-operating or 3978 for operating), as it originates from federal dollars and normally will remain federal dollars. If the grant revenue originated from state appropriations, use the State Grant Pass-Through comptroller object (3725 for non-operating or 3842 for operating). It is important to use the correct object codes to reflect Pass-Through revenues because these revenues are matched statewide to the Pass-Through expenditures.

If a university grants money from federal or state sources, they must record line items on their financial statements for Federal and State Pass-Through Expenditures. These must be entered using the appropriate comptroller objects (7971 for Federal, non-operating or 7978 for Federal, operating and 7614 for State, non-operating or 7615 for State, operating).

## Organization of System Offices' Annual Financial Reports

This section includes the organization requirements for the System Office's Annual Financial Reports. These must be submitted by the November 20 deadline. Published consolidated financial reports must include the following items:

- Letter of Transmittal
- Names and Terms of the Board of Regents
- Officers of the University
- Consolidated Statement of Net Assets (Exhibit III – Required Format)
- Consolidated Statement of Revenues, Expenses, and Changes in Net Assets (Exhibit IV – Required Format)
- Consolidated Statement of Cash Flows – (Exhibit V-Required Format), (*The Direct Method must be used when preparing a Cash Flow Statement.*)
- Consolidated Combining Statement of Net Assets – Discretely Presented Proprietary Component Units (Exhibit L-1, if applicable)
- Consolidated Combining Statement of Revenues, Expenses, and Changes in Net Assets – Discretely Presented Proprietary Component Units (Exhibit L-2, if applicable)
- Consolidated Combining Statement of Cash Flows – Discretely Presented Proprietary Component Units (Exhibit L-3, if applicable) (*The Direct Method must be used when preparing a Cash Flow Statement for a component unit that uses proprietary fund accounting to account for its transactions.*)
- Notes to Financial Statements (including Summary of Significant Accounting Policies) (See chapter 7 for notes that require standard format.)

### Consolidated Supporting Schedules

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- Consolidated Schedule 2A – Miscellaneous Bond Information (if applicable)
- Consolidated Schedule 2B – Changes in Bond Indebtedness (if applicable)
- Consolidated Schedule 2C – Debt Service Requirements– General Obligation and Revenue Bonds (if applicable)
- Consolidated Schedule 2D – Analysis of Funds Available for Debt Service – General Obligation and Revenue Bonds (if applicable)
- Consolidated Schedule 2E – Defeased Bonds Outstanding (if applicable)
- Consolidated Schedule 2F – Early Extinguishment and Refunding
- Consolidated Schedule 3 – Reconciliation of Cash in State Treasury (could also include Cash and Cash Equivalents detail)



## **Attachment of Each University Component’s Exhibits and Schedules in the System’s Consolidated Report**

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University systems may include in a separately bound report, the following Exhibits and Schedules for each university component required to be included in their consolidated report. These must be submitted by the November 20 deadline.

- Statement of Net Assets (Exhibit III – Required Format)
- Statement of Revenues, Expenses, and Changes in Net Assets (Exhibit IV – Required Format)
- Statement of Cash Flows – (Exhibit V-Required Format), (The Direct Method must be used when preparing a Cash Flow Statement.)
- Combining Statement of Net Assets – Discretely Presented Proprietary Component Units (Exhibit L-1, if applicable)
- Combining Statement of Revenues, Expenses, and Changes in Net Assets – Discretely Presented Proprietary Component Units (Exhibit L-2, if applicable)
- Notes to Financial Statements (including Summary of Significant Accounting Policies) (See chapter 7 for notes that require standard format.)
- Schedule 1A – Schedule of Expenditures of Federal Awards
- Schedule 1B – Schedule of State Grant Pass-Throughs From/To State Agencies
- Schedule 2A – Miscellaneous Bond Information (if applicable)
- Schedule 2B – Statement of Changes in Bond Indebtedness (if applicable)
- Schedule 2C – Debt Service Requirements – General Obligation and Revenue Bonds (if applicable)
- Schedule 2D – Analysis of Funds Available for Debt Service – General Obligation and Revenue Bonds (if applicable)
- Schedule 2E – Defeased Bonds Outstanding (if applicable)
- Consolidated Schedule 2F – Early Extinguishment and Refunding
- Schedule 3 – Reconciliation of Cash in State Treasury (could also include Cash and Cash Equivalents detail)

## **Eliminating/Reclassification Entries**

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Any elimination entries that are recorded at the system office level must be submitted to the Comptroller’s office. These entries will include intercomponent activity that occurs on the university component’s stand alone AFRs, but the system office will need to eliminate so the system office as a whole will not be overstated. Below are samples of the types of journal entries needed. Please provide these in journal entry format:

- Intercomponent Due to/froms (Includes Funds Held by or For Others)
- Intercomponent State Pass-Throughs
- Intercomponent Federal Pass-Throughs
- Intercomponent Adjustments needed to the Federal Schedule for Intercomponent Federal Pass-Throughs
- Intercomponent Transfers

## Cash in State Treasury

Public universities and colleges must provide Schedule 3 which details the appropriated funds that comprise Cash in the State Treasury (CIST). These funds include General Revenue-Dedicated Funds 02xx, Permanent Health Funds 08xx, as well as unappropriated receipts, Savings Bonds, and 401K funds found in appropriated funds 0899, 0900, 0901, 0942, 0979, and 0980.

CASH IN STATE TREASURY			
	Fund 02XX	Local Revenue	253,106
	Fund 08XX	Permanent Health	81,317
	Fund 0901	Savings Bonds Fund	28,159
TOTAL CASH IN STATE TREASURY			362,582

The detailed breakdown of all the Cash and Cash Equivalents may be included on this schedule instead of displaying them on the face of the Statement of Net Assets.

## Tuition and Scholarship Allowances

NACUBO issued Advisory Report 97-1, Accounting and Reporting Scholarship Allowances to Tuition and Other Fee Revenues by Higher Education, to reduce the ‘grossing up’ of tuition revenues and scholarship expenditures. Scholarship allowances must be reported with the implementation of GASB 34/35. GASB has informed the Accounting Principles Council of NACUBO that the guidance provided by NACUBO in this advisory report is appropriate for public institutions.

NACUBO provides guidance for two methods for the application of financial aid and institutional resources to student accounts receivable. The first is on a case-by-case method and the second is a rational allocation method. Because a case-by-case method is not feasible for most institutions, the rational allocation or ‘Alternate Method’ is the preferred method of determining tuition and scholarship allowances.

NACUBO issued Advisory Report 2000-05, September 8, 2000, detailing the “Alternate Method.” Excerpts from that report are below.

Institutions may use a rational, documented allocation methodology to determine the portion of applicable financial aid support to be applied as scholarship allowances and student aid expenses. Institutions must calculate the following categories and their amounts:

- (A) Financial aid not recognized as revenue of the institution. Activity in this category represents transactions of the Statement of Net Assets and not transactions of the Statement of Revenues, Expenses, and Changes in Net Assets. These are resources held for others, such as Ford Direct Loans, Stafford Loans, etc.
- (B) Financial aid applied from resources already recognized as revenue by the institution. Activity in this category represents Statement of Revenues, Expenses, and Changes in Net Assets transactions, such as Pell, SEOG, and state grant funds.
- (C) Third party payments. Payments by third parties are Statement of Net Asset transactions. Payments by third parties could create an overpayment of the students’ accounts, which would generate a refund.
- (D) Total payments by students. It is assumed that the students will pay only the amount owed, less any financial aid. Student payments should not create any overpayments and should not generate a refund. Any timing issues will be immaterial for the purpose of this calculation.
- (E) Total refunds made to students from all sources of funding. A portion of this amount should be charged to student aid expense on the Statement of Revenues, Expenses, and Changes in Net Assets. (This does not include emergency loans for the institution.)
- (F) Total non-monetary institutional waivers (discount) applied to students’ accounts.

- (G) Total charges applied to students' account during the year. If any of the charges are for prior years and are material, the prior year charges must be eliminated before the computations are made.
- (H) Total postings to student accounts receivable that could potentially generate a refund.
- (I) Proportion of institutional resources that represent scholarship allowances and student aid expenses to student accounts receivable that could generate a refund.
- (J) The amount of refunds to be applied as a student aid expense.
- (K) The amount of scholarship allowances.

The computational steps are as follows:

**Step 1** Compute the total postings to student accounts receivable that could potentially generate a refund, (H).

$$(A) + (B) + (C) + (F) = (H)$$

**Step 2** Compute the proportion of institutional resources that represent scholarship allowances and student aid expenses to student accounts receivable that could generate a refund, (I).

$$((B) + (F)) / (H) = (I)$$

**Step 3** Compute the amount of refunds to be applied as a student aid expense, (J).

$$(E) * (I) = (J)$$

**Step 4** Compute the amount of scholarship allowances, (K).

$$(B) + (F) - (J) = (K)$$

**Step 5** Allocate scholarship allowances to the general university and the auxiliaries. An algorithm could be used to compute the proportional amount for each category of aid if the information is not available from the administrative system.

## Accounting and Reporting on Various Tuition Set-Aside Funds

Various state statutes require the governing boards of institutions of higher education to set aside certain percentages of tuition collected from students enrolled in different programs. The accounting and reporting requirements for the six tuition set-aside funds can be found at <https://fmx.cpa.state.tx.us/fmx/approp/setaside/index.php>. The new procedures in this notice replace APS 20, District Court Filing Fees from Judgment Awards and Various Tuition Set Aside Funds.

The six tuition set aside funds include:

1. Medical School Tuition Set Aside Funds (Appropriated Fund 0542)
2. Dental School Tuition Set Aside Funds
3. Dental Hygiene Tuition Set Aside Funds
4. Law School Tuition Set Aside Funds
5. Doctoral Degree Tuition Set Aside Funds
6. Texas B-On-Time Tuition Set Aside Funds (Appropriated Fund 5103)

## **Required Matrix of Functional Operational Expenses**

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Colleges and universities may report operating expenses on the *Statement of Revenues, Expenses, and Changes in Net Assets* by either natural (i.e. salaries and wages, cost of goods sold) or NACUBO functional (i.e. instruction, research) classifications. If a college or university elects to present operating expenses by function, a matrix that shows the natural (object) classification of operating expenses is required immediately following the statement. Non-NACUBO functions (i.e. depreciation, scholarships expense) can be shown in a single column, rather than being allocated across different functions. The college or university must reconcile expenses in USAS by object, rather than function. If the college or university elects to report operating expenses by natural classification, no matrix is required.

A sample matrix is shown in the sample University report immediately following the Combined Statement of Revenues, Expenses, and Changes in Net Assets.

## **Financial Statements**

Colleges and universities will present financial information for all funds aggregated in a single column as business-type activities. Component units meeting the criteria for discrete presentation should be reported separately from primary government activity. See chapter 9 for an example of financial statements for a discrete component unit. Blended component unit activity should be combined within the primary government column.

Colleges should present the three financial statements required of proprietary fund types. These statements include:

- A Statement of Net Assets
- A Statement of Revenues, Expenses, and Changes in Net Assets
- A Statement of Cash Flows

Samples of these statements follow.

**Lone Star State University Statement of Net Assets**  
**August 31, 20CY**

	<b>Total</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	\$ 18,449
Cash in Bank	3,969,744
Cash in Transit/Reimburse from Treasury	
Cash in State Treasury	362,582
Cash Equivalents	963,791
Securities Lending Collateral	
Short Term Investments	7,565,862
Restricted:	
Cash and Cash Equivalents	
Cash on Hand	5,629
Cash in Bank	7,825
Cash in Transit/Reimburse from Treasury	314,802
Cash in State Treasury	264,039
Cash Equivalents	28,546
Short Term Investments	56,401
Legislative Appropriations	761,843
Investments	
Receivables:	
Federal	15,087,372
Other Intergovernmental	251,544
Interest and Dividends	879,624
Accounts	16,253,122
Gifts	
Investment Trades	
Other	463,209
Interfund Receivable	9,021,109
Due From Other Agencies	4,941,292
Consumable Inventories	45,632,085
Merchandise Inventories	23,858,091
Deferred Charges	15,675,586
Loans and Contracts	4,778,235
Other Current Assets	6,669,120
Total Current Assets	157,829,902
Non-Current Assets:	
Restricted:	
Cash and Cash Equivalents	
Cash on Hand	
Cash in Bank	
Cash in Transit/Reimburse from Treasury	
Cash in State Treasury	
Cash Equivalents	
Short Term Investments	21,583,343
Receivables	
Investments	
Loans and Contracts	7,103,683
Other Assets	45,234,685
Loans and Contracts	30,132,857
Investments	107,963,928
Interfund Receivables	
Capital Assets:	
Non-Depreciable:	
Land and Land Improvements	96,883,218
Infrastructure	
Construction in Progress	17,647,009
Other Capital Assets	
Depreciable: *	
Building and Building Improvements	67,785,915
Less Accumulated Depreciation	(2,582,564)
Infrastructure	27,554,979
Less Accumulated Depreciation	(1,154,803)
Facilities and Other Improvements	19,577,429
Less Accumulated Depreciation	(968,532)

**Lone Star State University Statement of Net Assets (continued)**  
**August 31, 20CY**

	<b>Total</b>
Furniture and Equipment	143,368,587
Less Accumulated Depreciation	(14,463,827)
Vehicle, Boats, and Aircraft	30,059,290
Less Accumulated Depreciation	(1,063,292)
Other Capital Assets	38,678,289
Less Accumulated Depreciation	(6,233,018)
Other Non-Current Assets	14,174,630
Total Non-Current Assets	641,281,806
Total Assets	799,111,708
<b>LIABILITIES</b>	
Current Liabilities:	
Payables:	
Accounts	39,884,253
Investment Trades	
Federal	3,108,124
Other Intergovernmental	8,608,879
Payroll	
Other	
Interfund Payable	
Due To Other Agencies	96,181
Deferred Revenues	44,461,384
Notes and Loans Payable	1,084,367
Revenue Bonds Payable	9,325,727
General Obligation Bonds Payable	
Claims and Judgments	
Employees' Compensable Leave	4,924,692
Capital Lease Obligations	
Liabilities Payable from Restricted Assets	7,134,463
Obligations/Reverse Repurchase Agreement	
Obligations Under Securities Lending	
Funds Held For Others	15,815
Other Current Liabilities	9,073,219
Total Current Liabilities	127,717,104
Non-Current Liabilities:	
Interfund Payables	
Notes and Loans Payable	14,787,720
Revenue Bonds Payable	211,590,902
General Obligation Bonds Payable	4,124,802
Claims and Judgments	
Employees' Compensable Leave	29,547,482
Capital Lease Obligations	
Other Non-Current Liabilities	129,700
Total Non-Current Liabilities	260,180,606
Total Liabilities	387,897,710
<b>NET ASSETS</b>	
Invested in Capital Assets, net of Related Debt	205,799,955
Restricted For	
Education	
Debt Retirement	
Capital Projects	
Employee Benefit	
Funds Held as Permanent Investments:	
Non-Expendable	48,280,751
Expendable	49,121,224
Other	
Unrestricted	108,012,068
Total Net Assets	\$ 411,213,998

\*Capital Assets may be shown net of depreciation with details presented in Note 2.

**Lone Star State University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 20CY**

	<b>Total</b>
<b>OPERATING REVENUES: *</b>	
Sales of Goods and Services	
Tuition and Fees (PR-Chgs for Services)	\$ 194,955,115
Tuition and Fees - Pledged (PR-Chgs for Services)	
Discounts and Allowances	
Hospital (PR-Chgs for Services)	164,731,721
Hospital - Pledged (PR-Chgs for Services)	
Discounts and Allowances	
Professional Fees (PR-Chgs for Services)	143,250,600
Professional Fees - Pledged (PR-Chgs for Services)	
Discounts and Allowances	
Auxiliary Enterprise (PR-Chgs for Services)	26,780,165
Auxiliary Enterprise - Pledged (PR-Chgs for Services)	
Discounts and Allowances	
Other Sales of Goods and Services	31,632,718
Other Sales of Goods and Services - Pledged	
Discounts and Allowances	
Premium Revenue (PR-Chgs for Services)	8,156,135
Interest and Investment Income (PR-Chgs for Services)	
Interest and Investment Income (GR)	
Net Increase (Decrease) Fair Market Value (PR-OP Grants/Contributions)	
Net Increase (Decrease) Fair Market Value (GR)	
Federal Revenue (PR-OP Grants/Contributions)	131,025,036
Federal Pass-Through Revenue (PR-OP Grants/Contributions)	10,349,263
State Grant Revenue (PR-OP Grants/Contributions)	87,954,874
State Grant Pass-Through Revenue (PR-OP Grants/Contributions)	37,108,783
Other Contract and Grants (PR-OP Grants/Contributions)	54,571,548
Land Income (PR-Chgs for Services)	
Contributions to Retirement System (PR-Chgs for Services)	3,702,809
Other Operating Revenues (PR-Chgs for Services)	31,366,737
Other Operating Revenues (GR)	
Total Operating Revenues	<u>925,585,504</u>
<b>OPERATING EXPENSES: **</b>	
Cost of Goods Sold	29,377,230
Salaries and Wages	384,430,832
Payroll Related Costs	88,386,214
Professional Fees and Services	8,484,557
Travel	13,393,730
Materials and Supplies	166,068,377
Communication and Utilities	36,069,664
Repairs and Maintenance	5,444,434
Rentals and Leases	3,490,243
Printing and Reproduction	3,018,683
Federal Pass-Through Expense	4,430,964
State Grant Pass-Through Expense	
Depreciation and Amortization	27,927,848
Bad Debt Expense	119,377
Interest	1,359,706
Scholarships	32,958,169
Claims and Judgments	5,027,952
Other Operating Expenses	118,732,258
Total Operating Expenses	<u>928,720,238</u>
Operating Income (Loss)	<u>(3,134,734)</u>



**Lone Star State University**  
**Statement of Revenues, Expenses, and Changes in Net Assets (continued)**  
**For the Fiscal Year Ended August 31, 20CY**

	<b>Total</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Legislative Revenue (GR)	\$ 160,000,000
Additional Appropriations (GR)	80,000,000
Federal Revenue (PR-OP Grants/Contributions)	
Gifts (PR-OP Grants/Contributions)	3,966,032
Investment Income (Expense) (PR-OP Grants/Contributions)	4,838,761
Investment Income (Expense) (GR)	
Loan Prem/ Fees Securities (PR-OP Grants/Contributions)	8,329,491
Investing Activities Expenses	(1,650,985)
Interest Expenses and Fiscal Charges	(2,301,970)
Borrower Rebates and Agent Fees	(1,670,509)
Gain (Loss) Sale Capital Assets (GR)	
Net Increase (Decrease) Fair Value (PR-OP Grants/Contributions)	34,500,762
Net Increase (Decrease) Fair Value (GR)	
Settlement of Claims (PR-Chgs for Services)	
Settlement of Claims (GR)	
Other Nonoperating Revenues (Expenses) (PR-Chgs for Services)	(175,726,496)
Other Nonoperating Revenues (Expenses) (GR)	
Total Nonoperating Revenues (Expenses)	<u>110,285,086</u>
Income (Loss) Before Other Revenues, Expenses, Gains/Losses, and Transfers	<u>107,150,352</u>
<b>OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS</b>	
Capital Contributions	
Capital Appropriations (HEAF)	
Federal Grant – Capital Grant Contributions	
Contributions to Permanent and Term Endowments	27,795,634
Special Items	
Extraordinary Items	
Transfer In	63,856,001
Transfer Out	(159,294,534)
Legislative Transfer In	
Legislative Transfer Out	
Lapses	
Total Other Revenue, Expenses, Gain/Losses, and Transfers	<u>(67,642,899)</u>
Change in Net Assets	<u>39,507,453</u>
Net Assets, September 1, 20PY	371,706,545
Restatements	
Net Assets, September 1, 20PY, as Restated	<u>371,706,545</u>
Net Assets, August 31, 20CY	<u>\$ 411,213,998</u>

\* If an agency needs an additional Comptroller Object Code to distinguish between pledged and non-pledged revenue, contact your FRS analyst.

\*\* Matrix of Operating Expenses Reported by Function is **required** if the college or university elects to present operating expenses by function instead of by natural classification. See the following pages for sample. A matrix is **not required** if natural classification is presented on the statement.

## Matrix of Operating Expenses Reported by Function

The Matrix of Operating Expenses Reported by Function, as shown below, is required if the college or university elects to present operating expenses by function instead of by natural classification. A matrix is not required if natural classification is presented on the statement.

**Lone Star State University**  
**Matrix of Operating Expenses Reported By Function**  
**For the Fiscal Year Ended August 31, 20CY**

Operating Expenses	Instruction	Research	Hospitals and Clinics	Public Service	Academic Support	Student Services
Cost of Goods Sold						
Salaries and Wages	\$ 102,010,557	\$ 62,863,490	\$ 88,871,175	\$ 33,919,590	\$ 24,378,043	\$ 18,137,269
Payroll Related Costs	23,453,704	13,192,106	24,440,370	7,462,309	5,606,950	3,808,826
Professional Fees and Services		1,255,181	6,235,489			
Federal Grant Pass-Through Expense	1,069,283	1,359,607	281,715		1,720,359	
State Grant Pass-Through Expense						
Travel	5,340,211	2,117,270	517,423	12,340	24,561	81,245
Materials and Supplies	10,525,361	23,068,303	51,232,343	19,253,067	7,584,008	13,366,854
Communications and Utilities	12,404,576	5,757,234	5,808,819	2,666,845	2,520,321	2,415,529
Repairs and Maintenance	1,206,368	518,183	522,786	240,025	226,882	758,917
Rentals and Leases	498,624	12,950	1,201,398	5,867	6,543	30,475
Printing and Reproduction	606,365			1,831,143	369,877	110,015
Depreciation and Amortization*						
Bad Debt Expense			119,377			
Interest						
Scholarships						
Claims and Judgments			95,789			
Other Operating Expenses	37,259,664	16,002,208	20,106,427	14,860,922	13,534,588	2,122,337
Total Operating Expenses	<u>\$ 194,374,713</u>	<u>\$ 126,146,532</u>	<u>\$ 199,433,111</u>	<u>\$ 80,252,108</u>	<u>\$ 55,972,132</u>	<u>\$ 40,831,467</u>

\*Depreciation and Amortization may be allocated to the various functions or shown entirely in the Depreciation and Amortization column.

<b>Institutional Support</b>	<b>Operation and Maintenance of Plant</b>	<b>Scholarships and Fellowships</b>	<b>Auxiliary Enterprises</b>	<b>Depreciation and Amortization*</b>	<b>Total Expenses</b>
			\$ 29,377,230		\$ 29,377,230
\$ 27,535,960	\$ 11,385,748		15,329,000		384,430,832
6,057,911	2,277,150		2,086,888		88,386,214
993,887					8,484,557
					4,430,964
					0
202,219	75,515		5,022,946		13,393,730
24,429,638	10,702,739		5,906,064		166,068,377
1,645,073	1,707,282		1,143,985		36,069,664
117,166	310,214		1,543,893		5,444,434
32,899			1,701,487		3,490,243
32,565			68,718		3,018,683
				\$ 27,927,848	27,927,848
					119,377
	986,799		372,907		1,359,706
		\$ 32,958,169			32,958,169
	3,986,558		945,605		5,027,952
4,973,051	3,960,717		5,912,344		118,732,258
<u>\$ 66,020,369</u>	<u>\$ 35,392,722</u>	<u>\$ 32,958,169</u>	<u>\$ 69,411,067</u>	<u>\$ 27,927,848</u>	<u>\$ 928,720,238</u>

**Lone Star State University**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended August 31, 20CY**

	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	
Proceeds from Tuition and Fees	\$ 326,845,985
Proceeds from Research Grants and Contracts	
Proceeds from Gifts	
Proceeds from Loan Programs	18,156,669
Proceeds from Auxiliaries	
Proceeds from Other Revenues	96,030,491
Payments to Suppliers for Goods and Services	(308,324,368)
Payments to Employees for Salaries	(305,876,543)
Payments to Employees for Benefits	(115,998,548)
Payments for Loans Provided	(15,427,814)
Payments for Other Expenses	(67,318,191)
Net Cash Provided by Operating Activities	(185,205,072)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Proceeds from Debt Issuance	
Proceeds from State Appropriations	159,985,899
Proceeds from Gifts	249,666,373
Proceeds from Endowments	
Proceeds of Transfers from Other Funds	
Proceeds from Grant Receipts	
Proceeds from Advances from Other Funds	
Proceeds from Loan Programs	
Proceeds from Other Financing Activities	30,418,920
Proceeds from Contributed Capital	
Payments of Principal on Debt Issuance	(26,056,975)
Payments of Interest	(21,236,242)
Payments of Other Costs on Debt Issuance	(373,216)
Payments for Transfers to Other Funds	(159,292,637)
Payments for Grant Disbursements	
Payments for Advances to Other Funds	
Payments for Other Uses	(77,040,172)
Net Cash Provided by Noncapital Financing Activities	156,071,950
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from the Sale of Capital Assets	4,589,820
Proceeds from Debt Issuance	
Proceeds from State Grants and Contracts	
Proceeds from Federal Grants and Contracts	
Proceeds from Gifts	
Proceeds from Other Financing Activities	
Proceeds from Capital Contributions	
Proceeds from Advances from Other Funds	
Payments for Additions to Capital Assets	(57,719,404)
Payments of Principal on Debt	(18,099)
Payments for Capital Lease	
Payments of Interest on Debt Issuance	
Payments of Other Costs on Debt Issuance	
Net Cash Provided by Capital and Related Financing Activities	(53,147,683)

**Lone Star State University**  
**Statement of Cash Flows (continued)**  
**For the Fiscal Year Ended August 31, 20CY**

	<u>Total</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales of Investments	130,922,483
Proceeds from Interest Income	
Proceeds from Investment Income	49,234,573
Proceeds from Principal Payments on Loans	29,145
Payments to Acquire Investments	(100,223,336)
Net Cash Provided by Investing Activities	<u>79,962,865</u>
Net (Decrease) in Cash and Cash Equivalents	<u>(2,317,940)</u>
Cash and Cash Equivalents, September 1, 20PY	8,253,347
Changes in Accounting Principle	
Changes in Reporting Entity	
Restatement to Beginning Cash and Cash Equivalents	
Cash and Cash Equivalents, September 1, 20PY, as Restated	<u>8,253,347</u>
Cash and Cash Equivalents, August 31, 20CY	<u>\$ 5,935,407</u>

**Lone Star State University**  
**Statement of Cash Flows (continued)**  
**For the Fiscal Year Ended August 31, 20CY**

	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (3,134,734)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Amortization and Depreciation	27,927,848
Bad Debt Expense	119,377
Operating Income (Loss) and Cash Flow Categories	
Classification Differences	(150,825,248)
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(4,039,612)
(Increase) Decrease in Due from Other Funds	
(Increase) Decrease in Inventories	(8,051,340)
(Increase) Decrease in Prepaid Expenses	1,412,553
(Increase) Decrease in Notes Receivable	
(Increase) Decrease in Loans and Contracts	(12,930,048)
(Increase) Decrease in Other Assets	(26,532,237)
(Increase) Decrease in State Appropriations	
Increase (Decrease) in Payables	(10,982,234)
Increase (Decrease) in Deposits	
Increase (Decrease) in Due to Other Funds	(8,508,520)
Increase (Decrease) in Deferred Income	6,045,196
Increase (Decrease) in Compensated Absence Liability	
Increase (Decrease) in Benefits Payable	
Increase (Decrease) in Other Liabilities	4,293,927
Total Adjustments	<u>(182,070,338)</u>
Net Cash Provided by Operating Activities	<u>\$ (185,205,072)</u>
<b>Non Cash Transactions</b>	
Donation of Capital Assets	\$ -
Net Change in Fair Value of Investments	\$ -
Borrowing Under Capital Lease Purchase	\$ -
Other	\$ -



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# Chapter 11 – USAS Reconciliation

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## Introduction

Your agency is required to have its AFR data accurately reported in USAS by November 20, 20CY. This chapter provides background information on transaction entry in USAS and a sample process for reconciling USAS to the AFR.

## Transaction Entry

### Agency Security

Please make sure to check security for any agency personnel who will be entering AFR data into USAS by reviewing the 96A profile for that person to ensure that:

- the Prior Year Post Indicator is set to **Y** (yes) to allow for the posting of adjustments to a prior period (e.g., 08/31/CY and 08/32/CY).
- the employee has a valid user class to enter the transaction codes needed for adjustments. The D67 Valid Transaction Codes for User Class Profile shows allowable T-Codes for a specific user class.

### Fund Accounting Security

The FA Control field on the 25 Agency Control Profile provides additional security to allow the option of exclusive central entry for the Comptroller's Fund Accounting Division, Financial Reporting section. On November 21, 20CY (October 3, 20CY for Simplified Reporting agencies), your agency's FA Control field will be changed to only allow for central entry. The FA Control field will contain one of the following characters:

- N** = The agency controls the PY Open Indicator
- Y** = Fund Accounting Division, Financial Reporting section controls the PY Open Indicator
- C** = Only central entry is allowed

### Transaction Dates

The reporting period for the FY 20CY Annual Financial Report is from September 1, 20PY to August 31, 20CY. In USAS, the **effective date** is the factor that determines the fiscal year in which data is posted. Either 08/31/CY or 08/32/CY can be used to enter adjustments and balance sheet information. An effective date of 08/31/CY posts to month 12 and 08/32/CY posts to month 13, the period for adjustments. Month 12 in USAS is closed as of COB on September 30. All FY 20CY transactions entered into USAS after September 30 **must** have an effective date of 08/32/CY. The following legend identifies the fiscal years referred to in the text and examples.

- 20PY or PY** = 2006 (where PY = prior year)
- 20CY or CY** = 2007 (where CY = current year)
- 20FY or FY** = 2008 (where FY = future year)

Posting to a prior year is only valid for year-end accruals and adjustments. USAS does not allow a prior year effective date on transactions involving Cash in State Treasury (general ledger 0045). Your agency may enter accruals that generate cash transactions (e.g., T-Code 225) with an effective date of 08/31/CY or 08/32/CY if entered into USAS after 09/30/CY. The system posts the 08/31/CY or 08/32/CY date for the accrual entry, but will substitute the current system management date for the cash liquidation that would be in fiscal year 20FY.

Your agency should use the following effective dates to post adjustments to fiscal year 20CY after August 31:

Adjustment	Effective Date	Acct. Period
Encumbrances*	08/31/CY**	12
Receivables	08/31/CY**	12
Payables*	08/31/CY**	12
Other Year-End Adjustments	08/32/CY	13

\* Must be entered into USAS by October 30. See PFF A.019 Encumbrance Report and Lapsing of Appropriations (APS 018).

\*\* If fiscal year 20CY is closed and then re-opened, the effective date of 08/32/CY must be used. If month 12 of the fiscal year is closed, the effective date of 08/32/CY must be used.

## T-Code and Comptroller Object Code Information

T-Code information is available using the 28A, 28B and 28C screens as shown below. If there is a generated transaction code associated with this T-Code, it will appear as shown circled below. The general ledger (GL) accounts affected by a transaction are shown on the 28A screen. If the debit or credit GL account is blank, then your agency **must** enter a GL account with that T-Code. Refer to T-Code 644 for an example of a blank GL Account field. The 28B screen will show the GL accounts that can be used with a T-Code. The T-Code descriptions can be found on the 28C screen. Your agency may obtain the GL account descriptions online using the D31 Comptroller General Ledger Account Profile screen or by referring to Appendix A and Appendix B of this manual.

```

TEXAS S28A                UNIFORM STATEWIDE ACCOUNTING SYSTEM    MM/DD/YY 10:00 AM
LINK TO:                  TRANSACTION CODE DECISION PROFILE
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
TRAN CODE: 420 TITLE: RECORD ACCOUNTS PAYABLE
GENERAL LEDGER DR-1: 5501 CR-1: 1010 DR-2:          CR-2:
          POSTING DR-3:          CR-3:          DR-4:          CR-4:
TRANS      DOCB  DUDT N SVDT N CDOC I RDOC  MODI N AGCY R  IDX  PCA R COBJ R
EDIT      AOBJ  RVRS  PDT N  CI N 1099 N WARR N INVC  VNUM  VNAM  VADD
INDS:     DMETH N APN# R FUND R  GLA N  AGL N GRNT  SUBG  PROJ  MULT  DI# N
POST SEQ: 1 REG NO: 5 WW IND: 0 D/I: D WAR CANCL TC:  PYTC:  FUTMY: N
GEN TC: 421 GEN ACCR TC:          FACTS TC:          INTERFACE IND:  B
PAY LIQ TC:          BALTC:          AFRTC:
          A/S  BT  MATCH GLA DOC          A/S  BT  MATCH GLA DOC
DF:
FILE      AP: + 17
POSTING   AB: + 17
INDS:     CC:
          GP: + 17
          PJ: + 17
AGY GL:
EFF START DATE: 09011994  EFF END DATE:          STATUS CODE: A
Z06 RECORD SUCCESSFULLY RECALLED          LAST PROC DATE: 09031996

F1-HELP F3-END F4-INTERRUPT F6-PROCESS F10-28B PROFILE F11-28C DESC
    
```

These arrows show valid comptroller object groups (1) associated with the T-Code. Your agency can use the 79 screen to obtain the valid comptroller object codes within an object group. Your agency should enter valid GL accounts (2) with a T-Code as shown below.

```

TEXAS S28B          UNIFORM STATEWIDE ACCOUNTING SYSTEM  MM/DD/YY 10:41 AM
LINK TO:          TRANS CODE DESCRIPTION PROFILE
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
TRANS CODE: 420  (MUST BE IN 28A TRANSACTION CODE DECISION PROFILE)
ENTER APPROPRIATED FUNDS SEPARATED WITH EITHER A "-" OR ","

ENTER FUND TYPES SEPARATED WITH EITHER "-" OR ","

      COLUMNS 1234567890 1234567890 1234567890 1234567890
USER   01 - 50: Y YYYYY Y Y          YYYYY
CLASS  51 - 99:          Y  Y  Y  Y
OBJECT 01 - 50:  Y Y Y  Y  Y  Y          Y          Y Y Y
GROUPS 51 - 99:
ENTER COMPTROLLER GL ACCOUNTS SEPARATED WITH EITHER "-" OR ",".

VALID DOC TYPES 1: U 2: 3: 4: 5: 6: 7: 8: 9: 10:
VALID BATCH TYPES 1: 5 2: 4 3: 4: 5: 6: 7: 8: 9: 10:
                (*% IN FIRST FIELD MEANS ALL TYPES)          STATUS CODE: A
EFF START DATE: 09011994  EFF END DATE:          LAST PROC DATE: 10161996
Z06 RECORD SUCCESSFULLY RECALLED
PLEASE ENTER FUNCTION
F1-HELP F3-END F4-INTERRUPT F6-PROCESS F9-28A F11-28C
    
```

(3) The bottom line lists valid batch types and the top line lists valid document types.

The T-Code descriptions can be found on the 28C screen.

```

TEXAS S28C          UNIFORM STATEWIDE ACCOUNTING SYSTEM  MM/DD/YY 10:46 AM
LINK TO:          TRANS CODE DESCRIPTION PROFILE
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
TRANS CODE: 420  (MUST BE IN 28A TRANSACTION CODE DECISION PROFILE)
DESCRIPTION: TO RECORD ACCOUNTS PAYABLE FOR ITEMS WHICH WERE
              NOT ENCUMBERED. THIS ENTRY IS MADE MONTHLY OR
              YEARLY FOR REPORTING PURPOSES ONLY. IT WILL BE
              REVERSED AT THE BEGINNING OF THE NEXT ACCOUNTING
              PERIOD BY USAS.

              STATUS CODE:
EFF START DATE: 09011994  EFF END DATE:          LAST PROC DATE: 09031996
Z06 RECORD SUCCESSFULLY RECALLED
PLEASE ENTER FUNCTION
F1-HELP F3-END F4-INTERRUPT F6-PROCESS F9-28A F10-28B
    
```

To find out which comptroller object codes are allowed for a certain appropriation, the Appropriation Number Profile (20) can be inquired upon as shown below.

```

TEXAS S020          UNIFORM STATEWIDE ACCOUNTING SYSTEM    MM/DD/YY
LINK TO:           APPROPRIATION NUMBER PROFILE          PROD

ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
AGY: XXX APPN YEAR: CY APPN NO: 13001 VOTER REGISTRATION

APPROP - TYPE: 1   GROUP: 99   LEG SESS: 79   SESS CALL #:   ACT BL #: SB 1
BL LN #:          RIDER #:     PROG CODE:     COMP SRC/GRP:     REL APPN: 13001

I/E (I=INCLUDE, E=EXCLUDE)
ENTER UP TO 10 FUNDS/COMP OBJS SEPARATED WITH EITHER "-" OR ",".
APPD FUND I 0001 ,
  REV OBJ E 3000 - 3999 ,
  EXP OBJ I 7000 , 7612 ,

APPN INDS- UB: 1   CTL TYP- CASH: 1   ACCR: 2   ENC: 0   BUDG TYPE: A   REV EXC COL: N
DEP INT IND: N   APPN LEVEL-   ORGANIZATION: 0   PROG: 0
ALLOT INDS- SEL: N   CTL TYP: 0   QTR: 3   PERC: 33   PROG/OBJ BUD OBJ LEV IND: 0
AGY BDG INDS-   CTL TYPE: 0   OBJ LVL: 0   ALLOT SEL: N   ALLOT CTL:
                                     STATUS CODE: A
EFF START DATE: 09012006   EFF END DATE: 08312009   LAST PROC DATE: 06262006
    
```

Follow this procedure in order to identify the comptroller object codes included in a particular comptroller object group:

- 1 Press the Home key. This places your cursor in the LINK To field.
- 2 Enter 79.
- 3 Press F4 (the interrupt key). This takes you to the Comptroller Object Selection 79 screen.
- 4 Enter a value in the APPN YR and OBJ GROUP fields.
- 5 Press Enter to process.  
A group of comptroller object codes for the entered Obj Group field appears.

The example shown below is for Obj Group 02.

```

TEXAS S079          UNIFORM STATEWIDE ACCOUNTING SYSTEM    MM/DD/YY 12:30 PM
                                COMPTROLLER OBJECT SELECTION
PROD STARTING - APPN YR: XX COMP OBJ:   OBJ GROUP: 02
S  AY  COBJ          TITLE                                     GROUP
XX 3353  SALE OF VETERANS LAND BONDS                          02
XX 3354  WATER DEVELOPMENT BOND SALES                          02
XX 3405  FARM/RANCH SECURITY LOAN BONDS                          02
XX 3407  FARM & RANCH FINANCE PROG BOND                          02
XX 3416  SALE AGRI FIN AUTH BONDS/NOTES                          02
XX 3459  SALE-PARK DEVELOPMENT BONDS                             02
XX 3515  COLLEGE STUDENT LOAN BOND SALE                          02
XX 3742  TAX & REVENUE ANTICIPATE NOTES                          02
XX 3743  WTR DEV BD-ST REV FD PASS-THRU                          02
XX 3744  SALE OF PUBLIC BLDG BONDS                               02
XX 3745  SALE OF TEX NATL RES LAB BONDS                          02
    
```

## Required Reconciliation for USAS to AFR Reconciliation

Agencies are required to reconcile their financial data to USAS and the Financial Reporting section extracts agencies' data from USAS for CAFR purposes. In order for your agency's data in USAS to be reconciled and in compliance with the Comptroller's reconciliation requirements, the following elements **must** be correct:

- If your agency is the controlling agency, it **must** reconcile any appropriated fund Cash in State Treasury balance reported on the AFR to the USAS balance found on the Cash Control Summary Inquiry (57 screen). Cash in State Treasury should **not** be reported in the AFR for an appropriated fund for which the agency is not the controlling agency. The USAS general ledger (G/L) accounts that should net to the balance on the 57 screen are 0045, 0047 and 0048. G/L account 0048 should only be used with Appropriated Fund 0001 and G/L 0047 for all other appropriated funds.
- Your agency's Legislative Appropriation balances (e.g., revenues on the operating statement and the asset on the balance sheet) reported in the AFR **must** match the USAS balance (G/L 9000 for the balance sheet and GAAP source/objects 0005 and 0006 for Governmental and GAAP source/objects 1210 and 1212 for proprietary operating statement) and the balances as calculated on the GR Legislative Appropriation reconciliation worksheet.
- Your agency's system clearing G/L 9999 and basis conversion system clearing G/L 9992 accounts **must** equal zero at the D23 fund level.
- Your agency **must** reconcile and adjust all balance sheet line items in USAS to match at the G/L account level. Some G/L account numbers in USAS agree directly with the AFR description. Other G/L accounts may need to be grouped together (e.g., G/L accounts 1009 and 1010 in USAS need to be added together to determine the amount of accounts payable reported on the AFR).
- Your agency **must** allocate Fund Balances/Net Assets to the respective G/L accounts (2XXX series) and agree with the AFR.
- Your agency **must** reconcile and adjust all operating statement line items in USAS to match at the GAAP source/object level. The D10 Object Code Profile shows the GAAP source/object level the comptroller object code rolls into and the D08 profile gives a description of the GAAP source/object level. When adjusting operating statement activity with generic T-Codes, a comptroller object code that rolls up to the correct GAAP source/object level at both the FFS and Government-wide Financial Statement is acceptable to use. For example, a single comptroller object code that looks up licenses, fees and permits may be used for all comptroller object codes which are described as licenses, fees and permits. (Refer to Appendix C, Appendix D, Appendix E and Appendix F of this manual for comptroller object code roll-ups.)
- Your agency must review the roll-up to the government-wide level of all operating line items. The D10 Object Code Profile shows the government-wide GAAP source/object level the comptroller object code rolls into and the D08 profile gives a description of the GWFS GAAP source/object.
- Your agency's D23 funds that roll-up to fund type 09 (GAAP Agency funds) and are not reported on the AFR **must** have G/L balances equal to zero in USAS.
- Your agency's D23 funds that roll-up to fund type 09 (GAAP Agency funds) **must** have any operating statement activity net to zero at the GAAP source/object level in USAS.
- Your agency's ending Fund Balance/Net Assets **must** be the same on the operating statement and the balance sheet. If generic T-Codes were used to directly adjust any 2XXX series G/L account on the balance sheet without flowing through the operating statement, then the ending Fund Balance/Net Assets will not agree between the two statements.
- Your agency's interfund/interagency (Pass-throughs, Due To/From and Transfers) activity **must** match the amounts on the AFR and **must** be entered into USAS by September 20.
- Your agency's interfund/interagency activity **must** have the correct agency general ledger (AGL) information. The AGL field is an 8-digit field where the first three digits relate to the agency number of the opposing side of the transaction, the next four digits relate to the D23 fund number of the opposing side of the transaction and the last digit is a zero.

## Ordering USAS Financial Reports

### **Balance Sheet Report**

- DAFR8580 Balance Sheet – Governmental and Proprietary fund types (FFS)
- DAFR8581 Statement of Net Assets – Balance Sheet Format (GWFS).

### **Statement of Net Assets (Fiduciary Funds) Report**

- DAFR8585 Statement of Net Assets – Net Asset Format

### **Operating Statement Reports**

- DAFR8590 Operating Statement – Governmental
- DAFR8600 Operating Statement – Proprietary

### **Statement of Changes in Fiduciary Net Assets Report**

- DAFR8605 Statement of Changes in Fiduciary Net Assets

### **Interfund/Interagency Activity Report**

- DAFR8910 Interfund/Interagency Activity

### **Detailed Trial Balance Reports**

- DAFR8920 General Ledger Fund Detail Trial Balance
- DAFR8930 General Ledger Detail

### **Other Miscellaneous Reports**

- DAFR8660 Fund Cash Transactions for Shared Funds
- DAFR8680 Detail Account Activity By Fund
- DAFR8690 Statement of Changes in Assets and Liabilities
- DAFR8700 Cost Allocation General Ledger Expenditures by AY, Index and PCA
- DAFR8960 Professional Fee and Services

Fiscal year financial reports for the current year are requestable on a daily basis. If for any reason fiscal year reports for the prior year are desired, these may be ordered on Fridays for weekend processing.

The USAS Report Request Profile (screen 91) is available to your agency for selection of various report options. The following sections provide samples of the Report Request Profile used for ordering certain reports that are helpful during the reconciliation process.

## **Determining Fiscal Month**

---

Currently, the requestable reports in USAS use the fiscal month (Sept = 01, Dec = 04). However, the online inquiry screens use the calendar month (Jan = 01, Dec = 12).



## USAS Valid Reporting Levels

---

### General Ledger Structure (GL)

- 0 None
- 1 GAAP Account Category
- 2 GAAP Account Class
- 3 Comptroller GL Account
- 4 Agency GL Account

### Object Structure (Obj)

- 0 None
- 1 GAAP Category
- 2 GAAP Source/Object/  
Grant Object
- 3 Comptroller Object
- 4 Agency Object

### Organization Structure (Org)

- 0 None
- 1 Agency Group
- 2 Agency
- 3–9 Optional Levels

### Fund Structure (Fund)

- 0 None
- 1 GAAP Fund Group
- 2 GAAP Fund Type/  
State Fund Group (a)
- 3 GAAP Fund/  
Appropriated Fund(b)
- 4 D23 Agency Fund

### Program Structure (Pgm)

- 0 None
- 1 Agency Goals
- 2 Agency Objectives
- 3 Agency Strategies
- 4–9 Optional Tasks

### Grant (Grant)

- 0 No Grant Number
- 1 Grant Number
- 2 Grant Number and Phase

### Project (Proj)

- 0 No Project Number
- 1 Project Number
- 2 Project Number and Phase

(a) USAS reports ordered at fund level **2** will provide the balances to be reported on the Combined Statements.

(b) USAS reports ordered at fund level **3** will provide the balances to be reported on the Combining Statements.



## Balance Sheet – Governmental and Proprietary Fund Types (FFS) (DAFR8580)

This report provides the Balance Sheet/Statement of Net Assets, for both governmental and proprietary fund types, in the Fund Financial Statement (FFS) basis of reporting. The USAS Balance Sheet Report uses the following profiles as building blocks:

**1. The D23 Fund Profile**

The D23 Fund Profile is the lowest level of the fund hierarchy. For GAAP reporting purposes, it points to a D24 GAAP fund (used on the combining statements) and a D21 GAAP fund type (used on the combined statements). This structure defines the columns in the balance sheet.

**2. The D31 Comptroller General Ledger Account**

All real Comptroller General Ledger Accounts are used to build the balance sheet. Real accounts are categorized into classes (found on the D14 GAAP GL Account Class profile). In USAS, real accounts are defined on the D31 profile by a Year-End Close Indicator of **I**. This structure defines the rows in your balance sheet.

### Report Request Examples:

To request the balance sheet at the D23 agency fund level and the GAAP GL account class, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 03:53 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: <b>XXX</b>	REQUESTOR: JDOE	REPORT ID: <b>DAFR8580</b> REQUEST NO: 02
APPN YEAR:	PERIOD: <b>13</b>	FY: <b>CY</b> FREQUENCY: <b>MDDYYYY</b>
LEVEL - <b>ORG: 2</b>	PROGRAM: OBJECT: <b>FUND: 4</b>	NACUBO FUND: <b>GL ACCT: 2</b>
GRANT: PROJECT:		
AGENCY GROUP:	CONFIDENTIAL INFO: <b>N ( P,T,B,N )</b>	
SPECIAL SELECTS -		
AGENCY: <b>XXX</b>	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	

To request the balance sheet that should agree with the combining statements at the GAAP fund level and the GAAP GL account class, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 03:55 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: <b>XXX</b>	REQUESTOR: JDOE	REPORT ID: <b>DAFR8580</b> REQUEST NO: 03
APPN YEAR:	PERIOD: <b>13</b>	FY: <b>CY</b> FREQUENCY: <b>MDDYYYY</b>
LEVEL - <b>ORG: 2</b>	PROGRAM: OBJECT: <b>FUND: 3</b>	NACUBO FUND: <b>GL ACCT: 2</b>
GRANT: PROJECT:		
AGENCY GROUP:	CONFIDENTIAL INFO: <b>N ( P,T,B,N )</b>	
SPECIAL SELECTS -		
AGENCY: <b>XXX</b>	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	

To request the balance sheet that should agree with the combined statement by GAAP GL account class, your agency should set up the report request as shown below.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM          MM/DD/YY 03:56 PM
LINK TO:          REPORT REQUEST PROFILE                      PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

      AGENCY: XXX      REQUESTOR: JDOE      REPORT ID: DAFR8580 REQUEST NO: 04
      APPN YEAR:          PERIOD: 13          FY: CY FREQUENCY: MMDDYYYY

LEVEL -   ORG: 2 PROGRAM:  OBJECT:  FUND: 2 NACUBO FUND:  GL ACCT: 2
          GRANT:  PROJECT:

AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX          ORG CODE:
PROGRAM CODE:          NACUBO FUND:
    
```

To request the balance sheet at the D23 agency fund level and the Comptroller GL account level, your agency should set up the report request as shown below. An example of a report at this level is shown on the following page.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM          MM/DD/YY 03:52 PM
LINK TO:          REPORT REQUEST PROFILE                      PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

      AGENCY: XXX      REQUESTOR: JDOE      REPORT ID: DAFR8580 REQUEST NO: 01
      APPN YEAR:          PERIOD: 13          FY: CY FREQUENCY: MMDDYYYY

LEVEL -   ORG: 2 PROGRAM:  OBJECT:  FUND: 4 NACUBO FUND:  GL ACCT: 3
          GRANT:  PROJECT:

AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX          ORG CODE:
PROGRAM CODE:          NACUBO FUND:
    
```

DAFR8580 02 13 FND1 RJE 2(ORG) ( ) ( ) 4(FND) ( ) 2(GLA) ( ) ( ) USAS  
 CYCLE: MM/DD/YY 23:52 3898 RUN DATE: MM/DD/YY TIME: 01:23 31 CFY: CY CFM: 10 LCY: PY LCM: CY FICHE: 07 01 0  
 (AGY) XXX (ORG) (PRG) (NAC) (APP) (FND) (COB) (AOB) (GLA)  
 (AGL) (GRT) (PRJ) (SS1) (SS2)

COMPTROLLER - STATE FISCAL (XXX)  
 BALANCE SHEET - GOVERNMENTAL & PROPRIETARY FUND TYPES (FFS)

PERCENT OF YEAR ELAPSED: 100% REPORT PERIOD= ADJUSTMENT FY= CY PROD SYSTEM  
 \*\*\*\*\*PAGE 1

GAAP FUND GROUP 01 GOVERNMENTAL  
 GAAP FUND TYPE 01 GENERAL  
 GAAP FUND 0001 GENERAL REVENUE (0001)-GENERAL  
 FUND 0001 GENERAL REVENUE

\*\*\*\*\*

GL CAT	GL CLASS	COMP GL	TITLE	AGY GL	CURRENT YEAR	PRIOR YEAR
GL CLS	004 CA		CASH IN STATE TREASURY		18,339,720,543.15	5,077,053,353.37
GL CLS	020 CA		LEGISLATIVE APPROPRIATIONS		195,679,517.68	.00
GL CLS	039 CA		FEDERAL RECEIVABLES		.00	.00
GL CLS	050 CA		INTEREST AND DIVIDENDS RECEIVABLE		.00	24,634,853.83
GL CLS	052 CA		ACCOUNTS RECEIVABLES, NET		.00	1,133,238.21
GL CLS	054 CA		TAXES RECEIVABLE, NET		.00	2,382,945,456.32
GL CLS	065 CA		INTERFUND RECEIVABLE		.00	.00
GL CLS	072 CA		DUE FROM OTHER AGENCIES		.00	80,343,964.32
GL CLS	080 CA		CONSUMABLE INVENTORIES		.00	.00
GL CLS	100 CA		DEFERRED CHARGES		1,017,882.00	1,017,882.00
GL CLS	111 OTHER		CURRENT ASSETS		.00	.00
* GLA CAT	01		CURRENT ASSETS		18,536,417,942.83	7,564,862,271.63
GL CLS	144 NC		TAXES RECEIVABLE		.00	325,182,672.43
GL CLS	146 NC		LOANS AND CONTRACTS		.00	.00
* GLA CAT	06		NON-CURRENT ASSETS		.00	325,182,672.43
** TOTAL			ASSETS AND OTHER DEBITS		18,536,417,942.83	7,890,044,944.06
GL CLS	200 CL		ACCOUNTS PAYABLE		235,337.42-	338,295.30
GL CLS	201 CL		FEDERAL PAYABLES		4,653,024.00-	6,996,974.00
GL CLS	202 CL		OTHER INTERGOVERNMENTAL PAYABLES		.00	19,137,258.64

## Statement of Net Assets – Balance Sheet Format (GWFS) (DAFR8581)

This report provides the Statement of Net Assets, for both governmental and proprietary fund types, in the Government-wide Financial Statements (GWFS) basis of reporting. This report includes basis conversion general ledger account balances. The USAS Statement of Net Assets – Balance Sheet Format uses the following profiles as building blocks:

1. The D23 Fund Profile  
The D23 Fund Profile is the lowest level of the fund hierarchy. For GAAP reporting purposes, it points to a D24 GAAP fund (used on the combining statements) and a D21 GAAP fund type (used on the combined statements). This structure defines the columns in the balance sheet.
2. The D31 Comptroller General Ledger Account  
All real Comptroller General Ledger Accounts are used to build the balance sheet. Real accounts are categorized into classes (found on the D14 GAAP GL Account Class profile). In USAS, real accounts are defined on the D31 profile by a Year-End Close Indicator of **1**. This structure defines the rows in your balance sheet.

### Report Request Examples:

To request the statement of net assets at the D23 Agency fund level and the GAAP GL account class, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 03:53 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: JOE	REPORT ID: DAFR8581
APPN YEAR:	PERIOD: 13	REQUEST NO: 02
		FY: CY FREQUENCY: MMDDYYYY
LEVEL -	ORG: 2 PROGRAM:	OBJECT: FUND: 4 NACUBO FUND: GL ACCT: 2
	GRANT: PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: XXX		ORG CODE:

To request the statement of net assets that should agree with the combining statements at the GAAP fund level and the GAAP GL account class, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 03:55 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: JOE	REPORT ID: DAFR8581
APPN YEAR:	PERIOD: 13	REQUEST NO: 03
		FY: CY FREQUENCY: MMDDYYYY
LEVEL -	ORG: 2 PROGRAM:	OBJECT: FUND: 3 NACUBO FUND: GL ACCT: 2
	GRANT: PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: XXX		ORG CODE:
PROGRAM CODE:		NACUBO FUND:

To request the statement of net assets that should agree with the combined statement by GAAP GL account class, your agency should set up the report request as shown below.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM          MM/DD/YY 03:56 PM
LINK TO:          REPORT REQUEST PROFILE                      PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

      AGENCY: XXX      REQUESTOR: JDOE      REPORT ID: DAFR8581 REQUEST NO: 04
      APPN YEAR:      PERIOD: 13          FY: CY FREQUENCY: MMDDYYYY

LEVEL -  ORG: 2 PROGRAM:  OBJECT:  FUND: 2 NACUBO FUND:  GL ACCT: 2
      GRANT:  PROJECT:

AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX
PROGRAM CODE:          ORG CODE:
                      NACUBO FUND:

```

To request the statement of net assets at the D23 Agency fund level and the Comptroller GL account level, your agency should set up the report request as shown below. An example of a report at this level is shown on the following page.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM          MM/DD/YY 03:52 PM
LINK TO:          REPORT REQUEST PROFILE                      PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

      AGENCY: XXX      REQUESTOR: JDOE      REPORT ID: DAFR8581 REQUEST NO: 01
      APPN YEAR:      PERIOD: 13          FY: CY FREQUENCY: MMDDYYYY

LEVEL -  ORG: 2 PROGRAM:  OBJECT:  FUND: 4 NACUBO FUND:  GL ACCT: 3
      GRANT:  PROJECT:

AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX
PROGRAM CODE:          ORG CODE:
                      NACUBO FUND:

```

DAFR8581 02 13 FND1 RJE 2(ORG) ( ) ( ) 4(FND) ( ) 2(GLA) ( ) ( ) USAS  
 CYCLE: MM/DD/YY 23:52 3898 RUN DATE: MM/DD/YY TIME: 01:23 31 CFY: CY CFM: 10 LCY: PY LCM: CY FICHE: 01 0  
 (AGY) XXX (ORG) (PRG) (NAC) (APP) (FND) (COB) (AOB) (GLA)  
 (AGL) (GRT) (PRJ) (SS1) (SS2)

COMPTRROLLER - STATE FISCAL (XXX)  
 STATEMENT OF NET ASSETS - BALANCE SHEET FORMAT(GWFS)

PERCENT OF YEAR ELAPSED: 100% REPORT PERIOD= ADJUSTMENT FY= CY PROD SYSTEM  
 \*\*\*\*\*PAGE 1

GAAP FUND GROUP 01 GOVERNMENTAL  
 GAAP FUND TYPE 01 GENERAL  
 GAAP FUND 0001 GENERAL REVENUE (0001)-GENERAL  
 FUND 0001 GENERAL REVENUE

\*\*\*\*\*

GL	GL	B/C	COMP	AGY	CURRENT	PRIOR
CT	CLS	IND	GL	TITLE	YEAR	YEAR

\*\*\*\*\*

GL	CLS	004	CA	CASH IN STATE TREASURY	18,339,720,543.15	5,077,053,353.37
GL	CLS	020	CA	LEGISLATIVE APPROPRIATIONS	195,679,517.68	.00
GL	CLS	039	CA	FEDERAL RECEIVABLES	.00	.00
GL	CLS	050	CA	INTEREST AND DIVIDENDS RECEIVABLE	.00	24,634,853.83
GL	CLS	052	CA	ACCOUNTS RECEIVABLES, NET	.00	1,133,238.21
GL	CLS	054	CA	TAXES RECEIVABLE, NET	.00	2,382,945,456.32
GL	CLS	065	CA	INTERFUND RECEIVABLE	.00	.00
GL	CLS	072	CA	DUE FROM OTHER AGENCIES	.00	80,343,964.32
GL	CLS	080	CA	CONSUMABLE INVENTORIES	.00	.00
GL	CLS	100	CA	DEFERRED CHARGES	1,017,882.00	1,017,882.00
GL	CLS	111	OTHER	CURRENT ASSETS	.00	.00
*	GLA	CAT	01	CURRENT ASSETS	18,536,417,942.83	7,564,862,271.63
GL	CLS	144	NC	TAXES RECEIVABLE	.00	325,182,672.43
GL	CLS	146	NC	LOANS AND CONTRACTS	.00	.00
*	GLA	CAT	06	NON-CURRENT ASSETS	.00	325,182,672.43
**	TOTAL	ASSETS AND OTHER DEBITS			18,536,417,942.83	7,890,044,944.06
GL	CLS	200	CL	ACCOUNTS PAYABLE	235,337.42-	338,295.30
GL	CLS	201	CL	FEDERAL PAYABLES	4,653,024.00-	6,996,974.00
GL	CLS	202	CL	OTHER INTERGOVERNMENTAL PAYABLES	.00	19,137,258.64

## Statement of Net Assets – Net Asset Format (DAFR8585)

This report provides the Statement of Net Assets, Fiduciary Fund Type. The USAS Statement of Net Assets-Net Asset Format uses the following profiles as building blocks:

**1. The D23 Fund Profile**

The D23 Fund Profile is the lowest level of the fund hierarchy. For GAAP reporting purposes, it points to a D24 GAAP fund (used on the combining statements) and a D21 GAAP fund type (used on the combined statements). This structure defines the columns in the Statement of Net Assets.

**2. The D31 Comptroller General Ledger Account**

All real Comptroller General Ledger Accounts are used to build the Statement of Net Assets. Real accounts are categorized into classes (found on the D14 GAAP GL Account Class profile). In USAS, real accounts are defined on the D31 profile by a Year-End Close Indicator of *I*. This structure defines the rows in your Statement of Net Assets.

### Report Request Examples:

To request the Statement of Net Assets at the D23 agency fund level and the GAAP GL Account class, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 02:43 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: JDOE	REPORT ID: DAFR8585 REQUEST NO: 01
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL -	ORG: 2 PROGRAM: OBJECT: FUND: 4 NACUBO FUND: GL ACCT: 2	
	GRANT: PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: XXX	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	

To request the Statement of Net Assets that should agree with the combining statements at the GAAP fund level and the GAAP GL account class, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 02:43 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: JDOE	REPORT ID: DAFR8585 REQUEST NO: 02
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL -	ORG: 2 PROGRAM: OBJECT: FUND: 3 NACUBO FUND: GL ACCT: 2	
	GRANT: PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: XXX	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	

To request the Statement of Net Assets that should agree with the combined statement by GAAP GL account class, your agency should set up the report request as shown below.

```

TEXAS S091      UNIFORM STATEWIDE ACCOUNTING SYSTEM      MM/DD/YY 02:43 PM
LINK TO:              REPORT REQUEST PROFILE      PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

      AGENCY: XXX      REQUESTOR: JDOE      PORT ID: DAFR8585      REQUEST NO: 03
      APPN YEAR:              PERIOD: 13      FY: CY      FREQUENCY: MMDDYYYY

LEVEL -   ORG: 2 PROGRAM:  OBJECT:  FUND: 2  NACUBO FUND:  GL ACCT: 2
      GRANT:  PROJECT:

AGENCY GROUP:              CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX              ORG CODE:
PROGRAM CODE:              NACUBO FUND:
    
```

To request the Statement of Net Assets at the D23 agency fund level and the Comptroller GL Account level, your agency should set up the report request as shown below.

```

TEXAS S091      UNIFORM STATEWIDE ACCOUNTING SYSTEM      MM/DD/YY 02:43 PM
LINK TO:              REPORT REQUEST PROFILE      PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

      AGENCY: XXX      REQUESTOR: JDOE      REPORT ID: DAFR8585 REQUEST NO: 04
      APPN YEAR:              PERIOD: 13      FY: CY      FREQUENCY: MMDDYYYY

LEVEL -   ORG: 2 PROGRAM:  OBJECT:  FUND: 4  NACUBO FUND:  GL ACCT: 3
      GRANT:  PROJECT:

AGENCY GROUP:              CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX              ORG CODE:
PROGRAM CODE:              NACUBO FUND:
    
```



```

DAFR8585      02 13      FND1 RJE          2(ORG) ( ) ( ) 4(FND) ( ) 2(GLA) ( ) ( )      USAS
CYCLE: MM/DD/YY 23:52 3898  RUN DATE: MM/DD/YY TIME: 01:23 31  CFY: CY  CFM: 10  LCY: PY  LCM: CY  FICHE: XXX 07      03      0
(AGY) XXX      (ORG)          (PRG)          (NAC)          (APP)          (FND)          (COB)          (AOB)          (GLA)
(AGL)          (GRT)          (PRJ)          (SS1)          (SS2)

                                COMPTRROLLER - STATE FISCAL (XXX)
                                STATEMENT OF NET ASSETS - NET ASSET FORMAT
PERCENT OF YEAR ELAPSED: 100%      REPORT PERIOD= ADJUSTMENT FY= CY      PROD SYSTEM
*****PAGE 1
GAAP FUND GROUP      03      FIDUCIARY
GAAP FUND TYPE      09      AGENCY FUNDS
GAAP FUND      0001      GENERAL REVENUE (0001)-AGENCY
FUND      4113      UNCLAIMED PROPERTY SECURITIES -FT 09
*****
GL  GL  COMP          AGY          CURRENT          PRIOR
CAT  CLS  GL  TITLE          GL          YEAR          YEAR
*****
    GL  CLS  008  CA SHORT TERM INVESTMENTS          .00          121,546,773.39
    GL  CLS  111  OTHER CURRENT ASSETS          .00          .00
*  GLA  CAT  01   CURRENT ASSETS          .00          121,546,773.39
    GL  CLS  160  OTHER NON-CURRENT ASSETS          .00          .00
*  GLA  CAT  06   NON-CURRENT ASSETS          .00          .00
** TOTAL ASSETS          .00          121,546,773.39
    GL  CLS  300  CL FUNDS HELD FOR OTHERS          .00          121,546,773.39
*  GLA  CAT  21   CURRENT LIABILITIES          .00          121,546,773.39
    GL  CLS  325  OTHER NON-CURRENT LIABILITIES          .00          .00
*  GLA  CAT  26   NON-CURRENT LIABILITIES          .00          .00
** TOTAL LIABILITIES          .00          121,546,773.39
    GL  CLS  620  FUND BALANCE - UNRESERVED/UNDESIGNATED          .00          .00
*  GLA  CAT  51   FUND BALANCE (DEFICITS)          .00          .00
** NET ASSETS WITH CURRENT CHANGES          .00          .00
*  FUND      4113  UNCLAIMED PROPERTY SECURITIES -FT 09          .00          .00
*  GAAP FUND  0001  GENERAL REVENUE (0001)-AGENCY          .00          .00

```

## Operating Statement DAFR8590 (Governmental) and DAFR8600 (Proprietary)

The USAS operating statement reports use the following profiles as building blocks. These profiles can be used for both the DAFR8590 and the DAFR8600 even though report request examples only show DAFR8590.

**1. The D23 Fund Profile**

The D23 Fund Profile is the lowest level of the fund hierarchy. For GAAP reporting purposes, it points to a D24 GAAP fund (used on the combining statements) and a D21 GAAP fund type (used on the combined statements). This structure defines the columns in the hard copy operating statement.

**2. The D31 Comptroller General Ledger Account**

To analyze cash and accrual activity separately, your agency should order the reports at GL level 3. To group all Revenue GL Accounts (Cash, Accrued and Revenue Offset) together, your agency should order at GL level 2. To make this report look most like your hard copy AFR, your agency should order at GL level 0.

**3. The D10 Comptroller Object Profile**

The D10 Comptroller Object Profile serves as the building block for the operating statement. For a summarized report, an object level of 2 can be used on the report request. A level 2 request looks most like your hard copy AFR. If ordered at level 3, the comptroller object codes appear and give additional detail.

### Report Request Examples:

To request an operating statement at the GAAP source/object level and the D23 agency fund level, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 02:57 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: JDOE	REPORT ID: DAFR8590 REQUEST NO: 01
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MMDDYYYY
LEVEL -	ORG: 2 PROGRAM: OBJECT: 2 FUND: 4 NACUBO FUND:	GL ACCT: 0
GRANT:	PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: XXX		ORG CODE:
PROGRAM CODE:		NACUBO FUND:

To request an operating statement that should agree with the combining statements, your agency should set up the report request as shown below.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM          MM/DD/YY 03:04 PM
LINK TO:          REPORT REQUEST PROFILE                          PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

      AGENCY: XXX    REQUESTOR: JDOE    REPORT ID: DAFR8590 REQUEST NO: 02
      APPN YEAR:    PERIOD: 13        FY: CY  FREQUENCY: MMDDYYYY

LEVEL -  ORG: 2 PROGRAM:  OBJECT: 2 FUND: 3 NACUBO FUND:  GL ACCT: 0
      GRANT:  PROJECT:
AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX                                ORG CODE:
PROGRAM CODE:          NACUBO FUND:

```

To request an operating statement that should agree with the Combined Statement of Revenues, Expenditures and Changes in Fund Balance, your agency should set up the report request as shown below.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM          MM/DD/YY 03:06 PM
LINK TO:          REPORT REQUEST PROFILE                          PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

      AGENCY: XXX    REQUESTOR: JDOE    REPORT ID: DAFR8590 REQUEST NO: 03
      APPN YEAR:    PERIOD: 13        FY: CY  FREQUENCY: MMDDYYYY

LEVEL -  ORG: 2 PROGRAM:  OBJECT: 2 FUND: 2 NACUBO FUND:  GL ACCT: 0
      GRANT:  PROJECT:
AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX                                ORG CODE:
PROGRAM CODE:          NACUBO FUND:

```

The above options provide the report for the AFR by the GAAP source/object. Additional detail to determine the comptroller objects within each GAAP source/object may be acquired by requesting the report at object level 3 as shown below. An example of a report at this level appears on the following page. The report request below also shows the ability to request the report for a specific AY and the report on the following page was **not** requested for a specific AY. If AY is left blank, then the report is generated for all AYs. Normally, for AFR purposes, AY is left blank.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM          MM/DD/YY 03:08 PM
LINK TO:          REPORT REQUEST PROFILE                          PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

      AGENCY: XXX    REQUESTOR: JDOE    REPORT ID: DAFR8590 REQUEST NO: 04
      APPN YEAR: XX  PERIOD: 13        FY: CY  FREQUENCY: MMDDYYYY

LEVEL -  ORG: 2 PROGRAM:  OBJECT: 3 FUND: 3 NACUBO FUND:  GL ACCT: 0
      GRANT:  PROJECT:
AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX                                ORG CODE:
PROGRAM CODE:          NACUBO FUND:

```

DAFR8590 02 13 FND1 RJE 2(ORG) ( ) 2(OBJ) 4(FND) ( ) 0(GLA) ( ) ( ) USAS  
 CYCLE: MM/DD/YY 23:52 3898 RUN DATE: MM/DD/YY TIME: 01:23 31 CFY: CY CFM: 10 LCY: PY LCM: CY FICHE: XXX 01 01 0  
 (AGY) XXX (ORG) (PRG) (NAC) (APP) (FND) (COB) (AOB) (GLA)  
 (AGL) (GRT) (PRJ) (SS1) (SS2)

COMPTROLLER - STATE FISCAL (XXX)  
 OPERATING STATEMENT - GOVERNMENTAL FUNDS

PERCENT OF YEAR ELAPSED: 100% REPORT PERIOD= ADJUSTMENT FY= CY PROD SYSTEM  
 \*\*\*\*\*PAGE 1

GAAP FUND GROUP 01 GOVERNMENTAL  
 GAAP FUND TYPE 01 GENERAL  
 GAAP FUND 0001 GENERAL REVENUE (0001)-GENERAL  
 FUND 0001 GENERAL REVENUE

\*\*\*\*\*

GAAP  
 GAAP GAAP GL ACCT GL GAAP COMPT CURRENT  
 CATEGORY FUNC CLASS ACCT SRC/OBJ OBJ TITLE YEAR  
 \*\*\*\*\*

GAAP SRC/OBJ			0005	ORIGINAL APPROPRIATIONS	1,169,811,677.00
GAAP SRC/OBJ			0006	ADDITIONAL APPROPRIATIONS	33,269,910.02-
GAAP SRC/OBJ			0007	UNEXPENDED BALANCE FORWARD	0.00
GAAP SRC/OBJ			0015	TAXES	26,310,053,407.47
GAAP SRC/OBJ			0035	LICENSES, FEES AND PERMITS	781,149,777.33
GAAP SRC/OBJ			0050	INTEREST AND INVESTMENT INCOME	75,921,766.47
GAAP SRC/OBJ			0055	LAND INCOME	4,791,900.88
GAAP SRC/OBJ			0060	SETTLEMENT OF CLAIMS	2,884,710.11
GAAP SRC/OBJ			0065	SALES OF GOODS AND SERVICES	1,789,174.01
GAAP SRC/OBJ			0080	OTHER	427,291,790.96
* GAAP CATEGORY	01			REVENUES	28,740,424,294.21
TOTAL REVENUES					28,740,424,294.21
GAAP SRC/OBJ			0210	PAYROLL RELATED COSTS	22,890,876.08
GAAP SRC/OBJ			0220	PROFESSIONAL FEES AND SERVICES	4,820,937.74
GAAP SRC/OBJ			0240	MATERIALS AND SUPPLIES	1,517,614.35
GAAP SRC/OBJ			0250	COMMUNICATION AND UTILITIES	512,559.39
GAAP SRC/OBJ			0260	REPAIRS AND MAINTENANCE	621,610.15
GAAP SRC/OBJ			0290	CLAIMS AND JUDGEMENTS	2,461,945.13

```

DAFR8600      02 13      FND1 RJE          2(ORG) ( ) 2(OBJ) 4(FND) ( ) 0(GLA) ( ) ( )      USAS
CYCLE: MM/DD/YY 23:52 3898  RUN DATE: MM/DD/YY TIME: 01:23 31  CFY: CY  CFM: 10  LCY: PY  LCM: CY  FICHE: XXX 02  05  0228  0
(AGY) XXX      (ORG)          (PRG)          (NAC)          (APP)          (FND)          (COB)          (AOB)          (GLA)
(AGL)          (GRT)          (PRJ)          (SS1)          (SS2)

                COMPTRROLLER - STATE FISCAL (XXX)
                OPERATING STATEMENT - PROPRIETARY FUNDS
PERCENT OF YEAR ELAPSED: 100%          REPORT PERIOD= ADJUSTMENT FY= CY          PROD SYSTEM
*****PAGE 1
GAAP FUND GROUP  02  PROPRIETARY
GAAP FUND TYPE   05  ENTERPRISE
GAAP FUND        0228  UT TYLER CURRENT FD (0228)-COLLEGE
FUND             0228  UNAPPROPRIATED 228FUNDS
*****
                GAAP
                GAAP  GL ACCT GL  GAAP  COMPT          CURRENT
                CATEGORY  CLASS  ACCT SRC/OBJ  OBJ          TITLE          YEAR
*****
* NET ASSETS - BEGINNING          0.00
* NET ASSETS - ENDING             0.00
* FUND          0228          UNAPPROPRIATED 228FUNDS          0.00
* GAAP FUND     0228          UT TYLER CURRENT FD (0228)-COLLEGE          0.00

```

## Statement of Changes in Fiduciary Net Assets (DAFR8605)

The USAS Statement of Changes in Fiduciary Net Assets uses the following profiles as building blocks:

**1. The D23 Fund Profile**

The D23 Fund Profile is the lowest level of the fund hierarchy. For GAAP reporting purposes, it points to a D24 GAAP fund (used on the combining statements) and a D21 GAAP fund type (used on the combined statements). This structure defines the columns in the Statement of Changes in Fiduciary Net Assets.

**2. The D31 Comptroller General Ledger (GL) Account**

All real Comptroller GL Accounts are used to build the Statement of Changes in Fiduciary Net Assets. Real accounts are categorized into classes (found on the D14 GAAP GL Account Class profile). In USAS, real accounts are defined on the D31 profile by a Year-End Close Indicator of **1**. This structure defines the rows in your Statement of Changes in Fiduciary Net Assets.

### Report Request Examples:

To request a Statement of Changes in Fiduciary Net Assets at the GAAP source/object level and the D23 agency fund level, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 02:43 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: <b>XXX</b>	REQUESTOR: <b>JDOE</b>	REPORT ID: <b>DAFR8605</b> REQUEST NO: 01
APPN YEAR:	PERIOD: <b>13</b>	FY: <b>CY</b> FREQUENCY: <b>MDDYYYY</b>
LEVEL - <b>ORG: 2</b> PROGRAM:	<b>OBJECT: 2 FUND: 4</b>	NACUBO FUND: <b>GL ACCT: 0</b>
GRANT: PROJECT:		
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: <b>XXX</b>	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	

To request a Statement of Changes in Fiduciary Net Assets that should agree with the combining statement, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 02:43 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: <b>XXX</b>	REQUESTOR: <b>JDOE</b>	REPORT ID: <b>DAFR8605</b> REQUEST NO: 02
APPN YEAR:	PERIOD: <b>13</b>	FY: <b>CY</b> FREQUENCY: <b>MDDYYYY</b>
LEVEL - <b>ORG: 2</b> PROGRAM:	<b>OBJECT: 2 FUND: 3</b>	NACUBO FUND: <b>GL ACCT: 0</b>
GRANT: PROJECT:		
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: <b>XXX</b>	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	

To request a Statement of Fiduciary Net Assets that should agree with the combined statement, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 02:43 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: <b>XXX</b>	REQUESTOR: <b>JDOE</b>	REPORT ID: <b>DAFR8605</b> REQUEST NO: 03
APPN YEAR:	PERIOD: <b>13</b>	FY: <b>CY</b> FREQUENCY: <b>MDDYYYY</b>
LEVEL - <b>ORG: 2</b> PROGRAM:	<b>OBJECT: 2 FUND: 2</b>	NACUBO FUND: <b>GL ACCT: 0</b>
GRANT: PROJECT:		
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: <b>XXX</b>	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	

```

DAFR8605      02 13      FND1 RJE          2(ORG) ( ) 2(OBJ) 4(FND) ( ) 0(GLA) ( ) ( )      USAS
CYCLE: MM/DD/YY 23:52 3898  RUN DATE: MM/DD/YY TIME: 01:23 31  CFY: CY   CFM: 10  LCY: PY   LCM: 07  FICHE: XXX 03   10   0955  0
(AGY) XXX      (ORG)      (PRG)      (NAC)      (APP)      (FND)      (COB)      (AOB)      (GLA)
(AGL)          (GRT)          (PRJ)          (SS1)          (SS2)

                COMPTRROLLER - STATE FISCAL (XXX)
                STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PERCENT OF YEAR ELAPSED: 100%
                REPORT PERIOD= ADJUSTMENT FY= CY
                PROD SYSTEM
*****PAGE      1
GAAP FUND GROUP   03  FIDUCIARY
GAAP FUND TYPE    10  PENSION FUNDS
GAAP FUND         0955  S.E.R.S. TRUST FUND (0955) - PENSION
FUND              0955  EMPLOYEES RETIREMENT TRUST FUND
*****
                GAAP
                GAAP  GL ACCT GL   GAAP  COMPT
                CATEGORY  CLASS  ACCT SRC/OBJ  OBJ      TITLE
*****
ADDITIONS

* TOTAL CONTRIBUTIONS                                0.00

* TOTAL NET INVESTMENT INCOME                        0.00
* TOTAL ADDITIONS                                    0.00

DEDUCTIONS
* TOTAL DEDUCTIONS                                    0.00

* NET INCREASE (DECREASE) IN NET ASSETS              0.00

* NET ASSETS - BEGINNING                             0.00

* NET ASSETS - BEGINNING, AS RESTATED                0.00

* NET ASSETS - ENDING                                 0.00

* FUND         0955                                EMPLOYEES RETIREMENT TRUST FUND 0.00
* GAAP FUND    0955                                S.E.R.S. TRUST FUND (0955) - PENSION 0.00
* GAAP FUND TYPE 10                                PENSION FUNDS 0.00

```

## Statement of Changes In Assets And Liabilities (DAFR8690)

The USAS Statement of Changes in Assets and Liabilities report gives the balances needed for reporting GAAP agency funds in the Combining Statement of Changes in Assets and Liabilities. This report must be run with the **PERIOD indicator set to PY**; otherwise, the accounting event table does not pick up the correct balances. The program was written to include only the period indicator that is requested. For instance, if the report request period is input as **13** and the fiscal year is **07**, the only information that the report displays are the entries with an effective date of **August 32, 2007**.

**For reporting agencies**, this report **must** be run on the first Friday after the month has ended so that the inactive Accounting Event table can be loaded. If the inactive AE table is not loaded, then only a portion of the year is listed on the report.

This report uses the following profiles as building blocks:

**1. The D23 Fund Profile**

The D23 Fund Profile is the lowest level of the fund hierarchy. For GAAP Reporting purposes, it points to a D24 GAAP fund (used on the combining statements) and a D21 GAAP fund type (used on the combined statements). This structure defines the columns in this report. This report only includes D23 funds profiled to GAAP fund type 09.

**2. The D31 Comptroller General Ledger Account**

All real Comptroller General Ledger Accounts are used to build the balance sheet. Real accounts are categorized into classes (found on the D14 GAAP GL Account Class profile). In USAS, Real accounts are defined on the D31 profile by a Year-End Close Indicator of **1**. This structure defines the rows in this report.

### Report Request Example:

To request the Statement of Changes in Assets and Liabilities at the D22 Appropriated/ GAAP fund level and the GAAP GL account class, your agency should set up the report request as shown below.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 01:22 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: <b>XXX</b>	REQUESTOR: <b>JDOE</b>	REPORT ID: <b>DAFR8690</b> REQUEST NO: <b>01</b>
APPN YEAR:	<b>PERIOD: PY</b>	FY: <b>FREQUENCY: MONTHLY</b>
LEVEL - <b>ORG: 2</b>	PROGRAM: OBJECT: <b>FUND: 3</b>	NACUBO FUND: <b>GL ACCT: 2</b>
GRANT: PROJECT:		
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: <b>XXX</b>	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	

If your agency is having difficulty in generating this report, contact your financial reporting analyst. A query has been developed that generates the same information.



```

DAFR8690      02 13      FND1 RJE          2(ORG) ( ) ( ) 3(FND) ( ) 2(GLA) ( ) ( )      USAS
CYCLE: MM/DD/CY 23:52 3898  RUN DATE: MM/DD/YY TIME: 01:23 31  CFY: CY  CFM: 10 LCY: PY  LCM: CY FICHE: XXX 07  03  09  0
(AGY) XXX      (ORG)          (PRG)          (NAC)          (APP)          (FND)          (COB)          (AOB)          (GLA)
(AGL)          (GRT)          (PRJ)          (SS1)          (SS2)

                COMPTRROLLER - STATE FISCAL (XXX)
                STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PERCENT OF YEAR ELAPSED: 100%          REPORT PERIOD= ADJUSTMENT FY= CY          PROD SYSTEM
*****PAGE 1
GAAP FUND GROUP      03      FIDUCIARY
GAAP FUND TYPE      09      AGENCY FUNDS
GAAP FUND      0838      BINDING ARBITRATION TRUST FUND
*****
GL  GL              PRIOR PERIOD              CURRENT PERIOD
CAT CLASS      TITLE              BALANCE              ADDITIONS              DELETIONS              BALANCE
*****
01  004      CA CASH IN STATE TREASURY              48,050.00              .00              .00              48,050.00
* GLA CAT 01 CURRENT ASSETS              48,050.00              .00              .00              48,050.00
    300      CL FUNDS HELD FOR OTHERS              48,050.00-              .00              .00              48,050.00
* GLA CAT 21 CURRENT LIABILITIES              48,050.00-              .00              .00              48,050.00
* GLA CAT 51 FUND BALANCE (DEFICITS)              .00              .00              .00              .00
* GLA CAT 55 FFS REV/EXPEND SUMMARY ACCT CA              .00              .00              .00              .00
* GAAP FUND      0838              .00              .00              .00              .00
    
```

## Interfund/Interagency Activity Report (DAFR8910)

This report gives information needed to prepare the Annual Financial Report for Due To and Due From, Transfers and State and Federal Grant Pass-Through activity. The information recorded during the year in the Agency General Ledger (AGL) field, which is either manually or automatically updated through the RTI process, appears on this report. The 8-digit AGL field contains the opposing agency number in the first three positions, the opposing D23 fund number in the next four positions and a zero in the last position. Refer to **Chapter 5 – Interfund Requirements for Annual Financial Reports**, for T-Codes relating to the RTI process.

The DAFR8910 selects all GL accounts with a GL edit type indicator of **D**; therefore, it will include balance sheet and nominal accounts. Based on current profiles, the report includes such GL accounts as the Due To and Due From accounts, Interfund Payables and Receivables, Revenues and Expenditures (for Pass Through Funds) and Transfers In and Out.

The specific GL accounts applicable to the current process, using the DAFR 8910 instead of note disclosure, are listed below.

Note disclosure is currently required for amounts reported in GL 6013, Legislative Revenue/Transfer In, and GL 6053, Legislative Transfers Out. These GL accounts do have a GL edit type indicator of D and could be included as part of the DAFR 8910 process in the future.

Balance Sheet Accounts		Operating Statement Accounts	
0279	CA Interfund Receivable	5000	Revenue Control – Cash
0281	Interfund Receivable from General Rev.	5001	Revenue Control – Accrued
0282	Due From Other Components/System	5100	GAAP Revenue Offset
0283	Due From Other Funds	5500	Expenditure Control – Cash
0284	Due From Other Agencies	5501	Expenditure Control – Accrued
1049	CL Interfund Payable	5600	GAAP Expenditure Offset
1050	Due To Other Agencies	6010	Transfers In
1051	General Revenue Interfund Payable	6011	Transfers In – NP to tables
1052	Due To Other Components/System	6050	Transfers Out
1053	Due To Other Funds	6051	Transfers Out – NP to tables

The GL total per the DAFR8910 when ITV's are included (Special Select 1 of **I**) should tie to the GL Summary Inquiry (screen 56) and also to the DAFR8920 General Ledger Trial Balance Report. The full balance for the GL account appears on the report. Debits are signed as positive and credits are signed as negatives, similar to the DAFR8920 report. Any amounts for which agency and fund information have not been posted appear with an **NP** in the Interfund section of the report. ITV's may be excluded by entering **E** in the Special Select 1 field. Reports can be run by GAAP reporting structure by entering **G** in the Special Select 2 field.

The Report Control Profile (screen D64) contains level options that determine the data reflected on the report. Data element special selects are optional for appropriated fund, comptroller object, GL account, NACUBO fund and fund to generate a shorter report if used. For example, if a comptroller object range is specified, the report will only contain comptroller object codes within the range; thus, no balance sheet accounts appears because comptroller object codes are not posted to balance sheet accounts.

```

TEXAS SD64          UNIFORM STATEWIDE ACCOUNTING SYSTEM      MM/DD/YY 07:03 AM
LINK TO:           REPORT CONTROL PROFILE                  PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
REPORT ID: DAFR8910 INTERFUND/INTERAGENCY ACTIVITY REPORT
REQUESTABLE IND: 2 (0=NOT, 1=CENTRALLY, 2=REQUESTABLE BY ALL) CONF: N
PRINT REMOTE IND: Y (Y=YES, N=NO) PRINTER TYPE: H (L=LOW, M=MEDIUM, H=HIGH)
INTERVAL OPTIONS  (R=REQUIRED, O=OPTIONAL, N=NOT ALLOWED)-
TIMEFRAME -      AP YEAR: N PERIOD: R
FREQUENCY - MMDYY: 0 DAILY: 0 WEEKLY: N MONTHLY: 0 QUARTERLY: N ANNUALLY: 0
LEVEL OPTIONS (N=NOT ALLOWED OR LOW AND HIGH VALUE ALLOWED)-
LO - ORG: 2 PGM: N OBJ: 2 FUND: 0 NACUBO FUND: 0 GL ACCT: 2 GRANT: N PROJ: N
HI - ORG: 2 PGM: N OBJ: 3 FUND: 4 NACUBO FUND: 3 GL ACCT: 3 GRANT: N PROJ: N
SPECIAL SELECTS (R=REQUIRED, O=OPTIONAL, N=NOT ALLOWED)-
AGENCY: R          ORG CODE: N   AE: N   DF: N   PJ: N
PROGRAM CODE: N    NACUBO FUND: 0  AF: N   GL: Y
APPROP FUND: 0     FUND: 0   AB: N   GP: N
COMP OBJECT: 0     AGENCY OBJECT: N AP: N   IV: N
GL ACCT: 0        AGENCY GL ACCT: 0 CC: N   CF: N
GRANT: N          PROJECT: N
SPECIAL SELECT 1: R EDIT: A2 SPECIAL SELECT 2: R EDIT: A1 STATUS CODE: A
EFF START DATE: 06191997 EFF END DATE:          LAST PROC DATE: 06191997

```

The following Report Request Profile (screen 91) will generate a report as shown after these instructions.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM      MM/DD/YY 12:04 PM
LINK TO:           REPORT REQUEST PROFILE                  PROD
ACTION: A(A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
AGENCY: XXX        REQUESTOR: JDOE REPORT ID: DAFR8910 REQUEST NO: 01
APPN YEAR:         PERIOD: 13                            FY: CY FREQUENCY: DAILY
LEVEL - ORG: 2 PROGRAM: OBJECT:3 FUND: 4 NACUBO FUND: 0 GL ACCT: 3
GRANT: PROJECT:
AGENCY GROUP:     CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
AGENCY: XXX          ORG CODE:
PROGRAM CODE:        NACUBO FUND:
APPROP FUND:         FUND:
COMP OBJECT: XXXX-XXXX AGY OBJECT:
GL ACCT: XXXX-XXXX  AGY GL ACCT:
GRANT:              PROJECT:
SPEC SEL 1: I       SPEC SEL 2: G
LST RUN DATE: 19950808 LINES: 0000000 STATUS CODE: A
EFF START DATE: 06131997 EFF END DATE:          LAST PROC DATE: 07241997
Z06 RECORD SUCCESSFULLY RECALLED
PLEASE ENTER FUNCTION
F1-HELP F3-END F4-INTERRUPT F6-PROCESS

```

Using the example above, input the applicable comptroller object and/or GL account, noted on the following page, to run the DAFR8910's needed to verify and submit the USAS and Interagency Activity Certification Form contained in chapter 1. This certification form must be submitted to the Comptroller's office with an original signature and is due when financial notes and applicable schedules are submitted. Agencies are **NOT** required to submit the DAFR8910 reports as in years past.

### **Interagency Activities for Due From's and Due To's**

- For Due From use GL accounts 0282-0284.
- For Due To use GL accounts 1050-1053.

### **Interagency Activities for Transfer In's and Transfer Out's**

- For Transfer In use GL accounts 6010-6011.
- For Transfer Out use GL accounts 6050-6051.

### **Federal Grant Pass-Through Revenues and Expenses**

#### All agencies except for Health Agencies

- Revenue Non-Operating use comptroller objects 3971-3971 and GL accounts 5000-5100
- Revenue Operating use comptroller objects 3978-3978 and GL accounts 5000-5100
- Expenditure Non-Operating use comptroller objects 7971-7971 and GL accounts 5500-5600
- Expenditure Operating use comptroller objects 7978-7978 and GL accounts 5500-5600

#### Health Agencies

- Revenues use comptroller objects 3971-3978 and GL accounts 5000-5100
- Expenditures use comptroller objects 7971-7978 and GL accounts 5500-5600

### **State Grant Pass-Through Revenues or Expenditures**

- Revenue Non-Operating use comptroller objects 3725-3725 and GL accounts 5000-5100
- Revenue Operating use comptroller objects 3842-3842 and GL accounts 5000-5100
- Expenditure Non-Operating use comptroller objects 7614-7614 and GL accounts 5500-5600
- Expenditure Operating use comptroller objects 7615-7615 and GL accounts 5500-5600

It is highly recommended that your agency order at least one report at the levels shown to perform analysis at the detail level. Your agency must also make corrections if errors are discovered in the Agency and Fund Information (Agency GL field). The financial reporting section relies on this information during CAFR preparation.

After it is determined that activity is accurate and reasonable, the information used to prepare the AFR may be obtained using multiple requests with special selects that will use less paper. For Combining Statement level information, such as for Combining Balance Sheet – All General Fund and Consolidated Funds, order the report at fund level **3** (the GAAP fund level). For Combined Statement level information, such as the Combined Balance Sheet, order the report at fund level **2** (the GAAP fund type level).



## General Ledger Fund Detail Trial Balance (DAFR8920)

### Report Request Example:

The Report Request Profile (screen 91) shown below will generate a General Ledger Fund Detail Trial Balance at the D23 fund level. An example of this report at this fund level can be found on the following page. This is the fund level at which system clearing (general ledger account 9999) **must** equal zero.

TEXAS S091	UNIFORM STATEWIDE ACCOUNTING SYSTEM	MM/DD/YY 02:41 PM
LINK TO:	REPORT REQUEST PROFILE	PROD
ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
AGENCY: XXX	REQUESTOR: JDOE	REPORT ID: DAFR8920 REQUEST NO: 01
APPN YEAR:	PERIOD: 13	FY: CY FREQUENCY: MDDYYYY
LEVEL -	ORG: 2 PROGRAM: OBJECT: FUND: 4 NACUBO FUND: 0 GL ACCT: 3	
	GRANT: PROJECT:	
AGENCY GROUP:	CONFIDENTIAL INFO: N ( P,T,B,N )	
SPECIAL SELECTS -		
AGENCY: XXX	ORG CODE:	
PROGRAM CODE:	NACUBO FUND:	
APPROP FUND:	FUND:	
COMP OBJECT:	AGY OBJECT:	
GL ACCT:	AGY GL ACCT:	
GRANT:	PROJECT:	
SPEC SEL 1: C	SPEC SEL 2: G	
LST RUN DATE:	LINES:	STATUS CODE: A
EFF START DATE: 08011996	EFF END DATE:	LAST PROC DATE:
Z01 RECORD SUCCESSFULLY ADDED		
PLEASE ENTER FUNCTION		
F1-HELP	F3-END	F4-INTERRUPT F6-PROCESS

- A.** To request general ledger fund detail at the D23 fund and Comptroller GL level.

LEVEL -	ORG: 2 PROGRAM: OBJECT: FUND: 4 NACUBO FUND: 0 GL ACCT: 3
SPEC SEL 1: C	SPEC SEL 2: G

- B.** To request general ledger fund detail at the D23 fund and agency GL level.

LEVEL -	ORG: 2 PROGRAM: OBJECT: FUND: 4 NACUBO FUND: 0 GL ACCT: 4
SPEC SEL 1: C	SPEC SEL 2: G

### USAS Tip

When the Spec Sel 1 field is left blank, the debit and credit columns of the report displays activity for the selected month. Cumulative year-to-date activity in those columns are displayed if a **C** is entered. The Spec Sel 2 field should be set to **G** for the GAAP reporting structure.

**Attention:** The DAFR8930—General Ledger Detail Report is available. This report gives transaction code level detail by GL account. More specifics about this DAFR's features can be found by viewing the Report Control Profile (screen D64) and News/Help Table (screen 90), or referring to the *USAS Reports Guide*.

The Report Request Profile (screen 91) shown below generates a General Ledger Fund Detail Trial Balance that should agree with the AFR figures at the GAAP fund (screen D24) level/appropriated fund (screen D22) level and the Comptroller GL account level. A report requested at this fund level should agree with the **Combining Statement** in the AFR.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM          MM/DD/YY 02:44 PM
LINK TO:           REPORT REQUEST PROFILE                                PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

          AGENCY: XXX          REQUESTOR: JDOE          REPORT ID: DAFR8920 REQUEST NO: 02
          APPN YEAR:          PERIOD: 13          FY: CY FREQUENCY: MMDDYYYY

LEVEL -   ORG: 2 PROGRAM:   OBJECT:   FUND: 3 NACUBO FUND: 0 GL ACCT: 3
          GRANT:   PROJECT:
AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
          AGENCY: XXX
PROGRAM CODE:          NACUBO FUND:
          APPROP FUND:          FUND:
          COMP OBJECT:          AGY OBJECT:
          GL ACCT:          AGY GL ACCT:
          GRANT:          PROJECT:
          SPEC SEL 1: C          SPEC SEL 2: G
LST RUN DATE:          LINES:          STATUS CODE: A
EFF START DATE: 08011996 EFF END DATE:          LAST PROC DATE:
Z01 RECORD SUCCESSFULLY ADDED
PLEASE ENTER FUNCTION
F1-HELP   F3-END   F4-INTERRUPT   F6-PROCESS

```

The Report Request Profile (screen 91) shown below will generate a General Ledger Fund Detail Trial Balance that should agree with the AFR amounts at the GAAP fund type (screen D21) level and Comptroller GL Account level. A report requested at this fund level should agree with the **Combined Statement** in the AFR.

```

TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM          MM/DD/YY 02:47 PM
LINK TO:           REPORT REQUEST PROFILE                                PROD

ACTION: A (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

          AGENCY: XXX          REQUESTOR: JDOE          REPORT ID: DAFR8920 REQUEST NO: 03
          APPN YEAR:          PERIOD: 13          FY: CY FREQUENCY: MMDDYYYY

LEVEL -   ORG: 2 PROGRAM:   OBJECT:   FUND: 2 NACUBO FUND: 0 GL ACCT: 3
          GRANT:   PROJECT:
AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
          AGENCY: XXX
PROGRAM CODE:          NACUBO FUND:
          APPROP FUND:          FUND:
          COMP OBJECT:          AGY OBJECT:
          GL ACCT:          AGY GL ACCT:
          GRANT:          PROJECT:
          SPEC SEL 1: C          SPEC SEL 2: G
LST RUN DATE:          LINES:          STATUS CODE: A
EFF START DATE: 08011996 EFF END DATE:          LAST PROC DATE:
Z01 RECORD SUCCESSFULLY ADDED
PLEASE ENTER FUNCTION
F1-HELP   F3-END   F4-INTERRUPT   F6-PROCESS

```

DAFR8920 02 13 FND1 RJE 2(ORG) ( ) ( ) 4(FND) 0(NAC) 3(GLA) ( ) ( ) USAS  
 CYCLE: MM/DD/YY 23:52 3898 RUN DATE: MM/DD/YY TIME: 01:23 31 CFY: CY CFM: 10 LCY: PY LCM: CY FICHE: XXX  
 (AGY) XXX (ORG) (PRG) (NAC) (APP) (FND) (COB) (AOB) (GLA)  
 (AGL) (GRT) (PRJ) (SS1)C (SS2)G

COMPTRROLLER - STATE FISCAL (XXX)  
 GENERAL LEDGER FUND DETAIL TRIAL BALANCE REPORT

PERCENT OF YEAR ELAPSED: 100%  
 REPORT PERIOD= ADJUSTMENT FY= CY

\*\*\*\*\*PAGE 1

GAAP FUND GROUP  
 GAAP FUND TYPE  
 GAAP FUND  
 FUND 0003 TITLE NOT ON FILE

\*\*\*\*\*

GP	GLA	GL	NRM	GL	AGY	CT	CLS	ACCT	BAL	ACCT	TC	TITLE	BEGINNING BALANCE	DEBIT	CREDIT	ENDING BALANCE
01	004	0045	D									403 CASH TRANSFER-IN	47,956.21	.00	.00	47,956.21
												404 CASH TRANSFER-OUT	47,653.28-	.00	.00	47,653.28
												691 FACTS - COLLECTION OF REV	302.93-	.00	.00	302.93
*COMP	GL	ACCT				0045						CASH IN STATE TREASURY	.00	.00	.00	.00
01	004	0047	D									628 GENERIC DEBIT ACT-TRANSFE	47,653.28	.00	.00	47,653.28
												629 GENERIC CREDIT ACT-TRANSF	47,956.21-	.00	.00	47,956.21
												644 REAL GL DEBIT ACTIVITY-GE	908.79	.00	.00	908.79
												645 REAL ACCOUNT CREDIT ACTIV	605.86-	.00	.00	605.86
*COMP	GL	ACCT				0047						SHARED CASH	.00	.00	.00	.00
01	004	0048	D									629 GENERIC CREDIT ACT-TRANSF	.00	.00	.00	.00
*COMP	GL	ACCT				0048						LEGISLATIVE CASH	.00	.00	.00	.00
*GLA	CLASS					004						CA CASH IN STATE TREASURY	.00	.00	.00	.00
*GL	ACCT	CAT				01						CURRENT ASSETS	.00	.00	.00	.00
51	620	2240	C									009 ADJUST REVENUE BUDGET	.00	.00	.00	.00
												350 CLOSE REV/EXP SUMMARY DR	.00	.00	.00	.00
												351 CLOSE REV/EXP SUMMARY CR	.00	.00	.00	.00
												403 CASH TRANSFER-IN	47,956.21-	.00	.00	47,956.21
												404 CASH TRANSFER-OUT	47,653.28	.00	.00	47,653.28
												628 GENERIC DEBIT ACT-TRANSFE	47,653.28-	.00	.00	47,653.28
												629 GENERIC CREDIT ACT-TRANSF	47,956.21	.00	.00	47,956.21
												644 REAL GL DEBIT ACTIVITY-GE	302.93	.00	.00	302.93
												645 REAL ACCOUNT CREDIT ACTIV	302.93-	.00	.00	302.93
												691 FACTS - COLLECTION OF REV	.00	.00	.00	.00
												695 PY APPROPRIATION REVENUE	.00	.00	.00	.00
*COMP	GL	ACCT				2240						FB-UNRESERVED-UNDESIGNATED-OTH	.00	.00	.00	.00



## Detail Account Activity by Fund (DAFR8680)

For agencies that use the T-Codes that do not allow the AGL or for agencies that have failed to record the AGL on pass-through transactions, corrections **must** be made to ensure that the proper AGL information is recorded. The DAFR8680 report should be requested monthly to give the agency the document level detail for their pass-through transactions. For more detail, refer to the Pass-Through section in chapter 5. The items with blank AGLs will appear at the top of the report. These will be the items that will appear on the DAFR8910 report with an **NP** in the pass-through section.

**Note:** This report is ordered at the fourth GL level in order to reflect the AGL information.

This example is specifically limited to Federal pass-through expenditure object 7971, but an agency may have to make multiple requests to be able to receive information on all of the pass-through comptroller object code/GL account combinations. This report only gives one month's activity at a time; thus, if your agency has not run these on a monthly basis and wants to catch up, your agency must set up a separate request for each month that was missed.

```

TEXAS S091      UNIFORM STATEWIDE ACCOUNTING SYSTEM      MM/DD/YY 12:04 PM
LINK TO:      REPORT REQUEST PROFILE      PROD

ACTION: A(A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

      AGENCY: XXX      REQUESTOR: JOE      REPORT ID: DAFR8680      REQUEST NO: 01
      APPN YEAR:      PERIOD: 01      FY: CY      FREQUENCY:MONTHLY

LEVEL -  ORG:  PROGRAM:0  OBJECT:3  FUND: 4  NACUBO FUND:  GL ACCT: 4
      GRANT:  PROJECT:

AGENCY GROUP:      CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX
PROGRAM CODE:      ORG CODE:
      APPROP FUND: 0001      NACUBO FUND:
      COMP OBJECT: 7971      FUND: 0001
      GL ACCT: 5500      AGY OBJECT:
      GRANT:      AGY GL ACCT:
      SPEC SEL 1:      PROJECT:
      SPEC SEL 2:

LST RUN DATE: 19950808  LINES: 0000000      STATUS CODE: A
EFF START DATE: 06131997  EFF END DATE:      LAST PROC DATE: 07241997
Z06 RECORD SUCCESSFULLY RECALLED
PLEASE ENTER FUNCTION
F1-HELP      F3-END      F4-INTERRUPT      F6-PROCESS

```

## Sample Process for Reconciling USAS to Agency Financial Information

The process agencies use to reconcile their agency financial information to USAS may vary, but the final result must be:

- Your agency's financial information is reconciled to USAS in accordance with the elements stated previously.

The following procedure is one way to accomplish the task of reconciling the agency financial information to USAS. This is **NOT** the required way to reconcile to USAS, but an example of how to reconcile (for our purposes, Agency Z will be used in this example).

### Step 1 – Order USAS Financial Reports

---

After accounts payable, encumbrances, revenue accruals and any other known adjustments have been entered into USAS, Agency Z orders USAS reports contained in the **Ordering USAS Financial Reports** section of this chapter. Agency Z uses these reports to complete a USAS reconciliation work sheet. (See blank work sheet on following pages.)

### Step 2 – Enter USAS Information Into Worksheet

---

Using either the DAFR8920 report or the DAFR8580 report, Agency Z enters the USAS Balance Sheet/Statement of Net Assets information into the USAS column of the worksheet. Agency Z enters debit balances as positive numbers and credit balances as negative numbers. Also, the numbers on the GL Detail Fund Trial Balance are signed in this same format.

**Attention:** Remember that the operating statement activity impact to fund balance is now shown on the DAFR8580 in the post-closing fund balance general ledger account. The Total Increase/Decrease to Fund Balance on the work sheet should be considered when calculating any adjustments to fund balance G/L accounts.

Using DAFR8590, Agency Z enters USAS operating statement activity into the worksheet, Agency Z enters debit amounts as positive numbers and credit amounts as negative numbers. The numbers on the operating statement are signed with all positives except for the other financing sources/uses section and the other changes to fund balance section. In these two sections, increases to fund balance are shown as positives and decreases to fund balance are shown as negatives.

The USAS Trial Balance check figure should be zero after data entry of this column is complete.

### Step 3 – Enter Agency Financial Information Into Worksheet

---

As figures are calculated for balance sheet items, Agency Z enters the desired adjusted balances into the worksheet. Agency Z enters the debit amounts as positive and the credit amounts as negative. The check figure at the bottom of the balance sheet section should be zero for the agency financial information column as a way for Agency Z to check that the balance sheet is in balance. The Ending Fund Balance amount from the operating statement portion must equal the Total Fund Equity section of the balance sheet. Once all the agency financial amounts are entered, Agency Z's balance sheet should be in balance and the Fund Balance on the operating statement and balance sheet should tie.

---

## Step 4 – Analyze the Adjustment Amount Column

When making entries based on the adjustment amount column, the Comptroller's office recommends using non-generic T-Codes for data integrity purposes. These T-Codes are consistent with the vision of USAS and the direction which edits and policies take. Internal agencies must adjust at a detail level of information and should use the T-Codes as recommended in the accrual and adjustment sections of this guide. After all non-generic T-Codes have been exhausted for use in adjusting a balance, generic T-Codes can then be considered for any remaining adjustment needed.

---

**Attention: Before assuming that a generic T-Code is appropriate to use, agencies should consider several factors.** Appropriation information, the ABEST Reconciliation and the Cash Report need to be considered when choosing a T-Code for adjustments on a GAAP basis. **Generic T-Codes are acceptable for adjusting financial information; however, they do not post balance types, which means they are not reflected in the appropriation information on the Appropriation (AP) table.**

---

If an agency has presented a break-out of the ending fund balance on its AFR, an entry may need to be made to the GL 2240 Fund Balance account. See the **Allocation of Fund Balance** and the **Fund Balance** sections in **Chapter 3 – Requirements for Financial Statement Accounts** for an explanation of allocating fund balance and how operating activity closes to fund balance.

---

## Step 5 – Prepare Data Entry Documentation

Once it is determined which entries are required, Agency Z's data entry documentation can be prepared for this fund. Agency Z uses the operating statement ordered at object level 3 and the specific sections on adjustments to determine which comptroller object code to use on transactions. Comptroller object code roll-ups are included on operating statements or an online inquiry may be done using the Comptroller Object Selection (screen 79) by entering the AY and the desired beginning comptroller object code range. For additional detail on expenditures at the comptroller object code level by PCA, the DAFR8700 may be requested.

---

## Step 6 – Verify the Effect of the Adjustments

After the entries have successfully posted in USAS, Agency Z orders the applicable reports again and verifies that system clearing is zero or views the information online using the General Ledger Summary Inquiry (screen 56). If the reports do not properly reflect financial information, Agency Z completes another spreadsheet and repeats the process.

---

## Step 7 – Other Information

The sample USAS reconciliation work sheet is shown on the following pages. A separate reconciliation worksheet should be completed for each GAAP fund. The worksheet is not all inclusive so the agency may need to add or delete applicable line items depending on the GAAP fund/GAAP fund type being reconciled.

## USAS Reconciliation Worksheet For Governmental Funds

Fund XXXX (Debits +/- Credits -) G/L Account Description	Amount per USAS	Amount per Agency Financial Information	Adjustment Amount
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents			
Cash on Hand			
Cash in Bank			
Cash in Transit/Reimburse from Treasury			
Cash in State Treasury			
Cash Equivalents			
Securities Lending Collateral			
Short Term Investments			
Restricted:			
Cash and Cash Equivalents			
Cash on Hand			
Cash in Bank			
Cash in Transit/Reimburse from Treasury			
Cash in State Treasury			
Cash Equivalents			
Short Term Investments			
Legislative Appropriations			
Investments			
Receivables from:			
Federal			
Other Intergovernmental			
Interest and Dividends			
Accounts Receivable			
Taxes			
Other			
Interfund Receivable			
Due From Other Funds			
Due From Other Agencies			
Consumable Inventories			
Merchandise Inventories			
Deferred Charges			
Loans and Contracts			
Other Current Assets			
Total Current Assets			
Non-Current Assets:			
Restricted:			
Cash and Cash Equivalents			
Cash on Hand			
Cash in Bank			
Cash in Transit/Reimburse from Treasury			
Cash in State Treasury			
Cash Equivalents			
Short Term Investments			
Receivables			
Investments			
Loans and Contracts			
Other Assets			
Loans and Contracts			
Investments			
Interfund Receivables			
Other Non-Current Assets			
Total Non-Current Assets			
Total Assets			

## USAS Reconciliation Worksheet For Governmental Funds (continued)

Fund XXXX (Debits +/- Credits -) G/L Account Description	Amount per USAS	Amount per Agency Financial Information	Adjustment Amount
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Current Liabilities:			
Payables From:			
Accounts			
Federal			
Other Intergovernmental			
Payroll			
Other			
Interfund Payable			
Due To Other Funds			
Due To Other Agencies			
Deferred Revenues			
Notes and Loans Payable			
Revenue Bonds Payable			
General Obligation Bonds Payable			
Claims and Judgments			
Employees' Compensable Leave			
Capital Lease Obligations			
Liabilities Payable from Restricted Assets			
Obligations/Reverse Purchase Agreement			
Obligations Under Securities Lending			
Funds Held For Others			
Total Current Liabilities			
Non-Current Liabilities:			
Interfund Payables			
Notes and Loans Payable			
Revenue Bonds Payable			
General Obligation Bonds Payable			
Claims and Judgments			
Employees' Compensable Leave			
Capital Lease Obligations			
Liabilities Payable from Restricted Assets			
Assets Held for Others			
Other Non-Current Liabilities			
Total Non-Current Liabilities			
Total Liabilities			
Fund Balances (Deficits):			
Reserved for			
Encumbrances			
Inventories			
Imprest			
Debt Service			
Loans and Contracts			
Other			
Public Finance Authority			
Unreserved/Designated for			
Other			
Permanent Health Fund			
Undesignated			
Total Fund Balances			

**USAS Reconciliation Worksheet For Governmental Funds (continued)**

Fund XXXX (Debits +/- Credits -) G/L Account Description	Amount per USAS	Amount per Agency Financial Information	Adjustment Amount
Total Liabilities and Fund Balances			
<b>REVENUES (5000, 5001, 5100)</b>			
Legislative Appropriations			
Original Appropriations (GR)			
Additional Appropriations (GR)			
Taxes (GR)			
Federal Revenue (PR - Operating or Capital)			
Federal Grant Pass-Through Revenue (GR)			
State Grant Pass-Through Revenue (GR)			
Liscense, Fees and Permits (PR)			
Contribution to Employee's Benefit Funds (PR)			
Interest and Other Investment Income (PR)			
Interest and Other Investment Income (GR)			
Net Increase (Decrease) in Fair Value (PR)			
Net Increase (Decrease) in Fair Value (GR)			
Land Income (PR)			
Settlement of Claims (PR)			
Settlement of Claims (GR)			
Sales of Goods and Services (PR)			
Other (PR – Chg for Serv, Operating or Capital)			
Other (GR)			
Total Revenues			
(GR) = general Revenue (PR) = Program Revenue			
<b>EXPENDITURES/EXPENSES</b>			
Salaries and Wages			
Payroll Related Costs			
Professional Fees and Services			
Travel			
Materials and Supplies			
Communication and Utilities			
Repairs and Maintenance			
Rentals and Leases			
Claims and Judgments			
Federal Grant Pass-Through Expenditures			
State Grant Pass-Through Expenditures			
Intergovernmental Payments			
Public Assistance Payments			
Employee Benefit Payments			
Other Expenditures			
Debt Service:			
Principal			
Interest (FFS)			
Interest on Long-Term Debt (GWFS)			
Other Payments for Refunding			
Capital Outlay			
Depreciation Expense			
Total Expenditures/Expenses			
Excess (Deficiency) of Revenues over Expenditures/Expenses			
<b>OTHER FINANCING SOURCES (USES) (6010, 6011, 6013, 6050, 6051, 6035, 6053, 6077)</b>			
Bond and Note Proceeds			
Increase in Obligations Under Capital Leases			
Sale of Capital Assets			
Transfer In			
Transfer Out			
Legislative Transfer In			
Legislative Transfer Out			

**USAS Reconciliation Worksheet For Governmental Funds (continued)**

<b>Fund XXXX (Debits +/- Credits -) G/L Account Description</b>	<b>Amount per USAS</b>	<b>Amount per Agency Financial Information</b>	<b>Adjustment Amount</b>
Gain (Loss) on Sale of Capital Assets			
Increase (Decrease) in Net Assets Due to Interagency Transfer			
Total Other Financing Sources (Uses)			
<b>SPECIAL ITEMS</b>			
Proceeds from Sale of Park Land			
<b>EXTRAORDINARY ITEMS</b>			
Natural Disaster-Hurricane			
Net Change in Fund Balances/Net Assets			
<b>Fund Financial Statement - Fund Balances</b>			
Fund Balances, September 1, 20PY			
Restatements			
Fund Balances, September 1, 20PY, as Restated			
Appropriations Lapsed			
Fund Balances, August 31, 20CY			







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# Chapter 12 – Annual Financial Report Checklist and Review

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## Checklist – Order of *Annual Financial Report*

Use the following outline to sequence the required exhibits, notes, supplemental schedules and other information in the *Annual Financial Report*. The intent is to locate all material that is used for the *State of Texas Comprehensive Annual Financial Report*. Place all other reported information either before or after the material listed below. You can also use the outline to check the completeness and accuracy of the *Annual Financial Report*.

**Attention:** This outline lists each statement, schedule and financial statement note that an agency might possibly use. If your agency does not have activity for some of the statements or schedules, do not include them in your report. Include only those items that relate to your agency's operations. **For the financial statement notes, use the same number sequence as shown and indicate in the report "Not Applicable (N/A)" for any note that does not apply to your agency.**

### I. *Annual Financial Report Contents*

Have the following been prepared? (if appropriate for your agency)

- \_\_\_ A. Letter of Transmittal (All agencies, including extract agencies, must have a letter of transmittal)
- \_\_\_ B. Table of Contents
- \_\_\_ C. Exhibit I – Combined Balance Sheet/Statement of Net Assets – Governmental Funds
- \_\_\_ D. Exhibit II – Combined Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities – Governmental Funds
- \_\_\_ E. Exhibit III – Combined Statement of Net Assets – Proprietary Funds
- \_\_\_ F. Exhibit IV – Combined Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds
- \_\_\_ G. Exhibit V – Combined Statement of Cash Flows – Proprietary Funds
- \_\_\_ H. Exhibit VI – Combined Statement of Fiduciary Net Assets
- \_\_\_ I. Exhibit VII – Combined Statement of Changes in Fiduciary Net Assets
- \_\_\_ J. Notes to the Financial Statements

(Use the same number sequence and indicate in the report "Not Applicable (N/A)" where appropriate)

- \_\_\_ 1. Summary of Significant Accounting Policies
- \_\_\_ 2. Capital Assets
- \_\_\_ 3. Deposits, Investments, and Repurchase Agreements
- \_\_\_ 4. Short-Term Debt
- \_\_\_ 5. Summary of Long-Term Liabilities
- \_\_\_ 6. Capital Leases
- \_\_\_ 7. Operating Leases
- \_\_\_ 8. Interfund Balances/Activities (See **Chapter 5 – Interfund Requirements for Annual Financial Reports** for optional versus required Note 8 presentation.)
- \_\_\_ 9. Contingent Liabilities
- \_\_\_ 10. Continuance Subject to Review
- \_\_\_ 11. Risk Financing and Related Insurance
- \_\_\_ 12. Segment Information
- \_\_\_ 13. Bonded Indebtedness
- \_\_\_ 14. Subsequent Events
- \_\_\_ 15. Related Parties
- \_\_\_ 16. Stewardship, Compliance and Accountability

- \_\_\_ 17. The Financial Reporting Entity and Joint Ventures – Have you analyzed potential component units and related organizations for inclusion/mention in accordance with GASB 14 and GASB 39?
- \_\_\_ 18. Restatement of Fund Balances/Net Assets
- \_\_\_ 19. Employee Retirement Plans (administering agencies only)
- \_\_\_ 20. Deferred Compensation (administering agencies only)
- \_\_\_ 21. Donor-Restricted Endowments
- \_\_\_ 22. Management Discussion and Analysis
- \_\_\_ 23. Post-Employment Healthcare and Life Insurance Benefits (UT, A&M, TRS and ERS only)
- \_\_\_ 24. Special or Extraordinary Items
- \_\_\_ 25. Disaggregation of Receivable and Payable Balances
- \_\_\_ 26. Termination Benefits
  
- \_\_\_ K. Exhibit A-1 – Combining Balance Sheet – All General and Consolidated Funds
- \_\_\_ L. Exhibit A-2 – Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All General and Consolidated Funds
- \_\_\_ M. Exhibit B-1 – Combining Balance Sheet – Special Revenue Funds
- \_\_\_ N. Exhibit B-2 – Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds
- \_\_\_ O. Exhibit C-1 – Combining Balance Sheet – Debt Service Funds
- \_\_\_ P. Exhibit C-2 – Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Service Funds
- \_\_\_ Q. Exhibit D-1 – Combining Balance Sheet – Capital Projects Funds
- \_\_\_ R. Exhibit D-2 – Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Capital Projects Funds
- \_\_\_ S. Exhibit E-1 – Combining Balance Sheet – Permanent Funds
- \_\_\_ T. Exhibit E-2 – Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Permanent Funds
- \_\_\_ U. Exhibit F-1 – Combining Statement of Net Assets – Proprietary Funds
- \_\_\_ V. Exhibit F-2 – Combining Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds
- \_\_\_ W. Exhibit F-3 – Combining Statement of Cash Flows – Proprietary Funds
- \_\_\_ X. Exhibit G-1 – Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds
- \_\_\_ Y. Exhibit G-2 – Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds
- \_\_\_ Z. Exhibit H-1 – Combining Statement of Fiduciary Net Assets – External Investment Trust Funds
- \_\_\_ AA. Exhibit H-2 – Combining Statement of Changes in Fiduciary Net Assets – External Investment Trust Funds
- \_\_\_ BB. Exhibit I-1 – Combining Statement of Fiduciary Net Assets – Private-Purpose Trust Funds
- \_\_\_ CC. Exhibit I-2 – Combining Statement of Changes in Fiduciary Net Assets – Private-Purpose Trust Funds
- \_\_\_ DD. Exhibit J-1 – Combining Statement of Changes in Assets and Liabilities – Agency Funds
- \_\_\_ EE. Exhibit K-1 – Combining Balance Sheet/Statement of Net Assets – Discretely Presented Governmental Component Units

- \_\_\_ FF. Exhibit K-2 – Combining Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities – Discretely Presented Governmental Component Units
- \_\_\_ GG. Exhibit L-1 – Combining Statement of Net Assets – Discretely Presented Proprietary Component Units
- \_\_\_ HH. Exhibit L-2 – Combining Statement of Revenues, Expenses and Changes in Net Assets – Discretely Presented Proprietary Component Units
- \_\_\_ II. Supplementary Schedules

Supplementary schedules provide financial information or other data in tabular format. This information is not necessary for a fair financial presentation in accordance with Generally Accepted Accounting Principles, but is presented to either meet legislative requirements (state or federal) or for informative or analytical purposes. See **Chapter 8 – Requirements for Schedules to the Financial Statements** for examples of Schedules.

- \_\_\_ 1. Schedule 1A – Schedule of Expenditures of Federal Awards. This is a requirement of the Office of Management and Budget Circular No. A-133.
- \_\_\_ 2. Schedule 1B – Schedule of State Grant Pass-Throughs From/To State Agencies
- \_\_\_ 3. Schedule 2A – Miscellaneous Bond Information
- \_\_\_ 4. Schedule 2B – Changes in Bonded Indebtedness
- \_\_\_ 5. Schedule 2C – Debt Service Requirements – General Obligation and Revenue Bonds
- \_\_\_ 6. Schedule 2D – Analysis of funds Available for Debt Service – General Obligation and Revenue Bonds
- \_\_\_ 7. Schedule 2E – Defeased Bonds Outstanding
- \_\_\_ 8. Schedule 2F – Early Extinguishment and Refunding
- \_\_\_ 9. Schedule 3 – Reconciliation of Cash in State Treasury (HE only)
- \_\_\_ 10. Schedule 5A – Annual Pension Cost and Net Pension Obligation/(Asset)
- \_\_\_ 11. Schedule 5B – Retirement Systems’ Membership
- \_\_\_ 12. Schedule 5C – Funding Information, Actuarial Methods, and Assumptions
- \_\_\_ 13. Schedule 5D – Schedule of Funding Progress
- \_\_\_ 14. Schedule 5E – Three-Year Trend Information
- \_\_\_ 15. Other schedules as desired by each agency to supplement and amplify the general purpose financial statements.
- \_\_\_ 16. ADDENDA – Supplementary comments in narrative form that are not necessary for a fair financial presentation in accordance with Generally Accepted Accounting Principles, but which are presented for informative or analytical purposes can be added in an addendum. Information which might be of interest to readers includes:
  - \_\_\_ a. Historical background related to the agency
  - \_\_\_ b. Pertinent data related to board or commission members serving at balance sheet date
  - \_\_\_ c. Commentary describing functions and activities of agency programs and/or divisions
  - \_\_\_ d. List of administrative and key personnel
  - \_\_\_ e. Organization chart

## II. Format Review – Hard Copy AFR

- A. Do all totals foot and cross-foot?
- B. Do all figures agree with the agency's internal system(s) either directly or via working papers?
- C. Do the financial statements include a reference (where applicable) to the Notes to the Financial Statements?
- D. Is the agency's legal name correctly stated on the cover page and is the agency name and agency number printed on each statement, each page of the notes and each schedule heading?
- E. Are the legal fund names and appropriated fund and USAS D23 fund number(s) correctly stated on the statements and schedules?
- F. Do the statement titles agree with the titles listed in the Annual Financial Reporting Requirements?
- G. Are the page numbers correct in the table of contents?
- H. Are the name and phone number of the individual to contact about the report included in the transmittal letter?
- I. If the report is not audited, have you communicated that the report is not audited?
  - 1. Have you placed the word "UNAUDITED" clearly and conspicuously at the top center of each page?
  - 2. Does the letter of transmittal state that the report has not been audited by the State Auditor's Office and, therefore, no opinion has been expressed on it?
  - 3. If you have plans to release to any third parties excerpts of information from your report that references the State Auditor's Office, have you received prior written approval from the Auditor's Office?
- J. If the report is audited, does your transmittal letter indicate an opinion has been expressed on the financial statements?

## III. Combined and Combining Balance Sheets – Governmental Funds

- A. Do the account titles match the USAS General Ledger Class titles?
- B. Do total assets equal total liabilities and fund balance?
- C. Are Legislative Appropriations appearing only in the General Revenue fund (Appropriated fund 0001)?
- D. Does the total of the asset account Consumable Inventories/Merchandise Inventories equal Fund Balance Reserved for Consumable Inventories/Merchandise Inventories, respectively?
- E. Does the total of Imprest/Petty/Travel Cash account equal the amount in the bank balance?
- F. Does Total Fund Balance equal ending Fund Balance on the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund Types?
- G. Is Securities Lending Collateral presented as a separate line on the balance sheet?
- H. If you have presented Due From/To Balances on the balance sheet, have you ensured the DAFR8910 has correct AGL information and supports these numbers?
- I. If you have presented Interfund Receivables/Payables on the balance sheet, have you included a detailed schedule supporting these numbers in Note 8 listing the agency and D23 fund numbers (AGL)?

## IV. Combined and Combining Statements of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds

- A. Do the account titles match the USAS Governmental GAAP Source?
- B. Are the ending fund balance figures referenced to and in agreement with the total fund balance on the balance sheet?
- C. Do the beginning fund balances agree with the prior year audited ending fund balances listed in chapter 13 of these Reporting Requirements?

- D. Does net legislative appropriations revenue (including additions/reductions) appear only in the General Revenue fund (Appropriated fund 0001)?
- E. Have transfers been labeled according to the USAS Governmental GAAP Source and matched to the DAFR8910 with the correct AGL information (agency and D23 fund number)?

**V. Combined and Combining Statements of Net Assets – Proprietary Funds**

- A. Do the account titles match the USAS General Ledger Class titles?
- B. Do Total Assets equal Total Liabilities plus Total Net Assets?
- C. Does Total Net Assets equal ending Net Assets on the Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds?
- D. Is Securities Lending Collateral presented as a separate line on the Statement of Net Assets?
- E. If you have presented Due From/To Balances on the balance sheet, have you ensured the DAFR8910 has correct AGL information and supports these numbers?
- F. If you have presented Interfund Receivables/Payables on the balance sheet, have you included a detailed schedule supporting these numbers in Note 8 listing the Agency and D23 fund numbers (AGL)?

**VI. Combined and Combining Statements of Revenues, Expenses and Changes in Net Assets – Proprietary Funds**

- A. Do the account titles match the USAS Proprietary GAAP Source?
- B. Are the ending Net Asset balances referenced to and in agreement with the total Net Assets on the Combining Statement of Net Assets – Proprietary Funds?
- C. Do the beginning Net Asset balances agree with the prior year audited ending Net Asset balances listed in chapter 13 of these Reporting Requirements?
- D. Have transfers been labeled according to the USAS Governmental GAAP Source and matched to the DAFR8910 with the correct AGL information? (Agency and D23 fund number)

**VII. Combined and Combining Statements of Cash Flows**

- A. Have you used line items similar to Exhibit V and F-3 in chapter 9, for the Statement of Cash Flows?
- B. Does Operating Income (Loss) agree with Operating Income (Loss) shown on the Combined and Combining Statement of Revenues, Expenses and Changes in Net Assets – Proprietary funds?
- C. Does the beginning balance for Cash and Cash Equivalents agree to the prior year audited ending balance listed in chapter 13 of these Reporting Requirements?
- D. Does the amount for Cash and Cash Equivalents equal the amounts included on the Statement of Net Assets – Proprietary Funds?
- E. Does the amount shown for net cash provided by operating activities equal the net figure from the reconciliation of operating income to net cash provided by operating activities?
- F. Are any non-cash investing, capital and financing activities presented below the reconciliation?
- G. Has the direct method of reporting net cash flow from operating activities been used in preparing the exhibit?
- H. Are the increases/decreases in the reconciliation section supported by documentation?

**VIII. Combined and Combining Statements of Fiduciary Net Assets – Fiduciary Funds**

- A. Do the account titles match the USAS General Ledger Class titles?
- B. Do Total Assets equal Total Liabilities plus Net Assets?
- C. Does Total Net Assets equal ending Net Assets on the Statement of Changes in Fiduciary Net Assets – Fiduciary Funds?
- D. Are the principal components of investments presented on the Statement of Fiduciary Net Assets?
- E. Is Securities Lending Collateral presented as a separate line on the Statement of Fiduciary Net Assets?
- F. If you have presented Due From/To Balances on the Statement of Fiduciary Net Assets, have you ensured the DAFR8910 has correct AGL information and supports these numbers?
- G. If you have presented Interfund Receivables/Payables on the Statement of Fiduciary Net Assets, have you included a detailed schedule supporting these numbers in Note 8 listing the agency and D23 fund numbers (AGL)?

**IX. Combined and Combining Statements of Changes In Fiduciary Net Assets – Fiduciary Funds**

- A. Do the account titles match the USAS CNA GAAP Source?
- B. Are the ending Net Asset balances referenced to and in agreement with the total Net Assets on the Combining Statement of Fiduciary Net Assets?
- C. Do the beginning Net Asset balances agree with the prior year audited ending Net Asset balances listed in chapter 13 of these Reporting Requirements?
- D. Have transfers been labeled according to the USAS CNA GAAP Source and matched to the DAFR8910 with the correct AGL information (agency and D23 fund number)?

**X. Combining Statement of Changes in Assets and Liabilities – Agency Funds**

- A. Do the account titles match the USAS General Ledger Account titles?
- B. Do total assets equal total liabilities?

**XI. Notes To The Financial Statements**

- A. Are all the required disclosures included?
- B. Do the numbers included in the notes agree with those in the financial statements?
- C. Have all notes been updated from the prior fiscal year report to reflect changes in statutes, accounting procedures and principles, etc.?
- D. If you have shown interfund receivables/payables on the financial statements, have you included a Note 8 detailing these transactions?
- E. Have you eliminated all interfund receivable and interfund payable for the same amount within the same appropriated fund and fund type?
- F. Have you reclassified to Due From/To all interfund receivable/payable accrued between funds at year end?
- G. Does the agency's name and number appear on each page of the notes?

## **XII. Supplemental Schedules**

- \_\_\_A. Are all required schedules presented?
- \_\_\_B. Do schedule totals agree with the appropriate accounts on the financial statements? (e.g., federal revenues, etc.)

## **XIII. Final Check**

- \_\_\_A. Is your report delivered on or prior to November 20?
- \_\_\_B. Has an agency contact and phone number been provided on the transmittal letter?
- \_\_\_C. Do all Exhibits, Schedules and Footnotes tie?
  - \_\_\_1. Beginning Fund Balances/Net Assets agree to the audited figures presented in chapter 13. Beginning Cash and Cash Equivalents agree to the audited figures presented in chapter 13.
  - \_\_\_2. Ending Fund Balances/Net Assets agree between the Balance Sheet/Statement of Net Assets and the Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Revenues, Expenses and Changes in Net Assets/Statement of Changes in Fiduciary Net Assets.
  - \_\_\_3. Reserve for Inventories must equal inventories included in assets for governmental funds.
  - \_\_\_4. In Note 2, the total for each column of capital assets **must** tie to the appropriate fund type on the Balance Sheet/Statement of Net Assets. Do not round numbers
  - \_\_\_5. In Note 3, Deposits tie to Cash in Bank, Restricted Cash in Bank, or Imprest/Petty Cash-in Bank, if applicable, on the financial statements.
  - \_\_\_6. In Note 8 for Interfund Receivables and Payables, the detail on agency and fund numbers must be presented. The totals by fund type **must** tie to the financial statements.
  - \_\_\_7. Federal Revenue should be reconciled between the Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Revenues, Expenses and Changes in Net Assets/Statement of Changes in Fiduciary Net Assets and the Federal Schedule.
  - \_\_\_8. In Note 6, Capital Leases must include the original capitalized cost on capital leases.
  - \_\_\_9. Legislative Appropriations is reported only in Appropriated fund 0001.
- \_\_\_D. All fund numbers have been included (Appropriated fund and USAS D23 fund).
- \_\_\_E. All references have been made to agencies and D23 fund numbers as necessary for transfers, due from/to, interfund receivables/payables and pass-through funds.

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**Attention:** The following procedures are the actual procedures used by FRS in reviewing an agency's AFR.

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## Fiscal 2007 – Agency Review Procedures for Annual Financial Reports of Simplified Reporting Agencies

Your financial reporting analyst will use the *Fiscal 2007 – Agency Review Procedures for Annual Financial Reports of Simplified Reporting Agencies*, to review your agency's balances in USAS reports before uploading them into the automated CAFR system (GAAPR). Before submitting their closing packages, participating agencies should complete and retain in their AFR work papers, the desk review procedures checklist to ensure all of the requirements are met.

Every schedule, note, USAS entry, and financial statement for the USAS balances must be documented. Remember, solid, sound documentation of working papers, standard tick marks and key explanatory notes are necessary to trace and provide a good audit trail. Complete the checklist and related working papers using the following tick marks:

- √ Compliance
- X Non-compliance
- P Pending

### Section A – Review the GR Reconciliation (Reports: GR201A, 202, 202A, 204, 206)

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- \_\_\_\_ 1. The agency certified a GR reconciliation worksheet via the Internet for all fund types that have Legislative Appropriation balances or activity.
- \_\_\_\_ 2. The GR reconciliation worksheet difference equals zero for each column. If the difference is not zero, verify Calculation II and change the spreadsheet if necessary (this may require USAS entries and an update to the Internet).
- \_\_\_\_ 3. For the Balance Sheet/Statement of Net Assets, the ending Legislative Appropriation balance must equal the GR reconciliation worksheet. If it does not, adjust in USAS the Balance Sheet/Statement of Net Assets GL account 9000 to equal the GR spreadsheet amount per Calculation II, including any corrections that were made in **Step 2**.
- \_\_\_\_ 4. For the operating statement, the following accounts should equal the GR reconciliation worksheet. If they do not agree, make adjustments to the related statement of activities accounts.
  - \_\_\_\_\_ Original Legislative Appropriation Revenue (including any rider amounts)
  - \_\_\_\_\_ Additional Legislative Appropriation Revenue (payroll benefits by line item)
  - \_\_\_\_\_ Lapse Amount
  - \_\_\_\_\_ Legislative Transfers In/Out (agency must eliminate, in USAS, the financial statement impact of Legislative Transfers In/Out within their agency within the same GAAP fund and same GAAP fund type. Viewing the detail on the GR Internet will provide AGL information).
- \_\_\_\_ 5. Column D, line 400100 ties to ERS benefit reports.
- \_\_\_\_ 6. If Column J of the GR reconciliation worksheet does not include the full amount of unemployment per the TWC report, attach a schedule or screen prints to show the other funds that paid the unemployment benefits.

Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_



## Section B – Review of Financial Statements

### Balance Sheet – DAFR 8580

- \_\_\_\_ 1. Cash in State Treasury (GL Accounts 0045, 0047, and 0048) equals the amounts shown per Report 199 Appropriated Fund Cash Balances (D22\_Fund\_Cash query). Agencies should only show CIST for funds where they are the controlling agency.
- \_\_\_\_ 2. Appropriated fund 0001 must not show “Cash in State Treasury.” Legislative Appropriations should be shown rather than CIST. If the DAFR reflects CIST for Appropriated fund 0001, an adjustment must be made to reclassify to Legislative Appropriations if it belongs in FT 01 or to a Due From Agency 902 if it belongs in FT 09.
- \_\_\_\_ 3. Governmental fund types do not report Funds Held for Others.
- \_\_\_\_ 4. There should not be any negative unreserved undesignated fund balances with a positive designated fund balance.
- \_\_\_\_ 5. No category of restricted net assets can be negative.
- \_\_\_\_ 6. For funds 0942 and 0980, Accounts Receivable and Funds Held for Others have been eliminated if the two GL account balances exactly offset each other and there are no other account balances in the fund. Any CIST (positive or negative) in these two funds must be reported.

Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_

### Agency Funds – Fund Type 09 – DAFR 8585

- \_\_\_\_ 1. For Appropriated fund 0001 and Appropriated fund 0882, there is no Cash in State Treasury (CIST) in fund type 09.
- \_\_\_\_ 2. For funds 0900 and 0901, Cash in State Treasury (GL accounts 0045, 0047, and 0048) equals the amounts shown per Report 198 GAAP Agency Fund Cash Balances (D23\_Fund\_Cash). This applies to any other funds with CIST balances per Report 198, as well.
- \_\_\_\_ 3. For funds 0899, 0979, 9010, 9011, and 9012, all CIST GL account balances have been eliminated. These funds are reported entirely by agency 902.

Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_

### Operating Statement – DAFR 8590 and/or 8605

- \_\_\_\_ 1. Beginning Fund Balance per DAFR 8590 agrees to the Prior Fiscal Year Ending Fund Balance in chapter 13 for each GAAP fund.

**Note:** *Any fund balance for a GAAP fund that has changed fund types from the prior year may require a GAAPR adjustment to report the Beginning fund Balance as shown in chapter 13 for an agency with balances extracted from USAS. A GAAPR adjustment to the PY GAAP fund and fund type would credit Beginning Fund Balance (if PY ending balance was a credit) and debit Restatement. A GAAPR adjustment to the CY GAAP fund and fund type would debit Beginning Fund Balance and Credit Restatement.*

Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_

## Section C – CAFR Review Queries (Agency Combined Level for FRS)

The following queries must be reviewed at the agency level. If corrections are made, then rerun the query and place in front of the original query.

Number of Hours	Initials	Query Name	First Column	Second Column	Difference/Use
		CR_101 CIST	Cash in State Treasury (per 57 screen for report route agency)	Net of GL accounts 0045, 0047, 0048, 0071, and 0451 for financial agency	Must be zero for each GAAP fund.
		CR_101A Fnd 0900,0901, 0942, 0980	Cash in State Treasury (per 58 screen for report route agency)	Net of GL accounts 0045, 0047, 0048, 0071, and 0451 for financial agency	Must be zero for each GAAP fund.
		CR_102 Encumbrances	Fund Balance (FB) Reserved for Encumbrances per balance sheet	Encumbrances on the appropriation table per GL 9005	Must be materially correct (within 5%). Applies to Governmental FT's only. Differences may exist with Federal funds.
		CR_103 Consumable Inventory	FB – Reserved for Consumable Inventory GL 2075	Consumable Inventories per asset GL 0285	Must be zero. Applies to Governmental FT's only.
		CR_104 Merchandise Inventory	FB – Reserved for Merchandise Inventory GL 2080	Merchandise Inventories per asset GL 0290	Must be zero. Applies to Governmental FT's only.
		CR_106 Loans and Contracts	Asset GL accounts 0250, 0255, 0310, 0315, and 0466	FB Reserve for Loans and Contracts GL 2143	Must be zero for each GAAP fund.
		CR_111S FB check	Calculated ending FB per the operating statement	Ending FB per the balance sheet accounts	Must be zero at the GAAP fund level.
		CR_116 Backout NA Rev/Exp- Governmental FT's	GL accounts and fund where Backout NA Rev/Expend GAAP source/ objects are not zero		Must be zero at the GAAP fund level.

The following queries must be reviewed at the agency level. If corrections are made, then rerun the query and place in front of the original query.

Number of Hours	Initials	Query Name	First Column	Second Column	Difference/Use
		CR_118 – System Clearing (GL 9999 and GL9992)	System Clearing balances		Must be zero at the D23 fund level.
		CR_122 – agency fund Rev/Expend	Rev/Exp Elimination		Must be zero at the GAAP source/object and D23 fund level
		NOTEELTS Long-Term Liabilities Note – Summary			Verify balances for Long-Term Liabilities Note ties to the Note Hard Copy
		CR_201E – GWFS Backout Not-Applicable– GAAP source/objects – Exceptions Only			Verify applicable GLs net to zero for Basis Conversion entries. CR 201D can be run for detail to help clear any exceptions until the CR 201E is clean.

## Section D – Notes to the Financial Statements

### Note 2 – Capital Assets / SPA Reports

- \_\_\_ 1. SPA beginning balances equals the Prior Fiscal Year ending balance as shown in chapter 13.
- \_\_\_ 2. USAS balances by category for non-depreciable and depreciable/accumulated depreciation tie to SPA Report CAAB201S.
- \_\_\_ 3. SPA additions tie to the Capital Outlay on the DAFR 8590.
- \_\_\_ 4. USAS Depreciation Expense equals the additions on the SPA Report CAAB201S.
- \_\_\_ 5. Capital Outlay equals zero in the Statement of Activities.
- \_\_\_ 6. The total of Sale of Capital Assets plus Gain (Loss) on Sale of Capital Assets equals the deletions on the SPA Report CAAB 105.
- \_\_\_ 7. Sale of Capital Assets equals zero in the Statement of Activities column.
- \_\_\_ 8. Transfer In from SPA Report CAAB 106 equals additions.
- \_\_\_ 9. Transfer Out from SPA report CAAB107 equals deletions.

Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_

### Note 3 – Deposits, Investments and Repurchase Agreements

- \_\_\_ 1. In Note 3 for Cash in Bank, the total bank balance and the carrying amount is reported.
- \_\_\_ 2. The Investment portion of the deposit note should include Fair Value amount.

Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_

**Note 5 – Long Term Liabilities**

- \_\_\_1. Each line item of the note (i.e., Loans and Notes Payable) ties to the Balance Sheet/Statement of Net Assets. Changes in debt balances are shown.
- \_\_\_2. Debt Service requirements for notes payable are shown for five years and five-year increments thereafter for both principal and interest amounts.
- \_\_\_3. Ensure text includes description of Claims and Judgments, if applicable.
- \_\_\_4. Ensure beginning balances by category match the ending balance for Prior Fiscal Year as shown in chapter 13.
- \_\_\_5. Ensure that all long-term liabilities have been split between Due Within One Year and Due in more than one year.
- \_\_\_6. If the Agency submitted a Note 5, does the Long-Term Liabilities query tie to Note 5 for all columns?
- \_\_\_7. Net Assets FT12 per the operating statement agrees to the Net Assets FT12 per the Statement of Net Assets.

Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_

**Note 6 – Capital Leases**

- \_\_\_1. Present value of Capital Leases ties to Capital Lease Obligation amount on Balance Sheet/Statement of Net Assets. Future minimum lease payments are shown for five years and five-year increments thereafter for both principal and interest amounts.

**Note 7 – Operating Lease Obligations**

- \_\_\_1. Operating Leases presents future minimum lease payments for five years and five-year increments thereafter.

**Note 8 - Interfund Balances/Activities**

- \_\_\_1. Note 8 is only required for Interfund Receivables/Payables and Legislative Transfers In/Out. The Statewide matching reports are used as Note 8 for remaining activities between funds and/or agencies.
- \_\_\_2. Interfund Receivable and Interfund Payables per Note 8 or detail ties to Balance Sheet/Statement of Net Assets.
- \_\_\_3. Interfund Receivable and Interfund Payables include agency and fund information in Note 8.
- \_\_\_4. Legislative Transfers In/Out per Note 8 ties to the financial statement. Legislative Transfers have been eliminated within the same GAAP fund and GAAP fund type.

Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_

**Note 18 – Restatement of Fund Balances/Net Assets**

- \_\_\_1. Required if agency has a restatement on the financial statements.
- \_\_\_2. Make sure note clearly states reason and amount for each restatement. This is extremely important for General Revenue (fund 0001) restatements that were made for prior year appropriation activity.

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**Note:** This information will be used in the formula for determining if the agency has correctly stated legislative appropriations on the financial statements.

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Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_

**Note 24 – Special or Extraordinary Items**

\_\_\_\_1. Ensure the agency has disclosed any special and/or extraordinary items regardless of the amount.

Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_

**Section E – Supplementary Schedules**

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**Schedule 1A – Schedule of Expenditures of Federal Awards**

\_\_\_\_1. Federal Schedule entry via the Internet has been certified by September 28, 2007.

**Schedule 1B – Schedule of State Grant Pass-Throughs From/To State Agencies**

\_\_\_\_1. If the agency had State Grant Pass-Through Revenue or State Grant Pass-Through Expenditure, then this schedule must be included.

Number of Hours \_\_\_\_\_ Initials \_\_\_\_\_

## Fiscal 2007 – Agency Review Procedures for Annual Financial Reports of Full Reporting Agencies

AGENCY: \_\_\_\_\_

AGENCY NUMBER: \_\_\_\_\_

ANALYST: \_\_\_\_\_

The following checklist is used by financial reporting analysts of the Comptroller's office to review the agency's annual financial report. The checklist will be used to compile the current AFR comment and adjustment letter to the agency, if needed.

### Section A – All Extracted Agencies' USAS Data

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- \_\_\_\_ 1. Is there an original signed USAS Certification Form? Make notes on DAFR reports regarding any deficiencies that may be listed and make correcting entries, if necessary. Be sure the *Extract Agy 2007* file reflects receipt of the Certification.

### Section B – Review the GR Reconciliation (Reports: GR201A, 202, 202A, 204 and 206)

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- \_\_\_\_ 1. The GR reconciliation worksheet has been completed and certified via the Internet and a copy of the worksheet is in the folder for all fund types that have Legislative Appropriation balances or activity.
- \_\_\_\_ 2. The GR reconciliation worksheet difference equals zero for each column. If the difference is not zero, verify Calculation II and change the spreadsheet if necessary (this may require USAS entries and an update to the Internet). When verifying Calculation II, use GR query 201A and appropriate 62 screens. Ensure the AFR ties to the GR spreadsheet.
- \_\_\_\_ 3. For the Balance Sheet/Statement of Net Assets, the ending asset balance must equal the GR reconciliation worksheet. If it does not, adjust the Balance Sheet/Statement of Net Assets GL account 9000 in USAS to equal the GR spreadsheet amount per Calculation II, including any corrections that were made in Step 2.
- \_\_\_\_ 4. For the operating statement, the following accounts should equal the GR reconciliation worksheet. If they do not agree, make adjustments to the related Statement of Activities accounts.
- \_\_\_\_\_ Original Legislative Appropriation Revenue (including any rider amounts)
  - \_\_\_\_\_ Additional Legislative Appropriation Revenue (payroll benefits by line item)
  - \_\_\_\_\_ Lapse Amount
  - \_\_\_\_\_ Legislative Transfers In/Out (Agency must eliminate, in USAS, the financial statement impact of Legislative Transfers In/Out within their agency within the same GAAP fund and same GAAP fund type. Viewing the detail on the GR Internet will provide AGL information.)
  - \_\_\_\_\_ Restatement (Any GR restatements in USAS using COBJ 3897 should be researched for appropriate accounting treatment since there is not a restatement line item on the GR worksheet.)
- \_\_\_\_ 5. Computed Legislative Appropriation Balance 08/31/CY in Column B Row 55, Direct Strategy ties to the GR201A report.
- \_\_\_\_ 6. Line 200600 BRP/SORM Appropriation in Columns H , BRP and J, Other ties to Expenditures on the 202 report.

- \_\_\_\_7. Computed Legislative Appropriation Balance 08/31/CY in Column H row 55, BRP ties to the 202A report (Appd fund 0001).
- \_\_\_\_8. Total Net Change in Cash in Column M, Amount as Adjusted ties to the GR 204 report.
- \_\_\_\_9. Payroll Related Revenue in Columns C through G ties to the GR 206 report (Expended Column).
- \_\_\_\_10. Column D, line 400100 ties to ERS benefit reports. Column F, line 400200, is now electronically populated.
- \_\_\_\_11. Column J, line 400300, ties to TWC benefits report.
- \_\_\_\_12. If Column J of the GR reconciliation worksheet does not include the full amount of unemployment per the TWC report, attach a schedule or screen prints to show the other funds that paid the unemployment benefits.

## Section C – Review of Financial Statements

### **Statement of Net Assets/Fund Financial Balance Sheet – DAFR 8580 or SIRS**

- \_\_\_\_1. Cash in State Treasury (GL Accounts 0045, 0047, 0048, 0071, and 0451) equals the amounts shown per Report 199, Appropriated Fund Cash Balances (D22\_Fund\_Cash query). Agencies should only show CIST for funds where they are the controlling agency.
- \_\_\_\_2. Appropriated fund 0001 must not show “Cash in State Treasury”. Legislative Appropriations should be shown rather than CIST. If the DAFR reflects CIST for Appropriated fund 0001, an adjustment must be made to reclassify to Legislative Appropriations if it belongs in FT 01 or to a Due From Agency 902 if it belongs in FT 09.
- \_\_\_\_3. Components of Receivables are reported on separate lines, such as Federal, Other Intergovernmental, Interest and Dividends, Accounts, Taxes, and Other.
- \_\_\_\_4. Accounts Receivable – Other (GL 0238) should only be used for immaterial amounts (< 5% of total receivables) unless the Agency discloses in Note 1.
- \_\_\_\_5. Components of Payables are reported on separate lines, such as Federal, Other Intergovernmental, Interest and Dividends, Accounts, Taxes, and Other.
- \_\_\_\_6. Payables – Other (GL 1150 and 1450) should only be used for immaterial amounts (< 5% of total payables) unless the Agency discloses in Note 1.
- \_\_\_\_7. Governmental fund types do not report Funds Held for Others (GL1149).
- \_\_\_\_8. There should not be any negative unreserved undesignated fund balances with a positive designated fund balance.
- \_\_\_\_9. No category of restricted net assets can be negative.

### **Government-wide Statement of Net Assets – DAFR 8581 or SIRS**

- \_\_\_\_1. Net Assets per the operating statement agrees to the Net Assets per the Statement of Net Assets for Capital Assets, Long-Term Liabilities, and Other Adjustments.
- \_\_\_\_2. Capital Assets and Accumulated Depreciation line items must tie to the Note 2 in the SPA Note Folders.  


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**Note:** *a. You must use the Note 2 in the SPA Note Folders because the SPA has reconciled the Note 2 to the SPA and may have made adjustments to the Note 2.*  
*b. The Note 2 submitted by the agency may not be the most updated version. Please DO NOT use the copy of Note 2 submitted by the agency.*

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- \_\_\_\_3. Long-Term Liabilities by category and by current/non-current per Note 5 tie to the Government-wide Statement of Net Assets (DAFR 8581) or SIRS.

**Governmental Statement of Revenues, Expenditures and Changes in Fund Balance – DAFR 8590**

- \_\_\_ 1. Beginning Fund Balance per DAFR 8590 agrees to the Prior Fiscal Year Ending Fund Balance in chapter 13 for each GAAP fund.

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**Note:** Any fund balance for a GAAP fund that has changed fund types from the prior year may require a GAAPR adjustment to report the Beginning fund Balance as shown in chapter 13 for an agency with balances extracted from USAS. A GAAPR adjustment to the PY GAAP fund and fund type would credit Beginning Fund Balance (if PY ending balance was a credit) and debit Restatement. A GAAPR adjustment to the CY GAAP fund and fund type would debit Beginning Fund Balance and credit Restatement.

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**Statement of Changes in Net Assets – DAFR 8600 (Proprietary) or DAFR 8605 (Fiduciary)**

- \_\_\_ 1. Beginning Net Assets per DAFR agrees to the Prior Fiscal Year Ending Net Assets in chapter 13 for each GAAP fund.

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**Note:** Any net assets for a GAAP fund that has changed fund types from the prior year may require a GAAPR adjustment to report the Beginning Net Assets as shown in chapter 13 for an agency with balances extracted from USAS. A GAAPR adjustment to the PY GAAP fund and fund type would credit Beginning Net Assets (if PY ending balance was a credit) and debit Restatement. A GAAPR adjustment to the CY GAAP fund and fund type would debit Beginning Net Assets and credit Restatement.

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- \_\_\_ 2. If Proprietary funds show an extraordinary gain or loss, research to see if it is for early extinguishment of debt. If so, work with the agency to reclass as interest expense.

**SIRS report – Changes in Fund Balance By GOVT-GSO, GWFS-GSO, Compt Obj – Governmental**

- \_\_\_ 1. Use this SIRS report for the Basis Conversion fund type balances. Beginning Fund Balance per SIRS report for Capital Assets (FT11), Long-Term Liabilities (FT12), and Other Adjustments (FT21) agree to the Prior Fiscal Year Ending Fund Balance in chapter 13 for each GAAP fund.
- \_\_\_ 2. Capital Outlay
- \_\_\_ a. The Additions column on the Note 2 in the SPA Note Folders ties to the Capital Outlay plus Donations in fund type 11. If it does not, check with agency to determine if capital outlay was under/overstated or if the difference is included in the gain/loss object 3834. Various situations may result in part of the additions column being coded as object 3834. For example, object 3834 is used to record gains on trade-ins where no cash is received.
- \_\_\_ b. Capital Outlay nets to zero between fund type 11 and other governmental fund types.
- \_\_\_ 3. Depreciation expense in fund type 11 in the SIRS report equals the Additions column on the Note 2 in the SPA Note Folders.
- \_\_\_ 4. Sale of Capital Assets (GAAP source/object 0560) nets to zero between fund type 11 and other governmental fund types on the SIRS report.
- \_\_\_ 5. Interagency Transfer In/Out on the SIRS report equals the Note 2 in the SPA Note Folders.
- \_\_\_ 6. Debt service principal payments and increase in obligations under capital lease expense equal zero on the SIRS report.

**Statement of Cash Flows**

- \_\_\_ 1. Cash and Cash Equivalents ties to Cash plus Restricted Cash on Statement of Net Assets. If not, a reconciliation is needed.
- \_\_\_ 2. Operating Income (Loss) in the Reconciliation ties to Operating Income (Loss) in the financial statements.
- \_\_\_ 3. Net Cash Provided by Operating Activities from reconciliation ties to same from the section for Cash Flows from Operating Activities.
- \_\_\_ 4. Amortization Expense and Depreciation Expense on the reconciliation must tie to the financial statements.



- \_\_\_5. Payments or Proceeds from “other activities” should be included only under “Operating Activities.”
- \_\_\_6. Enter Cash Flow Statement activity into Excel spreadsheet for upload process. Ensure that the Beginning Cash and Cash Equivalents agrees to the prior year ending Cash and Cash Equivalents in chapter 13.
- \_\_\_7. ACID and Agency number have been entered on the spreadsheet, as well as the fund type and fund numbers. Save the spreadsheet by replacing XXX with the agency number. Place a copy of the spreadsheet on the top on flap 6.

**Agency Funds – Fund Type 09 – DAFR 8585**

- \_\_\_1. The beginning assets/liability balances reported on the DAFR 8690, Statement of Changes in Assets and Liabilities – Agency Funds, agrees to the PY ending balances reported in chapter 13.
- \_\_\_2. For Appropriated fund 0001 and Appropriated fund 0882, there is no Cash in State Treasury (CIST) in fund type 09.
- \_\_\_3. For funds 0900 and 0901, Cash in State Treasury (GL accounts 0045, 0047, and 0048) equals the amounts shown per Report 198 Agency Fund Cash Balances. This applies to any other funds with CIST balances per Report 198, as well.
- \_\_\_4. For fund(s) used as clearing accounts (usually fund 0900), the portion of the fund balances that pertains to other funds is not reported in agency fund type 09.
- \_\_\_5. For funds 0942 and 0980, Accounts Receivable and Funds Held for Others have been eliminated if the two GL account balances exactly offset each other and there are no other account balances in the fund. Any CIST in these two funds must be reported.
- \_\_\_6. For funds 0899, 0979, 9010, 9011, and 9012, ALL CIST GL account balances have been eliminated. These funds are reported entirely by agency 902.

**Section D – CAFR Review Queries**

The following queries must be reviewed at the agency level. If corrections are made, then rerun the query and place in front of the original query.

Done	Query Name	First Column	Second Column	Difference/Use
	CR_101 CIST	Cash in State Treasury (per 57 screen for report route agency)	Net of GL accounts 0045, 0047, 0048, 0071, and 0451 for financial agency	Must be zero for each GAAP fund.
	CR_101A funds 0900, 0901, 0942, 0980	Cash in State Treasury (per 58 screen for report route agency)	Net of GL accounts 0045, 0047, 0048, 0071, and 0451 for financial agency	Must be zero for each GAAP fund.
	CR_102 Encumbrances	Fund Balance (FB) Reserved for Encumbrances per balance sheet	Encumbrances on the appropriation table per GL 9005	Must be materially correct (within 5%) Applies to Governmental FT’s only. Differences may exist with Federal funds.
	CR_103 Consumable Inventory	FB-Reserved for Consumable Inventories GL 2075	Consumable Inventories per asset GL 0285	Must be zero Applies to Governmental FT’s only.
	CR_104 Merchandise Inventory	FB-Reserved for Merchandise Inventories GL 2080	Merchandise Inventories per asset GL 0290	Must be zero Applies to Governmental FT’s only.

Done	Query Name	First Column	Second Column	Difference/Use
	CR_106 Loans and Contracts	Asset GL accounts 0250, 0255, 0310, 0315 and 0466	FB Reserve for Loans and Contracts GL 2143	Must be zero for each GAAP fund
	CR_111S FB check (close of OS to BS)	Calculated ending FB per the operating statement	Ending FB per the balance sheet accounts	Must be zero at the GAAP fund level.
	CR_116 Backout NA Rev/ Exp-Governmental FT's	GL accounts and fund where Backout NA Revenue/ Expenditure GAAP source/objects are not zero		Must be zero at the GAAP fund level.
	CR_117 Backout NA Rev/ Exp-Proprietary FT's	GL accounts and fund where Backout NA Revenue/ Expenditure GAAP source/objects are not zero		Must be zero at the GAAP fund level.
	CR_118 System Clearing	System Clearing balances		Must be zero at the D23 fund level.
	CR_122 Agency fund Rev/ Expend	Rev/Exp Elimination		Must be zero at the GAAP source/ object and D23 fund level
	CR_123 Note 3 Investments	Run only if Agency has Investments		To tie Note 3 to the DAFR reports.
	CR_124 Backout NA Rev/ Exp-Fiduciary funds	GL accounts and fund where Backout NA Rev/ Expend GAAP source/objects are not zero		Must be zero at the GAAP fund level.
	CR_129 – Balance Sheet Fluctuation Analysis	Balance sheet		Justification must be attached for items with a fluctuation over 10% and dollar variance > \$1,000,000.
	CR_130 – Oper Stmt – Gov't Fluctuation Analysis	Operating statement		Justification must be attached for items with a fluctuation over 10% and dollar variance > \$1,000,000.
	CR_131 – Oper Stmt – Fiduciary Fluctuation Analysis	Operating statement		Justification must be attached for items with a fluctuation over 10% and dollar variance > \$1,000,000.
	CR_132 – Oper Stmt – Basis Conversion Fluctuation Analysis	Operating statement		Justification must be attached for items with a fluctuation over 10% and dollar variance > \$1,000,000.
	CR_133 – Oper Stmt – Prop. Fluctuation Analysis	Operating statement		Justification must be attached for items with a fluctuation over 10% and dollar variance > \$1,000,000.
	NOTEELTS Long-Term Liabilities Note – Summary			Verify balances for Long-Term Liabilities Note ties to Note Hard Copy
	CR_201E – GWFS Backout Not-Applicable – GAAP source/objects – Exceptions Only			Verify applicable GLs net to zero for Basis Conversion entries. CR 201D can be run for detail to help clear any exceptions until the CR 201E is clean.

## Section E – Notes to the Financial Statements

### Note 1 – Significant Accounting Policies

- \_\_\_\_ 1. Should include descriptions of only the fund type and funds actually used by Agency and text includes GASB 14, if applicable.

### Note 2 – Capital Assets (Items are reviewed in Section G)

#### Note 3 – Deposits, Investments and Repurchase Agreements

- \_\_\_\_ 1. If there is Cash in Bank or Investments (current or non-current), there is a Deposit and Investment Note.
- \_\_\_\_ 2. Cash in Bank per the AFR Balance Sheet/Statement of Net Assets agrees to the Cash in Bank carrying amount per Note 3 with separate disclosure for discrete component units, if applicable.
- \_\_\_\_ 3. In Note 3 for Cash in Bank, the total Bank Balance and the carrying amount is reported.
- \_\_\_\_ 4. The Investment portion of the deposit note should include Fair Value amount.
- \_\_\_\_ 5. The total of Current and Non-current Investments per the AFR Balance Sheet/Statement of Net Assets agrees to the total of the Investments table in Note 3 with separate disclosure for discrete component units, if applicable.
- \_\_\_\_ 6. If there are Investments to which GASB 31 applies, there should be a line item on the Statement of Revenues, Expenses, and Changes in Fund Balance titled *Net Increase/Decrease in Fair Value of Investments* for all FT's except 10. Investments in fund type 10 follow GASB 25 and should have a line item titled *Net Appreciation/Depreciation in Fair Value of Investments*.

#### Note 4 – Short Term Liabilities

- \_\_\_\_ 1. Is the note in the prescribed format?
- \_\_\_\_ 2. Does the note include the purpose for the short-term debt issued?
- \_\_\_\_ 3. Is there also a table in the same format for Component Units (if applicable)?

#### Note 5 – Long Term Liabilities

- \_\_\_\_ 1. Each line item of the note (i.e., Loans and Notes Payable) ties to the AFR Balance Sheet/Statement of Net Assets. Changes in debt balances are shown.
- \_\_\_\_ 2. Debt Service requirements for notes payable are shown for five years and five-year increments thereafter for both principal and interest amounts.
- \_\_\_\_ 3. Ensure text includes description of Claims and Judgments, if applicable.
- \_\_\_\_ 4. Ensure beginning balances by category match the ending balance for Prior Fiscal Year as shown in chapter 13.
- \_\_\_\_ 5. Ensure that all long-term liabilities have been split between Due within One Year and Due in more than one year.

#### Note 6 – Capital Leases

- \_\_\_\_ 1. Present value of Capital Leases ties to Capital Lease Obligation amount on Balance Sheet/Statement of Net Assets. Future minimum lease payments are shown for five years and five-year increments thereafter for both principal and interest amounts.

#### Note 7 – Operating Lease Obligations

- \_\_\_\_ 1. Operating Leases presents future minimum lease payments for five years and five-year increments thereafter.

**Note 8 – Interfund Balances/Activities**

*Note 8 is only required for Interfund Receivables (GL0279)/Payables (GL1049) and Legislative Transfers In/Out. DAFR 8910 reports are used by agencies in reconciling remaining activities between funds and/or agencies, including federal pass-through, state pass-through, due to/due from, and transfers. Agencies are required to certify that there are no “NP” items on the DAFR 8910 reports and that correct agency general ledger (AGL) information was entered in USAS.*

- \_\_\_ 1. Interfund Receivable (GL0279) and Interfund Payables (GL1049) per Note 8 or detail ties to Balance Sheet/Statement of Net Assets.
- \_\_\_ 2. Interfund Receivable and Interfund Payables include agency and fund information in Note 8.
- \_\_\_ 3. Legislative Transfers In/Out per Note 8 ties to the financial statement. Legislative Transfers have been eliminated within the same GAAP fund and GAAP fund type.

**Note 9 – Contingent Liabilities**

- \_\_\_ 1. Material disclosures that the financial reporting analyst is aware of for Contingent Liabilities is noted.

**Note 10 – Continuance Subject to Review**

- \_\_\_ 1. Similar wording to the AFR reporting requirements is used.

**Note 11 – Risk Financing and Related Insurance**

- \_\_\_ 1. If applicable, be sure the note contains types of risk, how the risk is handled, insurance coverage, participation in a risk pool, and the risk retained.

**Note 12 – Segment Information**

- \_\_\_ 1. Disclosure of Segment Information required for Enterprise funds is noted.

**Note 13 – Bonded Indebtedness**

- \_\_\_ 1. Bonds are listed separately by individual series with a description of each issue.
- \_\_\_ 2. Bonds Outstanding amount, per Schedule 2B, ties or reconciles to the Bonds Payable for General Obligation bonds and Revenue Bonds per the Statement of Net Assets. If a bond discount, premium, or gain/loss on refunding exists, Bonds Outstanding amount should tie to the net of the Bonds Payable.
- \_\_\_ 3. Debt Service requirements should show the principal and interest payment requirements for each of the first five years following the current reporting period and in five-year increments thereafter until maturity.
- \_\_\_ 4. If refundings are shown per the operating statement, there must be disclosures in the Bonded Indebtedness Note on the refundings.
- \_\_\_ 5. If the refundings are Advanced Refundings, the Note must disclose the difference between cash flows of old and new debt and the economic gain/loss resulting from the refunding.
- \_\_\_ 6. The “Schedule of Analysis of Funds Available for Debt Services” (2D) should have separate sections for General Obligation bonds and Revenue bonds.

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**Note:** Constitutional Appropriation Bonds are identified as General Obligation Bonds.

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- \_\_\_ 7. The year of refunding for defeased bonds is the calendar year in the Schedule of Defeased Bonds Outstanding (2E).
- \_\_\_ 8. For the early extinguishments and refundings for the current year, amounts extinguished for early extinguishments, or par value refunded for refundings have been reported, (2F).  
For refundings, disclose the following:
  - Par Value of Refunding Issue (new issue)
  - Cash Flow Difference
  - Economic Gain/(Loss)

- \_\_\_\_9. For governmental funds, if refundings are shown per operating statement (under COBJ 3870, 3871, 7870, and 7871), there must be disclosures in a Note on refunding.

**Note 14 – Subsequent Events**

- \_\_\_\_1. Material disclosures that the financial reporting analyst is aware of are noted.

**Note 15 – Related Parties**

- \_\_\_\_1. Material disclosures that the financial reporting analyst is aware of are noted.

**Note 16 – Stewardship, Compliance and Accountability**

- \_\_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 17 – The Financial Reporting Entity and Joint Ventures**

- \_\_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 18 – Restatement of Fund Balances/Net Assets**

- \_\_\_\_1. Required if agency has a restatement on the financial statements.  
\_\_\_\_2. Make sure note clearly states reason and amount for each restatement. This is extremely important for General Revenue (fund 0001) restatements that were made for prior year appropriation activity.

---

**Note:** This information will be used in the formula for determining if the agency has correctly stated legislative appropriations on the financial statements.

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**Note 19 – Employees Retirement Plans (administering agencies only)**

- \_\_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 20 – Deferred Compensation (administering agencies only)**

- \_\_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 21 – Donor Restricted Endowments**

- \_\_\_\_1. Required if agency has Endowments restricted by a Donor's designation.

**Note 22 – Management Discussion and Analysis**

- \_\_\_\_1. Ensure that material changes in Net Assets, Revenues, and Expenses, etc. (if any) are discussed.  
\_\_\_\_2. Look for descriptions of currently known facts, conditions or decisions that could affect the availability of fund resources.  
\_\_\_\_3. Look for descriptions of significant capital asset and long term liability activity including:  
• commitments made for capital expenditures  
• changes in credit ratings and debt limitations that may affect financing of planned activities

**Note 23 – Post-Employment Health Care and Life Insurance Benefits (ERS and TRS only)**

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**Note:** Updates are pending the decision of the implementation of GASB 43/45

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- \_\_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 24 – Special or Extraordinary Items**

- \_\_\_\_1. Ensure the agency has disclosed any special and/or extraordinary items regardless of the amount.

**Note 25 – Disaggregation of Receivable and Payable Balances**

- \_\_\_ 1. Agency has disclosed any receivable or payable balances that may be obscured by aggregation in their reporting on the face of the financial statements.
- \_\_\_ 2. Agency has disclosed whether there are significant receivable balances not expected to be collected within one year of the date of the financial statements.

**Note 26 – Termination Benefits**

- \_\_\_ 1. Similar wording to the AFR reporting requirements is used.

**Section F – Supplementary Schedules and Hard Copy AFR Review**

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**Schedule 1A – Schedule of Expenditures of Federal Awards**

- \_\_\_ 1. The CFDA number is provided for each federal program. The CFDA number must be numerical and in the following form: XX.XXX.
- \_\_\_ 2. When a generic CFDA number is used (XX.000) with the XX being the Federal Agency, there should be an identifying number in the ID number column for that row.
- \_\_\_ 3. The amount shown as Federal Revenue and Federal Pass-Through Revenue on the Federal Schedule Note 2 ties to the Federal Revenue and Federal Pass-Through Revenue line items on the operating statement.
- \_\_\_ 4. The total amount of Federal Expenditure and Federal Pass-Through Expenditure on the Federal Schedule Note 2 ties to the Federal Expenditure and Federal Pass-Through Expenditure on the Federal Schedule. (Only applies if a hard copy Federal Schedule was submitted)
- \_\_\_ 5. All pass-through funds (either pass-through to or pass-through from) identify the Agency, College/University to which or from which the funds flow and use a valid agency number.
- \_\_\_ 6. Federal Pass-Through Revenues per the DAFR8910 agree to the Federal Schedule in total. Review at the Agency and fund (AGL) level.
- \_\_\_ 7. Federal Pass-Through Expenditures per the DAFR8910 agree to the Federal Schedule in total. Review at the Agency and fund (AGL) level.
- \_\_\_ 8. Federal Schedule entry via the Internet has been done and certified by November 1, CY.

**Schedule 1B – Schedule of State Grant Pass-Throughs From/To State Agencies**

If the agency had State Grant Revenue or State Grant Expenditure, then this schedule must be included.

- \_\_\_ 1. The State Grant Pass-Through Schedule should be presented in a format as shown in the Reporting Requirements.
- \_\_\_ 2. The schedule should not show pass through amounts to or from NON-state entities. Refer to the agency assignment list to determine agency status.
- \_\_\_ 3. The State Grant Pass-Through Revenue on the Statement of Activities/Statement of Revenues, Expenses, and Changes in Net Assets should equal the amount shown as Pass-Through from other agencies per the schedule. Review at the Agency and fund (AGL) level.
- \_\_\_ 4. The State Grant Pass-Through Expenditure on the Statement of Activities/Statement of Revenues, Expenses, and Changes in Net Assets should equal the amount shown as Pass-Through to other agencies per the schedule. Review at the Agency and fund (AGL) level.
- \_\_\_ 5. State Pass-Through Revenues/Expenditures per the DAFR8910 agree to the State Grant Pass-Through Schedule by agency.

**Schedules 2A through 2F – Supplementary Bond Information**

- \_\_\_\_ 1. Bonds Outstanding shown on Schedule of Bonded Indebtedness ties to the General Obligation Bonds Payable and Revenue Bonds Payable on the Balance Sheet/Statement of Net Assets (or reconcile where discount, premium, or gain/loss on refundings exists in proprietary fund types).
- \_\_\_\_ 2. If refundings are shown per Statement of Revenues, Expenses, and Changes in Net Assets, there must be disclosures in the Bonded Indebtedness Note on the refunding.
- \_\_\_\_ 3. If Advanced Refunding, then Note 13, Bonded Indebtedness, must disclose difference between cash flows of old and new debt and the economic gain/loss on the refunding.

See Note 13, Bonded Indebtedness, for more check points.

**Schedules 5A through 5E – Pension Plan Schedules**

If the agency administers a pension plan, then Schedules 5A – 5E must be completed.

- \_\_\_\_ 1. Each schedule should follow the format as shown in chapter 8 of the Reporting Requirements.
- \_\_\_\_ 2. Do not round amounts to whole dollars. (Report amounts in cents.)
- \_\_\_\_ 3. The following amounts must match between the schedules:
  - Annual Pension Cost – Schedules 5A and 5E
  - Employer Contributions Made – Schedules 5A and 5C
  - Net Pension Obligation/(Asset) – Schedules 5A and 5E
- \_\_\_\_ 4. The following amounts must match to prior year Schedules in Note 9 of the CAFR:
  - Schedule 5A:  
The Net Pension Obligation, September 1, 20CY must equal the Net Pension Obligation, August 31, 20PY as per the CAFR. The amounts also correspond to the prior year fund type 12 balances in USAS for General Ledger Account 0927, Basis Conversion Non Current Net Pension Asset, and General Ledger Account 1945, Basis Conversion Non Current Net Pension Obligation.
  - Schedules 5D and 5E:  
Each schedule shows three year's data including the current year. Each line for the two prior years must match the comparable table in Note 9 of the prior year CAFR. The only exception is if there were changes in the actuarial assumptions and methodology that were applied to prior years. Those instances should be footnoted.

**Section G – Additional GASB 34 Basis Conversion Information****Basis Conversion Capital Assets Adjustments**

- \_\_\_\_ 1. Capital Assets by category for non-depreciable and depreciable/accumulated depreciation tie to Note 2.
- \_\_\_\_ 2. Interagency transfers (if any) are included in the reclassification column in Note 2.
- \_\_\_\_ 3. Capital Outlay generally equals the additions in Note 2. (Amounts may not tie due to capital contributions and/or donations.)
- \_\_\_\_ 4. Depreciation Expense equals the additions in Note 2.
- \_\_\_\_ 5. Capital Outlay equals zero in the Statement of Activities column.
- \_\_\_\_ 6. Sale of Capital Assets equals zero in the Statement of Activities column.

**Basis Conversion Long-Term Liabilities Adjustments**

- \_\_\_\_ 1. Long-Term Liabilities by category and by current/non-current tie to Note 5.
- \_\_\_\_ 2. Debt service principal payments and increase in obligation under capital lease expense equal

zero in the Statement of Activities column.

- \_\_\_\_3. Note 5 shows the debt service payments by principal and interest for Notes and Loans Payable.

### **Basis Conversion USAS Check Figures Operating Statement**

- \_\_\_\_1. Run exception queries for the accounts that should net to zero at the Government-wide level. WFS GSO are 3840, 3845, 3850, 3855, 3860, 3865, 3870, 3875, and 3880.

## **Section H – The Finishing Touch**

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### **Data Entry / File Organization**

- \_\_\_\_1. These desk review procedures should go on flap 2 in the AFR folder.
- \_\_\_\_2. The hard copy AFR, if submitted, should go loose between flap 5 and flap 6 in the last section of the folder. (No holes punched.)
- \_\_\_\_3. Any entries that are made to USAS before the extract process should be documented and placed on flap 6 of the folder. The analyst should communicate with the agency on any adjustments made to their books.
- \_\_\_\_4. CAFR Review Queries, CR\_XXX series, should go next on flap 6 in report number order.
- \_\_\_\_5. The DAFR reports should be next on flap 6 in the following order:
- DAFR 8580 Fund Level 3 – Balance Sheet (Governmental and Proprietary fund types)
  - DAFR 8581 Fund Level 3 – Statement of Net Assets – Balance Sheet Format (GWFS)
  - DAFR 8585 Fund Level 3 – Statement of Net Assets (Fiduciary fund types)
  - DAFR 8590 Fund Level 3 – Operating Statement (Governmental fund type)
  - DAFR 8600 Fund Level 3 – Operating Statement (Proprietary funds)
  - DAFR 8690 Fund Level 3 – Statement of Changes in Assets and Liabilities
  - SIRS report – Changes in Fund Balance By GOVT-GSO, GWFS-GSO, Compt Obj – Governmental
  - DAFR 8605 Fund Level 3 – Statement of Changes in Fiduciary Net Assets (all Fiduciary fund types but agency fund type 09)

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**Note:** Final Reports should go on top of the original reports. Original reports should be kept for use in determining agency's level of reconciliation efforts as of the November 20 deadline or the date the closing package is submitted.

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### **Agency Report Completion**

- \_\_\_\_1. A pending sheet for items that are pending is prepared and placed at the top on flap 1.
- \_\_\_\_2. **If there is any revision to any notes, (1) keep a copy of the revised note in the folder, and (2) make two additional copies: give one to the analyst who is assigned the note according to the CAFR work plan, and put one copy in the box with the 2<sup>nd</sup> copy notes .**



# Fiscal 2007 – Agency Review Procedures for Annual Financial Reports of Colleges and Universities

UNIVERSITY: \_\_\_\_\_

UNIVERSITY NUMBER: \_\_\_\_\_

ANALYST: \_\_\_\_\_

The following checklist is used by financial reporting analysts of the Comptroller's office to review the college/university's annual financial report. The checklist will be used to compile the current AFR comment and adjustment letter to the agency, if needed.

## Section A – General and Consolidated System Requirements

- \_\_\_\_ 1. Is there an original signed USAS Certification Form? Make notes on DAFR reports regarding any deficiencies that may be listed and make correcting entries, if necessary. Be sure the Extract Agy 07 file reflects receipt of the Certification.
- \_\_\_\_ 2. The system provided the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows for the consolidated system.
- \_\_\_\_ 3. The System provided a consolidated Schedule 3, Reconciliation of Cash in State Treasury.
- \_\_\_\_ 4. Check the Bond Reporting System to see if agency has completed the following schedules; (The submission of hard copy bond schedules is no longer required.)

_____ Schedule 2A	_____ Schedule 2D
_____ Schedule 2B	_____ Schedule 2E
_____ Schedule 2C	_____ Schedule 2F
- \_\_\_\_ 5. The System provided eliminating entries.
- \_\_\_\_ 6. The System offices for UT and A&M need to ensure that they used the audited amounts from UTIMCO and the A&M Foundation's AFRs. The analyst needs to ensure we receive the audited AFRs from UTIMCO and A&M Foundation. (Per SAO)

## Section B – Review the GR Reconciliation (Reports: GR201A, 202, 202A, 204, 206)

- \_\_\_\_ 1. The GR reconciliation worksheet has been completed and certified via the Internet and a copy of the worksheet is in the folder for all fund types that have Legislative Appropriation balances or activity.
- \_\_\_\_ 2. The GR reconciliation worksheet difference equals zero for each column. If the difference is not zero, verify Calculation II and change the spreadsheet if necessary (this may require USAS entries and an update to the Internet). When verifying Calculation II, use GR query 201A and appropriate 62 screens. Ensure the AFR ties to the GR spreadsheet.
- \_\_\_\_ 3. For the Balance Sheet/Statement of Net Assets, the ending asset balance must equal the GR reconciliation worksheet. If it does not, adjust the Balance Sheet/Statement of Net Assets GL account 9000 in USAS to equal the GR spreadsheet amount per Calculation II, including any corrections that were made in **Step 2**.

- \_\_\_ 4. For the operating statement, the following accounts should equal the GR reconciliation worksheet. If they do not agree, make adjustments to the related Statement of Activities accounts.
  - \_\_\_ Original Legislative Appropriation Revenue (including any rider amounts)
  - \_\_\_ Additional Legislative Appropriation Revenue (payroll benefits by line item)
  - \_\_\_ Lapse Amount
  - \_\_\_ Legislative Transfers In/Out (Agency must eliminate, in USAS, the financial statement impact of Legislative Transfers In/Out within their agency within the same GAAP fund and same GAAP fund type. Viewing the detail on the GR Internet will provide AGL information.)
  - \_\_\_ Restatement (Any GR restatements in USAS using COBJ 3897 should be researched for appropriate accounting treatment since there is not a restatement line item on the GR worksheet.)
- \_\_\_ 5. For the consolidated system report, prepare a worksheet ( G:/Groups/Fund/Groups/Fin\_Rpt/Frs\_07/CAFR\_07/HiEd/cau\_grrec/blank\_gr\_rec.xls) to reconcile the Legislative Appropriation Revenue and the Legislative Appropriations Asset Balance of each component university to their GR reconciliation worksheets and the consolidated system report. Save the file with the Agency number in the first three digits (i.e. xxx\_gr\_rec.xls).
- \_\_\_ 6. Column J, line 400300, ties to TWC benefits report.
- \_\_\_ 7. If Column J of the GR reconciliation worksheet does not include the full amount of unemployment per the TWC report, attach a schedule or screen prints to show the other funds that paid the unemployment benefits.

## **Section C – Review of Financial Statements**

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### **Statement of Net Assets – DAFR 8580**

- \_\_\_ 1. Compare D22 query and ensure Cash in State Treasury is accurate and appears for all funds per agency. The Controlling agency should show the entire cash balance. Non-Controlling agencies should not have a balance for Cash in State Treasury. If CIST is not correct, the AFR may be returned. Also, depending on materiality, new pages for the Exhibit and Schedule 3 may be requested by the analyst.
- \_\_\_ 2. For consolidated system reports, prepare a worksheet to reconcile Cash in State Treasury of each component university for each D22 appropriated fund to Cash in State Treasury per the consolidated system reports. The worksheet should be saved to G:/Groups/Fund/Groups/Fin\_Rpt/Frs\_07/CAFR\_07/HiEd/cau\_cash/xxx\_cash.xls. The queries Report 198 (D23\_Fund Cash) and Report 199 (D22\_Fund\_Cash) are used for the cash balances.
- \_\_\_ 3. Components of Receivables are reported on separate lines, such as Federal, Other Intergovernmental, Interest and Dividends, Accounts, Taxes, and Other.
- \_\_\_ 4. Other Current or Non-Current Receivables should be <5% of the total Current or Non-Current Receivables. If it is >5%, check Note 25 for an explanation. If not clarified in the note, contact the university and ask for details of the amount. The amount may have to be reclassified to another Receivable.
- \_\_\_ 5. Other Current Assets should be <10% of the Total Current Assets. If it is >10%, contact the university and ask for details of the amount.
- \_\_\_ 6. Other Non-Current Assets should be <10% of the Total Non-Current Assets. If it is >10%, contact the university and ask for details of the amount.
- \_\_\_ 7. There are no Due From/To Other Component balances. The system office should eliminate these.
- \_\_\_ 8. Components of Payables are reported on separate lines, such as Federal, Other Intergovernmental, Interest and Dividends, Accounts, Taxes, and Other.
- \_\_\_ 9. Other Current or Non-Current Payables should be <5% of the total Current or Non-Current Payables. If it is >5%, check Note 25 for an explanation. If not clarified in the note, contact the university for details of the amount. The amount may have to be reclassified to another Payable.

- \_\_\_ 10. Other Current Liabilities should be <10% of the Total Current Liabilities. If it is >10%, contact the university and ask for details of the amount.
- \_\_\_ 11. Other Non-Current Liabilities should be <10% of the Total Non-Current Liabilities. If it is >10%, contact the university and ask for details of the amount.
- \_\_\_ 12. Total Assets equal Total Liabilities plus Net Assets.
- \_\_\_ 13. Net Assets on the SNA agrees to the ending Net Assets on the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA).
- \_\_\_ 14. There are no Advances From/To balances. These should be reported as Non-Current Interfund Receivables (GL0279/Payables [GL1049]).
- \_\_\_ 15. Funds Held as Permanent Investments in the Restricted Net Assets are separately identified as Expendable and Non-Expendable.

### **Statement of Revenues, Expenses And Changes In Net Assets (SCRENA) – DAFR 8600**

- \_\_\_ 1. Beginning Net Assets agree to the Prior Fiscal Year Ending Balance in **Chapter 13 – List of Beginning Balances** of the Reporting Requirements.
- \_\_\_ 2. The Federal Pass-Through Grants from Other State Agencies and the State Pass-Through Grants from Other State Agencies are separately identified in both Operating and Nonoperating Revenues.
- \_\_\_ 3. Other Operating Revenues should be <10% of Total Operating Revenues. If it is >10%, contact the university and ask for details of the amount.
- \_\_\_ 4. If expenses are reported by function instead of natural object, a matrix of operating expenses reported by natural object is required immediately following the SRECNA. Total operating expenses on the matrix ties to Total Operating Expenses on the SRECNA.
- \_\_\_ 5. There are not any negative values displayed in the Revenues/Expenditures section of the SRECNA. If yes, contact the university and determine if the negative amounts should be moved to the other section. In the case of reversing entries of prior transactions, negative values may be appropriate.
- \_\_\_ 6. Charges for Goods and Services (Tuition, Hospitals, Professional Fees, etc.), pledged and non-pledged, and Discounts and Allowances are reported as separate line items.
- \_\_\_ 7. Other Operating Expenses should be <10% of Total Operating Expenses. If it is >10%, contact the university and ask for details of the amount.
- \_\_\_ 8. State Appropriations are reported in Nonoperating Revenues.
- \_\_\_ 9. HEAF Appropriations are reported under Other Revenues, (Expenses), Gains, Losses and Transfers.
- \_\_\_ 10. Federal Grant Pass-Through Expense and State Grant Pass-Through Expense are separately identified in Operating and Nonoperating expenses. The DAFR 8910 does not show any “NP” items for these accounts.

### **Statement of Cash Flows**

- \_\_\_ 1. Cash and Cash Equivalents ties to Cash plus Restricted Cash on Statement of Net Assets. If not, reconciliation is needed.
- \_\_\_ 2. Operating Income (Loss) in the Reconciliation ties to Operating Income (Loss) on the operating statement.
- \_\_\_ 3. Net Cash Provided by Operating Activities from reconciliation ties to same from the section for Cash Flows from Operating Activities.
- \_\_\_ 4. Amortization Expense and Depreciation Expense on the reconciliation must tie to the financial statements.

- \_\_\_5. Payments for or Proceeds from “other activities” (“other expenses” or “other revenues”) should be included only under “Operating Activities.”
- \_\_\_6. Beginning Cash and Cash Equivalents agrees to the prior year ending Cash and Cash Equivalents in chapter 13.
- \_\_\_7. Enter Cash Flow Statement activity into Excel spreadsheet for upload process. Ensure that the ACID and Agency number have been entered on the spreadsheet, as well as the fund type and fund numbers. Save the spreadsheet by replacing XXX with the agency number. Place a copy of the spreadsheet on flap 6 (under balance sheet and operating statement spreadsheets, if applicable).

## **Section D – Notes to the Financial Statements**

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### **Note 1 – Significant Accounting Policies**

- \_\_\_1. Should include descriptions of only the fund type and funds actually used by Agency and text includes GASB 14, if applicable.

### **Note 2 – Capital Assets (Use a copy of the Note 2 from the SPA folder)**

- \_\_\_1. Beginning balances must equal the Prior Fiscal Year ending balance as shown in chapter 13 of the Reporting Requirements.
- \_\_\_2. The note includes a breakdown of depreciable and non-depreciable capital assets.
- \_\_\_3. The capital assets are presented in a tabular format similar to the AFR Reporting Requirements.
- \_\_\_4. Is there also a table in the same format for Component Units, if applicable?
- \_\_\_5. Check ending balance in USAS to SPA Note 2.

### **Note 3 – Deposits, Investments and Repurchase Agreements**

- \_\_\_1. If there is Cash in Bank or Investments (current or non-current), there is a Deposit and Investment Note.
- \_\_\_2. Cash in Bank per the Balance Sheet/Statement of Net Assets agrees to the Cash in Bank carrying amount per Note 3 with separate disclosure for discrete component units, if applicable.
- \_\_\_3. In Note 3 for Cash in Bank, the total Bank Balance and the carrying amount is reported.
- \_\_\_4. The Investment portion of the deposit note should include Fair Value amount.
- \_\_\_5. The total of Current and Non-current Investments per the Balance Sheet/Statement of Net Assets agrees to the total of the Investments table in Note 3 with separate disclosure for discrete component units, if applicable.
- \_\_\_6. If there are Investments to which GASB 31 applies, there should be a line item on the Statement of Revenues, Expenses, and Changes in Fund Balance titled *Net Increase/Decrease in Fair Value of Investments*.

### **Note 4 – Short Term Debt**

- \_\_\_1. Is the note in the prescribed format?
- \_\_\_2. Does the note include the purpose for the short-term debt issued?
- \_\_\_3. Is there also a table in the same format for Component Units, if applicable?

### **Note 5 – Long Term Liabilities**

- \_\_\_1. Each line item of the note (i.e., Loans and Notes Payable) ties to the Balance Sheet/Statement of Net Assets. Changes in debt balances are shown.

- \_\_\_\_2. Debt Service requirements for notes payable are shown for five years and five-year increments thereafter for both principal and interest amounts.
- \_\_\_\_3. Ensure text includes description of Claims and Judgments, if applicable.
- \_\_\_\_4. Ensure beginning balances by category match the ending balance for Prior Fiscal Year as shown in chapter 13.
- \_\_\_\_5. Ensure that all long-term liabilities have been split between Due Within One Year and Due in more than one year.

**Note 6 – Capital Leases**

- \_\_\_\_1. Present value of Capital Leases ties to Capital Lease Obligation amount on Balance Sheet/ Statement of Net Assets. Future minimum lease payments are shown for five years and five-year increments thereafter.

**Note 7 – Operating Lease Obligations**

- \_\_\_\_1. Operating Leases presents future minimum lease payments for five years and five-year increments thereafter.

**Note 8 – Interfund Balances/Activities**

- \_\_\_\_1. Note 8 is only required for Interfund Receivables/Payables and Legislative Transfers In/Out. DAFR 8910 is used as Note 8 for remaining activities between funds and/or agencies.
- \_\_\_\_2. Interfund Receivable and Interfund Payables per Note 8 or detail ties to Balance Sheet/ Statement of Net Assets.
- \_\_\_\_3. Interfund Receivable and Interfund Payables include agency and fund information in Note 8.
- \_\_\_\_4. Legislative Transfers In/Out per Note 8 ties to the financial statement. Legislative Transfers have been eliminated within the same GAAP fund and GAAP fund type.

**Note 9 – Contingent Liabilities**

- \_\_\_\_1. Material disclosures that the financial reporting analyst is aware of for Contingent Liabilities is noted.

**Note 10 – Continuance Subject to Review**

- \_\_\_\_1. Similar wording to the AFR Reporting Requirements is used.

**Note 11 – Risk Financing and Related Insurance**

- \_\_\_\_1. If applicable, be sure the note contains types of risk, how the risk is handled, insurance coverage, participation in a risk pool and the risk retained.

**Note 12 – Segment Information**

- \_\_\_\_1. Disclosure of Segment Information required for Enterprise funds is noted.

**Note:** Elements should tie to financial statements in most cases (applicable to a cash flow statement).

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**Note 13 – Bonded Indebtedness**

- \_\_\_\_1. Bonds are listed separately by individual series with a description of each issue.
- \_\_\_\_2. Bonds Outstanding amount, per Schedule 2B, ties or reconciles to the Bonds Payable for General Obligation Bonds and Revenue Bonds per the Statement of Net Assets. If a bond discount, premium, or gain/loss on refunding exists, Bonds Outstanding amount should tie to the net of the Bonds Payable.
- \_\_\_\_3. Debt Service requirements should show the principal and interest payment requirements for each of the first five years following the current reporting period and in five-year increments reported thereafter until maturity.

- \_\_\_4. If refundings are shown per the operating statement, there must be disclosures in the Bonded Indebtedness Note on the refundings.
- \_\_\_5. If the refundings are Advanced Refundings, the Note must disclose the difference between cash flows of old and new debt and the economic gain/loss resulting from the refunding.
- \_\_\_6. The “Schedule of Analysis of Funds Available for Debt Services” (2D) should have separate sections for General Obligation Bonds and Revenue bonds.

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**Note:** Constitutional Appropriation Bonds are identified as General Obligation Bonds.

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- \_\_\_7. The year of refunding for defeased bonds is the calendar year in the Schedule of Defeased Bonds Outstanding (2E).
- \_\_\_8. For the early extinguishments and refundings for the current year, amounts extinguished for early extinguishments, or par value refunded for refundings have been reported, (2F).  
For refundings, disclose the following:
  - Par Value of Refunding Issue (new issue)
  - Cash Flow Difference
  - Economic Gain/(Loss)

**Note 14 – Subsequent Events**

- \_\_\_1. Material disclosures that the financial reporting analyst is aware of are noted.

**Note 15 – Related Parties**

- \_\_\_1. Material disclosures that the financial reporting analyst is aware of are noted.

**Note 16 – Stewardship, Compliance and Accountability**

- \_\_\_1. Similar wording to the AFR Reporting Requirements is used.

**Note 17 – The Financial Reporting Entity and Joint Ventures**

- \_\_\_1. Similar wording to the AFR Reporting Requirements is used.

**Note 18 – Restatement of Fund Balances/Net Assets**

- \_\_\_1. Required if agency has a restatement on the financial statements.
- \_\_\_2. Make sure note clearly states reason and amount for each restatement. This is extremely important for General Revenue (fund 0001) restatements that were made for prior year appropriation activity.

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**Note:** This information will be used in the formula for determining if the agency has correctly stated legislative appropriations on the financial statements.

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**Note 19 – Employees Retirement Plans (administering agencies only)**

- \_\_\_1. Not applicable for Colleges and Universities.

**Note 20 – Deferred Compensation (administering agencies only)**

- \_\_\_1. Not applicable for Colleges and Universities.

**Note 21 – Donor Restricted Endowments**

- \_\_\_1. Required if agency has Endowments restricted by a Donor’s designation.

**Note 22 – Management Discussion and Analysis**

- \_\_\_1. Ensure that material changes in Net Assets, Revenues, and Expenses, etc. (if any) are discussed.

- \_\_\_\_2. Look for descriptions of currently known facts, conditions or decisions that could affect the availability of fund resources.
- \_\_\_\_3. Look for descriptions of significant capital asset and long term liability activity including:
- commitments made for capital expenditures
  - changes in credit ratings and debt limitations that may affect financing of planned activities

**Analyst assigned the MD&A should be informed of any significant items disclosed in this note.**

**Note 23 – Post-Employment Health Care and Life Insurance Benefits (UT and A&M only)**

- \_\_\_\_1. Discloses the number of retirees who are eligible for benefits.
- \_\_\_\_2. The note discloses “Total Expenses” for the year.
- \_\_\_\_3. The note discloses the number of retirees and the cost of benefits for said retirees.

**Note 24 – Special or Extraordinary Items**

- \_\_\_\_1. Ensure the agency has disclosed any special and/or extraordinary items regardless of the amount.

**Note 25 – Disaggregation of Receivable and Payable Balances**

- \_\_\_\_1. Agency has disclosed any receivable or payable balances that may be obscured by aggregation in their reporting on the face of the financial statements.
- \_\_\_\_2. Agency has disclosed whether there are significant receivable balances not expected to be collected within one year of the date of the financial statements.

**Note 26 – Termination Benefits**

- \_\_\_\_1. Similar wording to the AFR reporting requirements is used.

## Section E – Supplementary Schedules

**Schedule 1A – Schedule of Expenditures of Federal Awards**

- \_\_\_\_1. Federal Schedule entry via the Internet has been certified by November 1, 2007.
- \_\_\_\_2. For system offices, prepare a consolidated worksheet located at G:/Groups/Fund/Groups/ Fin\_Rpt/FRS\_07CAFR\_07HiEd/cau\_fedcomb/blank\_fed\_comb.xls. Save the file with the Agency # in the first three digits (i.e. xx\_fed\_comb.xls). Complete the following reconciliation:
- \_\_\_\_a. On each component university’s AFR, reconcile federal revenue and federal pass-through revenue per the operating statement of each component university and per Note 2 of the federal schedules of component universities.
  - \_\_\_\_b. Reconcile the total federal revenue and federal pass-through revenue of each component university to the federal revenue and federal pass-through revenue per the consolidated operating statement.
  - \_\_\_\_c. On each component university Federal Schedule, reconcile the federal pass-through revenue per Note 2 and the check number shown next to the Total Federal Pass-Through Revenue line on Note 2. (This check number is from the Total Federal Pass-Through Revenue column on the Federal Schedule.).
  - \_\_\_\_d. Reconcile the federal pass-through revenue and expenditures between the “pass-through from state agencies” and “pass through to state agencies” columns of the federal schedule and the operating statement (or the matrix of operating expenses).

**Schedule 1B – Schedule of State Grant Pass-Throughs From/To State Agencies**

- \_\_\_\_1. If the agency had State Grant Pass-Through Revenue or State Grant Pass-Through Expenditure,

then this schedule must be included.

- \_\_\_2. The State Grant Pass-Through Schedule should be presented in a format as shown in the Reporting Requirements.
- \_\_\_3. The schedule should not show pass-through amounts to or from NON-state entities. Refer to the agency assignment list to determine agency status.
- \_\_\_4. The State Grant Pass-Through Revenue on the operating statement ties to the “pass through from” line on Schedule 1B. Review at the Agency and fund (AGL) level.
- \_\_\_5. The State Grant Pass-Through Expenditure on the operating statement ties to the “pass through to” line on Schedule 1B. Review at the Agency and fund (AGL) level.
- \_\_\_6. State Pass-Through Revenues/Expenditures per the DAFR8910 agree to the State Grant Pass-Through Schedule by agency and fund.

### **Schedule 2A through 2F – Schedule of Supplementary Bond Information**

*See Note 13, Bonded Indebtedness, for check points.*

### **Schedule 3 – Reconciliation of Cash in State Treasury**

- \_\_\_1. Schedule 3 is included in the AFR and is in the required format according to the Reporting Requirements.
- \_\_\_2. The total Cash In State Treasury ties to the Statement of Net Assets.

## **Section F – The Finishing Touch**

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### **Data Entry to GAAPR for Non Extract University**

- \_\_\_1. ACID and Agency number entered on Excel spreadsheet.
- \_\_\_2. Ensure that the GAAPR fund type (see 2nd page of cover page) and the letters “CAUF” for the fund number have been entered at the top of each column.
- \_\_\_3. XXX has been replaced with agency number for saving the file for this university.
- \_\_\_4. If the AFR is in cents, then enter the dollars and the cents. If the AFR is in whole dollars, then enter whole dollars into Excel.
- \_\_\_5. Totals on the spreadsheet equal amounts presented on the AFR. All check figures on spreadsheets equal -0- (zero). Spreadsheets are filed in the agency folder on flap 6.

### **Extracting to GAAPR**

- \_\_\_1. Compare every line item in AFR. Make any necessary adjustments for amounts that do not agree.
- \_\_\_2. If this is a system office, write up an AJE form to correct USAS entries for the correct GAAPR impact. The possible AJE’s are below.
- \_\_\_3. Reclass the restatement in USAS to Beginning Fund Balance to tie with chapter 13 in the Reporting Requirements (if it is the first year to extract).
- \_\_\_4. Record the Due From/To Other Agencies per the AFR with the appropriate GAAPR general ledger accounts.



## Fiscal 2007 – Agency Review Procedures for Annual Financial Reports of Non-Extract Agencies

AGENCY: \_\_\_\_\_

AGENCY NUMBER: \_\_\_\_\_

ANALYST: \_\_\_\_\_

The following checklist is used by financial reporting analysts of the Comptroller's office to review the agency's annual financial report. The checklist will be used to compile the current AFR comment and adjustment letter to the agency, if needed.

### Section A – Review the GR Reconciliation (Reports: GR201A, 202, 202A, 204, 206)

- \_\_\_\_ 1. The GR reconciliation worksheet has been completed and certified via the Internet and a copy of the worksheet is in the folder for all fund types that have Legislative Appropriation balances or activity.
- \_\_\_\_ 2. The GR reconciliation worksheet difference equals zero for each column. If the difference is not zero, verify Calculation II and change the spreadsheet if necessary (this may require USAS entries and an update to the Internet). When verifying Calculation II, use GR query 201A and appropriate 62 screens. Ensure the AFR ties to the GR spreadsheet.
- \_\_\_\_ 3. For the Balance Sheet/Statement of Net Assets, the ending asset balance must equal the GR reconciliation worksheet. If it does not, adjust the Balance Sheet/Statement of Net Assets GL account 9000 in USAS to equal the GR spreadsheet amount per Calculation II, including any corrections that were made in Step 2.
- \_\_\_\_ 4. For the operating statement, the following accounts should equal the GR reconciliation worksheet. If they do not agree, make adjustments to the related Statement of Activities accounts.
  - \_\_\_\_ Original Legislative Appropriation Revenue (including any rider amounts)
  - \_\_\_\_ Additional Legislative Appropriation Revenue (payroll benefits by line item)
  - \_\_\_\_ Lapse Amount
  - \_\_\_\_ Legislative Transfers In/Out (Agency must eliminate, in USAS, the financial statement impact of Legislative Transfers In/Out within their agency within the same GAAP fund and same GAAP fund type. Viewing the detail on the GR Internet will provide AGL information.)
  - \_\_\_\_ Restatement (Any GR restatements in USAS using COBJ 3897 should be researched for appropriate accounting treatment since there is not a restatement line item on the GR worksheet.)
- \_\_\_\_ 5. Computed Legislative Appropriation Balance 8/31/CY in Column B, Direct Strategy ties to the GR201A report.
- \_\_\_\_ 6. Line 200500 BRP/SORM Appropriation in Columns H, BRP and J, Other ties to Expenditures on the 202 report.
- \_\_\_\_ 7. Computed Legislative Appropriation Balance 8/31/CY in Column H, BRP ties to the 202A report.
- \_\_\_\_ 8. Total Net Change in Cash in Column M, Amount as Adjusted ties to the GR 204 report.
- \_\_\_\_ 9. Payroll Related Revenue in Columns C through G ties to the GR 206 report.
- \_\_\_\_ 10. Column D, line 400100 ties to ERS benefit reports. Column F, line 400200, is now electronically populated.

- \_\_\_ 11. Column J, line 400300, ties to TWC benefits report.
- \_\_\_ 12. If Column J of the GR reconciliation worksheet does not include the full amount of unemployment per the TWC report, attach a schedule or screen prints to show the other funds that paid the unemployment benefits.

## **Section B – Review of Financial Statements**

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### **Statement of Net Assets/Balance Sheet – DAFR 8580**

- \_\_\_ 1. The Statement of Net Assets/Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets/operating statement both have D22, Appropriated/GAAP fund, and D23, agency fund, fund numbers listed at the top of each column.
- \_\_\_ 2. Cash in State Treasury (GL Accounts 0045, 0047, 0048, 0071, 0451) equals the amounts shown per Report 199 (D22\_Fund\_Cash query), Appropriated Fund Cash Balances. Agencies should only show CIST for funds where they are the controlling agency.
- \_\_\_ 3. Appropriated fund 0001 must not show “Cash in State Treasury”. Legislative Appropriations should be shown rather than CIST. If the DAFR reflects CIST for Appropriated fund 0001, an adjustment must be made to reclassify to Legislative Appropriations if it belongs in FT 01 or to a Due From Agency 902 if it belongs in FT 09.
- \_\_\_ 4. Components of Receivables are reported on separate lines, such as Federal, Other Intergovernmental, Interest and Dividends, Accounts, Taxes, and Other.
- \_\_\_ 5. Accounts Receivable – Other (GL 0270) should only be used for immaterial amounts (< 5% of total receivables) unless the Agency discloses in Note 1.
- \_\_\_ 6. Components of Payables are reported on separate lines, such as Federal, Other Intergovernmental, Interest and Dividends, Accounts, Taxes, and Other.
- \_\_\_ 7. Payables – Other (GL 1150 and GL 1450) should only be used for immaterial amounts (< 5% of total payables) unless the Agency discloses in Note 1.
- \_\_\_ 8. Governmental fund types do not report Funds Held for Others.
- \_\_\_ 9. There should not be any negative unreserved undesignated fund balances with a positive designated fund balance.
- \_\_\_ 10. No category of restricted net assets can be negative.

### **Governmental Statement of Revenues, Expenditures and Changes in Fund Balance – DAFR 8590**

- \_\_\_ 1. Beginning Fund Balance per DAFR 8590 agrees to the Prior Fiscal Year Ending Fund Balance in chapter 13 for each GAAP fund.

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**Note:** Any fund balance for a GAAP fund that has changed fund types from the prior year may require a GAAPR adjustment to report the Beginning Fund Balance as shown in chapter 13 for an agency with balances extracted from USAS. A GAAPR adjustment to the PY GAAP fund and fund type would credit Beginning Fund Balance (if PY ending balance was a credit) and debit Restatement. A GAAPR adjustment to the CY GAAP fund and fund type would debit Beginning Fund Balance and credit Restatement.

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**Statement of Changes in Net Assets – DAFR 8600 (Proprietary) or DAFR 8605 (Fiduciary)**

- \_\_\_ 1. Beginning Net Assets per DAFR 8600 agrees to the Prior Fiscal Year Ending Net Assets in chapter 13 for each GAAP fund.

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**Note:** Any net assets for a GAAP fund that has changed fund types from the prior year may require a GAAPR adjustment to report the Beginning Net Assets as shown in chapter 13 for an agency with balances extracted from USAS. A GAAPR adjustment to the PY GAAP fund and fund type would credit Beginning Net Assets (if PY ending balance was a credit) and debit Restatement. A GAAPR adjustment to the CY GAAP fund and fund type would debit Beginning Net Assets and credit Restatement.

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- \_\_\_ 2. If Proprietary funds show an extraordinary gain or loss, research to see if it is for early extinguishment of debt. If so, work with the agency to reclass as interest expense.

**Statement of Cash Flows**

- \_\_\_ 1. Cash and Cash Equivalents ties to Cash plus Restricted Cash on Statement of Net Assets. If not, a reconciliation is needed.
- \_\_\_ 2. Operating Income (Loss) in the Reconciliation ties to Operating Income (Loss) in the financial statements.
- \_\_\_ 3. Net Cash Provided by Operating Activities from reconciliation ties to same from the section for Cash Flows from Operating Activities.
- \_\_\_ 4. Amortization Expense and Depreciation Expense on the reconciliation must tie to the financial statements.
- \_\_\_ 5. Bad Debt Expense on the reconciliation must tie to the financial statements.
- \_\_\_ 6. Payments or Proceeds from “other activities” should be included only under “Operating Activities.”
- \_\_\_ 7. Beginning Cash and Cash Equivalents agrees to the prior year ending Cash and Cash Equivalents in chapter 13.
- \_\_\_ 8. Enter Cash Flow Statement activity into Excel spreadsheet for upload process. Ensure that the ACID and Agency number have been entered on the spreadsheet, as well as the fund type and fund numbers. Save the spreadsheet by replacing XXX with the agency number. Place a copy of the spreadsheet on the top on flap 6.

**Agency Funds – Fund Type 09**

- \_\_\_ 1. The beginning assets/liability balances reported on the Statement of Changes in Assets and Liabilities – agency funds agrees to the prior year ending balances reported in chapter 13.
- \_\_\_ 2. For Appropriated fund 0001 and Appropriated fund 0882, there is no Cash in State Treasury (CIST) in fund type 09.
- \_\_\_ 3. For funds 0900 and 0901, Cash in State Treasury (GL accounts 0045, 0047, and 0048) equals the amounts shown per Report 198 Agency Fund Cash Balances (D23\_Fund\_Cash query). This applies to any other funds with CIST balances per Report 198, as well.
- \_\_\_ 4. For fund(s) used as clearing accounts (usually fund 0900), the portion of the fund balances that pertains to other funds is not reported in agency fund type 09.
- \_\_\_ 5. For funds 0942 and 0980, Accounts Receivable and Funds Held for Others have been eliminated if the two GL account balances exactly offset each other and there are no other account balances in the fund. Any CIST in these two funds must be reported.
- \_\_\_ 6. For funds 0899, 0979, 9010, 9011, and 9012, ALL CIST GL account balances have been eliminated. These funds are reported entirely by agency 902.

## Section C – Notes to the Financial Statements

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### **Note 1 – Significant Accounting Policies**

- \_\_\_ 1. Similar wording to the AFR reporting requirements is used and text includes GASB 14, if applicable.

### **Note 2 – Capital Assets**

*(Items will be reviewed in Section E.)*

### **Note 3 – Deposits, Investments and Repurchase Agreements**

- \_\_\_ 1. If there is Cash in Bank or Investments (current or non-current), there is a Deposit and Investment Note.
- \_\_\_ 2. Cash in Bank per the Balance Sheet/Statement of Net Assets agrees to the Cash in Bank carrying amount per Note 3 with separate disclosure for discrete component units, if applicable.
- \_\_\_ 3. In Note 3 for Cash in Bank, the total Bank Balance and the carrying amount is reported.
- \_\_\_ 4. The Investment portion of the deposit note should include Fair Value amount.
- \_\_\_ 5. The total of Current and Non-current Investments per the Balance Sheet/Statement of Net Assets agrees to the total of the Investments table in Note 3 with separate disclosure for discrete component units, if applicable.
- \_\_\_ 6. If there are Investments to which GASB 31 applies, there should be a line item on the Statement of Revenues, Expenses and Changes in Fund Balance titled *Net Increase/Decrease in Fair Value of Investments* for all FT's except 10. Investments in fund type 10 follow GASB 25 and should have a line item titled *Net Appreciation/Depreciation in Fair Value of Investments*.

### **Note 4 – Short Term Liabilities**

- \_\_\_ 1. Is the note in the prescribed format?
- \_\_\_ 2. Does the note include the purpose for the short-term debt issued?
- \_\_\_ 3. Is there also a table in the same format for Component Units (if applicable)?

### **Note 5 – Long Term Liabilities**

- \_\_\_ 1. Each line item of the note (i.e., Loans and Notes Payable) ties to the Balance Sheet/Statement of Net Assets. Changes in debt balances are shown.
- \_\_\_ 2. Debt Service requirements for notes payable are shown for five years and five-year increments thereafter for both principal and interest amounts.
- \_\_\_ 3. Ensure text includes description of Claims and Judgments, if applicable.
- \_\_\_ 4. Ensure beginning balances by category match the ending balance for Prior Fiscal Year as shown in chapter 13.
- \_\_\_ 5. Ensure that all long-term liabilities have been split between Due Within One Year and Due in more than one year.

### **Note 6 – Capital Leases**

- \_\_\_ 1. Present value of Capital Leases ties to Capital Lease Obligation amount on Balance Sheet/Statement of Net Assets. Future minimum lease payments are shown for five years and five-year increments thereafter for both principal and interest amounts.

### **Note 7 – Operating Lease Obligations**

- \_\_\_ 1. Operating Leases presents future minimum lease payments for five years and five-year increments thereafter.

**Note 8 – Interfund Balances/Activities**

- \_\_\_1. Note 8 is only required for Interfund Receivables/Payables and Legislative Transfers In/Out. DAFR 8910 is used as Note 8 for remaining activities between funds and/or agencies.
- \_\_\_2. Interfund Receivable and Interfund Payables per Note 8 or detail ties to balance sheet and none of the balances are negative.
- \_\_\_3. Interfund Receivable and Interfund Payables include agency and fund information in Note 8.
- \_\_\_4. Legislative Transfers In/Out per Note 8 ties to the financial statement. Legislative Transfers have been eliminated within the same GAAP fund and GAAP fund type.

**Note 9 – Contingent Liabilities**

- \_\_\_1. Material disclosures that the financial reporting analyst is aware of for Contingent Liabilities is noted.

**Note 10 – Continuance Subject to Review**

- \_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 11 – Risk Financing and Related Insurance**

- \_\_\_1. If applicable, be sure the note contains types of risk, how the risk is handled, insurance coverage, participation in a risk pool and the risk retained.

**Note 12 – Segment Information**

- \_\_\_1. Disclosure of Segment Information required for Enterprise funds is noted.

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**Note:** Elements should tie to the financial statements in most cases (applicable to a cash flow statement).

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**Note 13 – Bonded Indebtedness**

- \_\_\_1. Bonds are listed separately by individual series with a description of each issue.
- \_\_\_2. Bonds Outstanding amount, per Schedule 2B, ties or reconciles to the Bonds Payable for General Obligation Bonds and Revenue Bonds per the Statement of Net Assets. If a bond discount, premium, or gain/loss on refunding exists, Bonds Outstanding amount should tie to the net of the Bonds Payable.
- \_\_\_3. Debt Service requirements should show the principal and interest payment requirements for each of the first five years following the current reporting period and in five-year increments reported thereafter until maturity.
- \_\_\_4. If refundings are shown per the operating statement, there must be disclosures in the Bonded Indebtedness Note on the refundings.
- \_\_\_5. If the refundings are Advanced Refundings, the Note must disclose the difference between cash flows of old and new debt and the economic gain/loss resulting from the refunding.
- \_\_\_6. The “Schedule of Analysis of Funds Available for Debt Services” (2D) should have separate sections for General Obligation bonds and Revenue bonds.

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**Note:** Constitutional Appropriation Bonds are identified as General Obligation Bonds.

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- \_\_\_7. The year of refunding for defeased bonds is the calendar year in the Schedule of Defeased Bonds Outstanding (2E).

- \_\_\_8. For the early extinguishments and refundings for the current year, amounts extinguished for early extinguishments, or par value refunded for refundings have been reported, (2F).  
For refundings, disclose the following:
- Par Value of Refunding Issue (new issue)
  - Cash Flow Difference
  - Economic Gain/(Loss)
- \_\_\_9. For governmental funds, if refundings are shown per operating statement (under COBJ 3870, 3871, 7870, and 7871), there must be disclosures in a Note on refunding.

**Note 14 – Subsequent Events**

- \_\_\_1. Material disclosures that the financial reporting analyst is aware of are noted.

**Note 15 – Related Parties**

- \_\_\_1. Material disclosures that the financial reporting analyst is aware of are noted.

**Note 16 – Stewardship, Compliance and Accountability**

- \_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 17 – The Financial Reporting Entity and Joint Ventures**

- \_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 18 – Restatement of Fund Balances/Net Assets**

- \_\_\_1. Required if agency has a restatement on the financial statements.
- \_\_\_2. Make sure note clearly states reason and amount for each restatement. This is extremely important for General Revenue (fund 0001) restatements that were made for prior year appropriation activity.

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**Note:** This information will be used in the formula for determining if the agency has correctly stated legislative appropriations on the financial statements.

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**Note 19 – Employees Retirement Plans (administering agencies only)**

- \_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 20 – Deferred Compensation (administering agencies only)**

- \_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 21 – Donor Restricted Endowments**

- \_\_\_1. Required if agency has Endowments restricted by a Donor's designation.

**Note 22 – Management Discussion and Analysis**

- \_\_\_1. Ensure that material changes in Net Assets, Revenues, and Expenses, etc. (if any) are discussed.
- \_\_\_2. Look for descriptions of currently known facts, conditions or decisions that could affect the availability of fund resources.
- \_\_\_3. Look for descriptions of significant capital asset and long term liability activity including:
- commitments made for capital expenditures
  - changes in credit ratings and debt limitations that may affect financing of planned activities
- Analyst assigned the MD& A should be informed of any significant items disclosed in this note.**

**Note 23 – Post-Employment Health Care and Life Insurance Benefits**

- \_\_\_1. Similar wording to the AFR reporting requirements is used.

**Note 24 – Special or Extraordinary Items**

- \_\_\_1. Ensure the agency has disclosed any special and/or extraordinary items regardless of the amount.

**Note 25 – Dissaggregation of Receivable and Payable Balances**

- \_\_\_1. Agency has disclosed any receivable or payable balances that may be obscured by aggregation in their reporting on the face of the financial statements.
- \_\_\_2. Agency has disclosed whether there are significant receivable balances not expected to be collected within one year of the date of the financial statements.

**Note 26 – Termination Benefits**

- \_\_\_1. Similar wording to the AFR reporting requirements is used.

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**Section D – Supplementary Schedules**

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**Schedule 1A – Schedule of Expenditures of Federal Awards**

- \_\_\_1. The CFDA number is provided for each federal program. The CFDA number must be numerical and in the following form: XX.XXX.
- \_\_\_2. When a generic CFDA number is used (XX.000) with the XX being the Federal Agency, there should be an identifying number in the ID number column for that row.
- \_\_\_3. The amount shown as Federal Revenue and Federal Pass-Through Revenue on the Federal Schedule Note 2 ties to the Federal Revenue and Federal Pass-Through Revenue line items on the operating statement.
- \_\_\_4. The total amount of Federal Expenditure and Federal Pass-Through Expenditure on the Federal Schedule Note 2 ties to the Federal Expenditure and Federal Pass-Through Expenditure on the Federal Schedule. (Only applies if a hard copy Federal Schedule was submitted)
- \_\_\_5. All pass-through funds (either pass-through to or pass-through from) identify the Agency, College/University to which or from which the funds flow and use a valid agency number.
- \_\_\_6. Federal Pass-Through Revenues per the DAFR8910 agree to the Federal Schedule in total. Review at the Agency and fund (AGL) level.
- \_\_\_7. Federal Pass-Through Expenditures per the DAFR8910 agree to the Federal Schedule in total. Review at the Agency and fund (AGL) level.
- \_\_\_8. Federal Schedule entry via the Internet has been done and certified by November 1, CY.

**Schedule 1B – Schedule of State Grant Pass-Throughs From/To State Agencies**

- \_\_\_1. If the agency had State Grant Pass-Through Revenue or State Grant Pass-Through Expenditure, then this schedule must be included.
- \_\_\_2. The State Grant Pass-Through Schedule should be presented in a format as shown in the Reporting Requirements.
- \_\_\_3. The schedule should not show pass-through amounts to or from NON-state entities. Refer to the agency assignment list to determine agency status.
- \_\_\_4. The State Grant Pass-Through Revenue on the operating statement ties to the “pass through from” line on Schedule 1B. Review at the Agency and fund (AGL) level.

- \_\_\_ 5. The State Grant Pass-Through Expenditure on the operating statement ties to the “pass through to” line on Schedule 1B. Review at the Agency and fund (AGL) level.
- \_\_\_ 6. State Pass-Through Revenues/Expenditures per the DAFR8910 agree to the State Grant Pass-Through Schedule by agency and fund.

### **Schedule 2A through 2F – Schedule of Supplementary Bond Information**

See Note 13, Bonded Indebtedness, for check points.

## **Section E – Additional GASB 34 Basis Conversion Information**

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### **Basis Conversion Capital Assets Adjustments**

- \_\_\_ 1. Capital Assets by category for non-depreciable and depreciable/accumulated depreciation tie to Note 2.
- \_\_\_ 2. Interagency transfers (if any) are included in the reclassification column in Note 2.
- \_\_\_ 3. Capital Outlay generally equals the additions in Note 2. (Amounts may not tie due to capital contributions and/or donations.)
- \_\_\_ 4. Depreciation Expense equals the additions in Note 2.
- \_\_\_ 5. Capital Outlay equals zero in the Statement of Activities column.
- \_\_\_ 6. Sale of Capital Assets equals zero in the Statement of Activities column.

### **Basis Conversion Long-Term Liabilities Adjustments**

- \_\_\_ 1. Long-Term Liabilities by category and by current/non-current tie to Note 5.
- \_\_\_ 2. Debt service principal payments and increase in obligation under capital lease expense equal zero in the Statement of Activities column.
- \_\_\_ 3. Note 5 shows the debt service payments by principal and interest for Notes and Loans Payable.

### **Basis Conversion USAS Check Figures Operating Statement**

- \_\_\_ 1. Run exception queries for the accounts that should net to zero at the Government-wide level. GWFS GSO are 3840, 3845, 3850, 3855, 3860, 3865, 3870, 3875, and 3880.

## **Section F – The Finishing Touch**

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### **Data Entry Into GAAPR**

- \_\_\_ 1. ACID and Agency number entered on Excel spreadsheet.
- \_\_\_ 2. All fund types and fund numbers used have been entered at top of appropriate column.
- \_\_\_ 3. XXX has been replaced with agency number for saving the file for this agency.
- \_\_\_ 4. Fund types 14 and 15 are used for discretely presented component units.
- \_\_\_ 5. Totals on spreadsheet equal amounts presented on agency’s AFR. All check figures on spreadsheets equal -0- (zero). Spreadsheets are printed and filed in folder on flap 6.





## **Chapter 13 – List of Beginning Balances**

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The List of Beginning Balances can be found online at <<https://fmx.cpa.state.tx.us/fmx/pubslafrrptreq/index.php>>

