



**Budget Requirements and  
Annual Financial Reporting  
Requirements for  
Texas Public Community  
Colleges**

**FY 2014**



## **Texas Higher Education Coordinating Board**

Harold Hahn, CHAIR

Robert "Bobby" Jenkins Jr., VICE CHAIR

David Teuscher, M.D., SECRETARY OF THE BOARD

Gerald T. Korty, STUDENT MEMBER OF THE BOARD

Dora G. Alcala

Ambassador Sada Cumber

Christopher M. Huckabee

Jacob M. Monty

Janelle Shepard

John T. Steen, Jr.

El Paso

Austin

Beaumont

Fort Worth

Del Rio

Sugarland

Fort Worth

Houston

Weatherford

San Antonio

Raymund A. Paredes, COMMISSIONER OF HIGHER EDUCATION

### **Mission of the Coordinating Board**

The Texas Higher Education Coordinating Board's mission is to work with the Legislature, Governor, governing boards, higher education institutions, and other entities to help Texas meet the goals of the state's higher education plan, *Closing the Gaps by 2015*, and thereby provide the people of Texas the widest access to higher education of the highest quality in the most efficient manner.

### **Philosophy of the Coordinating Board**

The Texas Higher Education Coordinating Board will promote access to quality higher education across the state with the conviction that access without quality is mediocrity and that quality without access is unacceptable. The Board will be open, ethical, responsive, and committed to public service. The Board will approach its work with a sense of purpose and responsibility to the people of Texas and is committed to the best use of public monies. The Coordinating Board will engage in actions that add value to Texas and to higher education. The agency will avoid efforts that do not add value or that are duplicated by other entities.

**TABLE OF CONTENTS**

<b>INTRODUCTION AND HIGHLIGHTS .....</b>	<b>1</b>
CHANGES AND UPDATES.....	3
<b>SECTION 1: BUDGET AND INVESTMENT ACT REPORTING REQUIREMENTS.....</b>	<b>7</b>
BUDGET FILING REQUIREMENTS.....	8
INVESTMENT ACT REQUIREMENTS .....	9
<b>SECTION 2: ANNUAL FINANCIAL REPORT (AFR) REQUIREMENTS .....</b>	<b>12</b>
FILING REQUIREMENTS .....	13
TECHNICAL SPECIFICATIONS .....	17
SAMPLE TABLE OF CONTENTS .....	18
SAMPLE ORGANIZATIONAL DATA .....	19
FREQUENTLY ASKED QUESTIONS .....	20
CHECKLIST .....	21
<b>SECTION 3: MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&amp;A) .....</b>	<b>23</b>
INTRODUCTION .....	24
OVERVIEW OF MD&A REQUIREMENTS .....	25
ADDITIONAL MD&A GUIDANCE .....	28
CHECKLIST .....	30
<b>SECTION 4: STATEMENT OF NET POSITION .....</b>	<b>31</b>
INTRODUCTION AND DISCUSSION .....	32
REPORT FORMAT – SAMPLE OF EXHIBIT 1 – STATEMENT OF NETS POSITION.....	33
REPORT FORMAT – SAMPLE OF AFFILIATED ORGANIZATIONS – STATEMENT OF FINANCIAL POSITION .....	34
CURRENT ASSETS.....	35
NONCURRENT ASSETS.....	37
CAPITAL ASSETS CLASSIFICATIONS.....	38
DEFERRED OUTFLOWS OF RESOURCES.....	41
CURRENT LIABILITIES .....	42
NONCURRENT LIABILITIES.....	43
NET POSITION .....	44
FREQUENTLY ASKED QUESTIONS .....	45
CHECKLIST .....	46
<b>SECTION 5: STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET     POSITION (SRECNP).....</b>	<b>47</b>
INTRODUCTION .....	48
REPORT FORMAT – SAMPLE OF EXHIBIT 2 – SRECNP.....	49
REPORT FORMAT – SAMPLE OF AFFILIATED ORGANIZATIONS – STATEMENT OF ACTIVITIES.....	50
REVENUES .....	51
EXPENSES.....	54
OTHER REPORTING ISSUE – COMPONENT UNITS .....	56
FREQUENTLY ASKED QUESTIONS .....	57
CHECKLIST .....	58
<b>SECTION 6: STATEMENT OF CASH FLOWS.....</b>	<b>59</b>
DESCRIPTION OF STATEMENT OF CASH FLOWS.....	60
OPERATING ACTIVITIES .....	61
NON-CAPITAL FINANCING ACTIVITIES.....	64
CAPITAL AND RELATED FINANCING ACTIVITIES.....	66

INVESTING ACTIVITIES .....	67
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	68
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	70
SAMPLE OF CASH FLOWS WORKSHEET .....	72
SAMPLE OF EXHIBIT 3 .....	79
FREQUENTLY ASKED QUESTIONS .....	80
CHECKLIST .....	84
<b>SECTION 7: NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>85</b>
REPORTING ENTITY .....	86
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	87
AUTHORIZED INVESTMENTS .....	90
DEPOSITS AND INVESTMENTS .....	91
DERIVATIVES.....	95
CAPITAL ASSETS .....	96
NON-CURRENT LIABILITIES .....	98
DEBT AND LEASE OBLIGATIONS.....	99
BONDS PAYABLE .....	100
ADVANCE REFUNDING BONDS.....	101
DEFEASED BONDS OUTSTANDING .....	102
SHORT-TERM DEBT .....	103
EMPLOYEES' RETIREMENT PLAN.....	104
DEFERRED COMPENSATION PROGRAM .....	106
COMPENSABLE ABSENCES.....	107
HEALTH CARE AND LIFE INSURANCE BENEFITS.....	108
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS .....	109
PENDING LAWSUITS AND CLAIMS .....	110
DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES .....	111
FUNDS HELD IN TRUST BY OTHERS.....	112
CONTRACT AND GRANT AWARDS .....	113
SELF-INSURED PLANS.....	114
PROPERTY TAX.....	115
BRANCH CAMPUS MAINTENANCE TAX.....	117
INCOME TAXES .....	118
COMPONENT UNITS.....	119
RELATED PARTIES (NOT A COMPONENT UNIT).....	120
SUBSEQUENT EVENTS .....	121
FREQUENTLY ASKED QUESTIONS .....	122
CHECKLIST .....	123
<b>SECTION 8: REQUIRED SUPPLEMENTAL SCHEDULES – A through D .....</b>	<b>129</b>
INSTRUCTIONS .....	130
SAMPLE SCHEDULE A – SCHEDULE OF OPERATING REVENUES .....	132
SAMPLE OF SCHEDULE B – SCHEDULE OF OPERATING EXPENSES BY OBJECT .....	133
SAMPLE OF SCHEDULE C – SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES .....	134
SAMPLE OF SCHEDULE D – SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY .....	135
FREQUENTLY ASKED QUESTIONS .....	136
CHECKLIST .....	138
<b>SECTION 9: REQUIRED SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND   STATE AWARDS.....</b>	<b>140</b>
INTRODUCTION .....	141
FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM.....	142

CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CDFA) NUMBERS.....	143
PASS-THROUGH .....	144
NOTES.....	148
SPECIAL PROBLEM AREAS .....	151
PARTIAL LIST OF FEDERAL GRANTOR NUMBERS (SORTED BY FEDERAL GRANTORS) .....	152
PARTIAL LIST OF FEDERAL GRANTOR NUMBERS (SORTED BY FEDERAL GRANTOR NUMBER) .....	153
REPORT CONTENT – SAMPLE OF SCHEDULE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	154
STATE AWARDS INSTRUCTIONS.....	156
REPORT FORMAT – SAMPLE OF SCHEDULE F – SCHEDULE OF STATE AWARDS.....	157
CHECKLIST .....	158
<b>SECTION 10: STATISTICAL SUPPLEMENTS.....</b>	<b>160</b>
FINANCIAL TREND INFORMATION .....	161
REVENUE CAPACITY INFORMATION .....	162
DEBT CAPACITY INFORMATION .....	164
DEMOGRAPHIC AND ECONOMIC INFORMATION .....	166
OPERATING INFORMATION .....	167
EXAMPLES.....	168
FREQUENTLY ASKED QUESTIONS .....	180
CHECKLIST .....	181
<b>SECTION 11: APPENDICES.....</b>	<b>182</b>
APPENDIX A – GLOSSARY.....	183
APPENDIX B – ASSET GROUPS AND CLASSIFICATIONS .....	200
APPENDIX C – ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST .....	206
APPENDIX D – GFOA CAFR PROGRAM .....	221

### INTRODUCTION AND HIGHLIGHTS

#### INTRODUCTION

This manual provides a comprehensive set of definitions, rules, formats, and illustrations for Texas public community and junior colleges to use for consistent and uniform reporting. This manual is in conformity with all applicable Governmental Accounting Standards Board (GASB) Statements. It is intended that each public community and junior college adopt the business-type activities (BTA) model for use in preparing its annual financial reports and follow these guidelines.

The concepts and formats attempt to comply with Generally Accepted Accounting Principles (GAAP), which include pronouncements of the GASB and Financial Accounting Standards Board (FASB), where applicable. Any deviation from the reporting requirements specified in this manual or GAAP caused by institutional policy should be minimal and not mislead an informed reader. Section 7, Notes to the Financial Statements, includes examples that may need to be modified to fit each particular institution's actual circumstances. If a footnote is clearly not applicable, a negative assurance footnote is not required.

Deviations from the concepts and/or formats presented in this manual should be approved by the Texas Higher Education Coordinating Board (CB) staff prior to the submission of the annual financial report. Deviations should be disclosed in the Notes to the Financial Statements.

These requirements have been reviewed and approved for use by the Community College Annual Financial Reporting Requirements Committee, which is comprised of community college business officers, representatives from public accounting firms, and CB staff. Questions may be directed to the Coordinating Board staff at (512) 427-6139.

The institution's bound and audited financial statements (in the quantity indicated) should be forwarded to each agency listed in Section 2.1 of this manual by January 1st of each year and submitted electronically to the CB.

#### HIGHLIGHTS

##### BUDGET REPORTING REQUIREMENTS

The reporting requirements for the Annual Budget are provided in the financial reporting manual.

##### REPORT OF FUNDABLE OPERATING EXPENSES (RFOE)

The reporting requirements for the Report of Fundable Operating Expenses (RFOE) are not provided in this financial reporting manual. They are published under separate cover.

<http://www.thecb.state.tx.us/reports/PDF/2823.PDF>

FY2 and FY1

The acronym of FY2 is used in reference to current year information; FY1 is used for prior year information. To expedite revisions to future manuals, it was decided to use acronyms to denote fiscal years. The institution's audited report would need to show the four digit year where FY2 and FY1 are used in the manual.

### CHANGES AND UPDATES

GASB Statements	All GASB statements up to No. 66 were reviewed for applicability to the community colleges. Implementation status and applicability information are provided below. Consultation with your external auditor and/or the CB is appropriate concerning treatment of any statements outside this manual.
Supplemental Schedules	The statistical schedules in section ten are highly recommended but no longer required unless the basic financial statements are presented within a Comprehensive Annual Financial Report (CAFR). A district can voluntarily include statistical schedules for Government Finance Officers Association (GFOA), credit analysts or other end users they think might benefit from that data. The guidance for the schedules has been amended.
GASB Statement 65 <a href="#">GASB 65 Link</a>	<p><b>Items Previously Reported as Assets and Liabilities (Issued 03/12)</b></p> <p>The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.</p> <p>This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.</p> <p>This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.</p> <p>Additional note: Debt issuance costs are now required to be expensed in the year they are incurred. If a college has previously been amortizing these costs a prior period adjustment may be required. You can now only amortize the portion that pertains to insurance. Consultation with your external auditor for proper treatment is advised.</p> <p>Effective date - <b>For periods beginning after December 15, 2012</b></p> <p><b>Community College Implementation – FY 2014</b></p> <p><b>Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62</b></p> <p>The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the</p>
GASB Statement 66 <a href="#">GASB 66 Link</a>	



consistency of financial reporting and thereby enhance the usefulness of the financial reports.

This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

**Effective date** - For periods beginning after December 15, 2012  
Community College Implementation – FY 2014

---

### Future Pronouncements

---

#### **GASB Statement 67**

#### [GASB 67 Link](#)

Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year.

The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates, when such rates are determined. In that circumstance, it also will provide information about whether employers and non-employer contributing entities, if applicable, are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due.

**Effective date - For periods beginning after June 15, 2013**

**Community College Implementation** – GASB 67 is generally

### **GASB Statement 68**

[GASB 68 Link](#)

not applicable to community colleges.

#### **Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 -**

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

Effective date - **For periods beginning after June 15, 2014**

**Community College Implementation** – Planned for FY 2015 – Implementation may change depending upon decisions and guidance provided by state pension plans

### **GASB Statement 69**

[GASB 69 Link](#)

#### **Government Combinations and Disposals of Government Operations –**

Until now, governments have accounted for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment, generally Accounting Principles Board (APB) Opinion No. 16, Business Combinations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

**GASB 69** will not be applicable to many community colleges, unless there is a Combination or Disposal situation.

**Effective date** - For government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013

Community College Implementation – Planned for FY 2015

### **GASB Statement 70**

[GASB 70 Link](#)

#### **Accounting and Financial Reporting for Non-exchange Financial Guarantees -**

The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending non-exchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will

repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non-exchange financial guarantees.

**Effective date** - For reporting periods beginning after June 15, 2013

**Community College Implementation** – Planned for FY 2014

### **GASB Statement 71**

[GASB 71 Link](#)

**Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68** -

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

**Effective date** - For fiscal years beginning after June 15, 2014

**Community College Implementation** – Planned for FY 2015  
– Implementation may change depending upon decisions and guidance provided by state pension plans

### **FASB News**

[NACUBO Article Link](#)

At its meeting on December 18, 2013, the FASB tentatively decided to require Not-for-Profit (NFP) entities to present expenses by both functional and natural classifications within their financial statements. Currently, all NFPs must present expenses by function, but not by natural classification.

An exposure draft is expected to be issued before the fourth quarter of 2014.

## **SECTION 1: BUDGET AND INVESTMENT ACT REPORTING REQUIREMENTS**

- 1.1 Budget Filing Requirements and Distribution List
- 1.2 Investment Act Requirements

**BUDGET FILING REQUIREMENTS****BUDGET FILING  
REQUIREMENTS AND  
DUE DATE**

The annual budget requirements are contained within a rider in the general appropriation act. For the current reporting period, the requirement may be found in House Bill 1, 82nd Texas Legislature, Regular Session, Art. III, Public Community/Junior Colleges, rider 3.d.:

"Each community/junior college must file by December 1 of each fiscal year directly with the Governor, Legislative Budget Board, the Legislative Reference Library, and the Texas Higher Education Coordinating Board, a copy of an annual operating budget, and subsequent amendments thereto, approved by the community/junior college governing board. The operating budget shall be in such form and manner as may be prescribed by the board and/or agency with the advice of the State Auditor providing, however, that each report include departmental operating budgets by function."

**BUDGET  
DISTRIBUTION LIST**

Please send the budgets to the offices indicated, and not en masse to the CB. The delivery instructions are contained in CB rules, Ch. 13., section 13.43 and 13.44.

**Electronic Copies**

Process	Electronic Address	Details
FTP Post	Coordinating Board  <a href="https://www2.thecb.state.tx.us/">https://www2.thecb.state.tx.us/</a>	The username is audit-collection. The password is *****, Please include your FICE code in the title of the file. For example, 006321BUD2010.pdf.
FTP Post	Legislative Budget Board <a href="http://docs.lbb.state.tx.us/Login.aspx">http://docs.lbb.state.tx.us/Login.aspx</a>	A username and password are required.

**Bound, Paper Copies**

Number of Copies	Mailing Address	Street Address
One (1)	Governor's Budget & Planning Office Office of the Governor PO Box 12428  Austin, TX 78711	Governor's Budget & Planning Office State Insurance Bldg. 1100 San Jacinto, 4th Floor Austin, TX 78701

**INVESTMENT ACT REQUIREMENTS****INVESTMENT POLICIES**

The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

The investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment management; and
- (4) include: list of the types of authorized investments in which the investing entity's funds may be invested; the maximum allowable stated maturity of any individual investment; for pooled fund groups, the maximum dollar-weighted average maturity; methods to monitor the market price of investments acquired with public funds; a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with an investing entity or to an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio.

INVESTMENT OFFICER TRAINING	An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body.
GOVERNING BOARD TRAINING	Each member of the governing board and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties. Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.
AUTHORIZED INVESTMENTS:	Obligations, including letters of credit, of the United States or its agencies and instrumentalities; direct obligations of this state or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and bonds issued, assumed, or guaranteed by the State of Israel.
REPORTS	The investment officer shall quarterly prepare and submit to the governing body a written report of investment for all funds for the preceding reporting period. The report must: describe in detail the investment position of the entity on the date of the report; be signed by each investment officer; contain a summary statement of each pooled fund group that states the: beginning market value for the reporting period; ending market value for the period; and fully accrued interest for the reporting period; state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested; state the maturity date of each separately invested asset that has a maturity date; state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and state the compliance of the investment; and relevant provisions of this chapter. The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period. If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository

bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.



## **SECTION 2: ANNUAL FINANCIAL REPORT (AFR) REQUIREMENTS**

- 2.1 Filing Requirements
- 2.2 Report Content
  - 2.21 Technical Specifications
  - 2.22 Sample Table of Contents
  - 2.23 Sample Organizational Data
- 2.3 FAQ's (Frequently Asked Questions) – Report Requirements
- 2.4 Checklist – AFR Requirements

**FILING REQUIREMENTS  
REPORT DUE DATE**

The audited AFR as described in Section 2.2 of this manual has a state due of January 1 of each year. To clarify, the audit must be certified by the auditor but does not need to be approved by the governing board before submission.

Data Collection Form according to OMB Circular A-133 section 320 (a) states that the reporting package should be submitted the earlier of 30 days after the reports are received from the auditors or nine months after the end of the audit period.

**DISTRIBUTION LIST**

The following information is to be used when delivering the college's AFR by January 1 of each year. Certain agencies no longer require paper copies.

**Electronic Copies**

Process	Electronic Address	Details
FTP post	Coordinating Board <a href="https://www2.thecb.state.tx.us/">https://www2.thecb.state.tx.us/</a>	The username is audit-collection. The password is *****. Please include your FICE code in the title of the file. For example, 006321AFR2013.pdf.
FTP Post	Legislative Budget Board <a href="http://docs.lbb.state.tx.us/Login.aspx">http://docs.lbb.state.tx.us/Login.aspx</a>	A username and password are required.
e-mail	Texas Association of Community Colleges <a href="mailto:documents@tacc.org">documents@tacc.org</a>	Subject should read: "District name, FY13 Audit"
e-mail	Comptroller of Public Accounts <a href="mailto:Cpa.fiscal.management@cpa.state.tx.us">Cpa.fiscal.management@cpa.state.tx.us</a>	Subject should read: "District name, FY13 Audit"
email	State Auditor <a href="mailto:submitreports@sao.state.tx.us">submitreports@sao.state.tx.us</a>	Subject should read: "District name, FY13 Audit"

**Bound, Paper Copies**

Number	Mailing Address	Street Address
One (1)	Governor's Budget & Planning Office Office of the Governor PO Box 12428 Austin, TX 78711	Governor's Budget & Planning Office State Insurance Bldg. 1100 San Jacinto, 4th Floor Austin, TX 78701
One (1)	Legislative Budget Board PO Box 12666, Capitol Station Austin, TX 78711	Legislative Budget Board Robert E. Johnson Bldg. 1501 North Congress, Fifth Floor Austin, TX 78701
One (1)	House Appropriations Committee PO Box 2910, Capitol Station Austin, TX 78769	House Appropriations Committee 1100 Congress Ave., E1.032

		Austin, TX 78701
One (1)	Senate Finance Committee PO Box 12068, Capitol Station Austin, TX 78711	Senate Finance Committee 1400 N. Congress, E1.072 Austin, TX 78701
One (1)	Legislative Reference Library PO Box 12488, Capitol Station Austin, TX 78711	Legislative Reference Library 1100 Congress, Room 2N.3 Austin, TX 78701
	Federal Audit Clearinghouse Bureau of the Census 1201 E. 10th Street Jeffersonville, IN 47132	See the following note for Federal Single Audit Report Filing Requirements

### FEDERAL SINGLE AUDIT REPORT FILING REQUIREMENTS

**Federal Audit Clearinghouse:** Each College is required by The Office of Management and Budget (OMB) Circular A-133 to file with the Federal Audit Clearinghouse a Federal "Data Collection Form" and one copy of the "Reporting Package" which is essentially the AFR and an additional copy of the AFR for each Federal awarding agency that has a related audit finding...as reported by the auditor in the schedule of findings and questioned costs. In addition an AFR must be provided to each pass through agency where there is an audit finding. Please note that the college and the auditor are both required to enter data and certify the submission. You will need to coordinate this process with your audit firm. The due date is 30 days after the date of the audit report.

**Pass Through Agencies:** Also notification that there was no finding is to be provided to each Pass Through Agency (a copy of the AFR may be provided in lieu of this notification). Some pass through agencies require a copy of the AFR regardless (the CB requires a copy of the AFR).

**REPORT CONTENT &  
ORDER**

Each published audited financial report should include the items listed below (examples are included in Sections 2 thru 10). The items should be arranged in the order below and as shown in Section 2.2 through Schedule D. The arrangement of the remaining items are at the discretion of the institution.

- Table of Contents
- Name and Terms of the Board of Trustees
- Principal Administrative Officers and the Business and Financial Staff
- Independent Auditor's Opinion on the Basic Financial Statements, including report on Schedule of Expenditures of Federal Awards and report on Schedule of Expenditures of State Awards (except in specified conditions – see American Institute of Certified Public Accountants (AICPA) pro forma reports)
- Management Discussion and Analysis
- Statement of Net Position (Exhibit 1)
- Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2)
- Statement of Cash Flows (Exhibit 3)
- Notes to Financial Statements
- Supplementary Schedules A through F as listed in Sections 8 and 9 of this manual
- Audit Reports Required by OMB Circular A -133: (Web address: <http://www.whitehouse.gov/omb/circulars/a133/a133.html>)
- Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*
- Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133
- Report on Fraud, Abuse, or Illegal Acts (only when observed)
- Schedule of Findings and Questioned Costs (see OMB Circular A -133 for items required to be included, Sec. 505, (d)(1-3))
- Schedule of Corrective Action for Audit Finding and Questioned Costs (if needed)
- Summary Schedule of Prior Audit Findings (if needed)

- Audit reports required by the State of Texas Single Audit Circular (similar to reports required by OMB Circular A-133), Sec.\_\_\_\_.310 Financial statements [especially subparagraph (b)]. The circular is Section IV of the UNIFORM GRANT MANAGEMENT STANDARDS. (Web address: [www.governor.state.tx.us/divisions/stategrants/guidelines/files/UGMS012001.doc](http://www.governor.state.tx.us/divisions/stategrants/guidelines/files/UGMS012001.doc))
- (as needed) Statistical Supplementary Schedules, Section 10

**COMPARABLE DATA**

Texas community colleges are required to present comparative statements. The statements, footnotes, and MD&A will all need to be comparative. The Schedules A through D need to contain memorandum totals only for the previous year.

**REQUIRED  
SUPPLEMENTARY  
SCHEDULES**

The information and financial statements required above include the schedules listed below. These audited schedules should be included in the published audited financial report after the Notes to the Financial Statement. Examples of these schedules are included in Section 8, Required Supplemental Schedules A-D and Section 9, Required Schedules of Expenditures of Federal Awards and State Awards.

Schedule A – Schedule of Operating Revenues

Schedule B – Schedule of Operating Expenses by Object

Schedule C – Schedule of Non-Operating Revenues and Expenses

Schedule D – Schedule of Net Position by Source and Availability

Schedule E – Schedule of Expenditures of Federal Awards

(See OMB Circular A -133, Sec.\_\_\_\_.320 (d))

Schedule F – Schedule of Expenditures of State Awards

(See State of Texas Single Audit Circular, Sec.\_\_\_\_.310 (b) (1)-(7))

**AS NEEDED  
STATISTICAL  
SUPPLEMENTAL  
SCHEDULES**

The implementation of GASB 44 has changed the requirements for this section. Each of these supplemental schedules includes statistics for the last 10 years, except where a change in reporting requirements makes this impossible. Statistical schedules should be displayed in a table format and graphical presentation is optional. For required topics for statistical schedules please see Section 10, Required Statistical Schedules.

Additional schedules may be included in the published financial report as required for internal management needs. Optional supplemental schedules should not be numbered in a way that would confuse them with the numbering scheme for required exhibits and schedules.

**TECHNICAL SPECIFICATIONS****ROUNDING**

The dollar amounts on the primary financial statements, required supplementary schedules, and the federal assistance schedule should be rounded to the nearest dollar. **The exhibits and schedules must total. Do not include a footnote saying that the statements may not total due to rounding.**

Optional supplemental schedules may be rounded to the nearest dollar at the option of the institution.

**ORDER OF CONTENTS**

The items should be arranged in the order as shown in Section 2.22 through Schedule D. The arrangement of the remaining items is at the discretion of the institution.

**PAGE NUMBERS**

In general, all pages of the audit report should be numbered and these numbers should agree with the pages as listed in the Table of Contents.

**SAMPLE TABLE OF CONTENTS**

## Organization Data

Names and Terms of the Board of Trustees/Regents

Principal Administrative Officers and the Business and Financial Staff

Independent Auditor's Opinion on the Basic Financial Statements (and on Federal and State Schedules)

Management's Discussion and Analysis

**Exhibits**

1 Statement of Net Position

Affiliated Organizations Statement of Financial Position

2 Statement of Revenues, Expenses, and Changes in Net Position

Affiliated Organizations Statement of Activities

3 Statement of Cash Flows

**Notes to the Basic Financial Statements**

## Schedules

A Schedule of Operating Revenues

B Schedule of Operating Expenses by Object

C Schedule of Non-Operating Revenues and Expenses

D Schedule of Net Position by Source and Availability

E Schedule of Expenditures of Federal Awards

F Schedule of Expenditures of State Awards

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Report on Fraud, Abuse, or Illegal Acts (only when observed)

Schedule of Findings and Questioned Costs

Schedule of Corrective Action for Audit Finding and Questioned Costs (if needed)

Summary Schedule of Prior Audit Findings (if needed)

Statistical Supplement (19 Schedules – see Section 10 for details)

**NOTE:** Zero amount line items in Exhibits and Schedules are shown for illustrative purposes only and should be omitted from the face of the statement

**SAMPLE ORGANIZATIONAL DATA**SAMPLE COMMUNITY COLLEGE  
ORGANIZATIONAL DATA  
For the Fiscal Year YYYY

---

Board of Trustees/Regents

---

Officers

Full Name	Board Title
Full Name	Board Title

Members

		Term Expires <u>August 31</u>
Full Name	City, State	YYYY
Full Name	City, State	YYYY
Full Name	City, State	YYYY
Full Name	City, State	YYYY
Full Name	City, State	YYYY
Full Name	City, State	YYYY
Full Name	City, State	YYYY

---

Principal Administrative Officers

---

Full Name	President
Full Name	Vice President of Academic Affairs
Full Name	Vice President of Business Affairs
Full Name	Vice President of Development
Full Name	Vice President of Student Services
Full Name	Dean of Academic Instruction
Full Name	Dean of Vocational Education
Full Name	Controller



**FREQUENTLY ASKED QUESTIONS**

**QUESTION 1** What exhibits and schedules are required to be included in the financial presentation for the AFR?

**ANSWER 1** Answer 1 : The required financial presentation includes:

Exhibit 1	Statement of Net Position (comparative)
Exhibit 2	Statement of Revenues, Expenses, and Changes in Net Position (comparative)
Exhibit 3	Statements of Cash Flows (comparative)
Schedule A	Schedule of Operating Revenues (memo comparative)
Schedule B	Schedule of Operating Expenses by Object (memo comparative)
Schedule C	Schedule of Non-Operating Revenues and Expenses (memo comparative)
Schedule D	Schedule of Net Position by Source and Availability (memo comparative)
Schedule E	Schedule of Expenditures of Federal Awards
Schedule F	Schedule of Expenditures of State Awards

**QUESTION 2** Because community colleges will be presenting comparative financial statements, which exhibits and schedules need to be comparative?

**ANSWER 2** Basic financial statements (Exhibit 1, 2, and 3) and notes to the financial statements should be fully comparative. Schedules A, B, C, and D must disclose memorandum totals for the prior year.

Please note that item numbers tie to complete checklist in Appendix C.

**CHECKLIST**

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
<b>GENERAL</b>		
	1.	Due date for the audited annual financial report recipients listed in Section 2.1 is January 1.
	2.	Is a table of contents included that encompasses the entire report? (NCGAS 1:139)
	3.	Does the table of contents identify each statement and schedule by its full name in accordance with the THECB reporting manual?
	4.	The financial statements must be arranged in numeric order. All pages must be numbered consecutively and agree with the table of contents.
	5.	The names and terms of the Board of Trustees and key administrative officers, including business and financial staff, must be included in the financial report. [See Section 2.23]
	6.	Report should be proofread for typographical and grammatical errors.
<b>REPORT OF THE INDEPENDENT AUDITOR</b>		
	7.	Are the basic financial statements accompanied by the report of the independent auditor?
	8.	Is the report of the independent auditor presented as the first item in the financial section of the report?
	9.	Does the auditor's report on financial include reference to generally accepted auditing standards and generally accepted government auditing standards issued by the Comptroller General of the United States?
	10.	Did the independent auditor express an unqualified opinion on the fair presentation of the basic financial statements?
	11.	Did the Independent auditor sign and date the report?
	12.	Did the auditor include all paragraphs and wording as required by the AICPA in the Statement of Position 98-3?

		<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
<b>BASIC FINANCIAL STATEMENTS</b>		
	29.	Is a full set of basic financial statements presented (i.e., a statement of net position, a statement of revenues, expenses, and changes in net position/equity, and a statement of cash flows)? [GASB 34 91]
	30.	Are all of the basic financial statements referred to by their appropriate title? [GASB 34 91; THECB]
	31.	Do all of the basic financial statements include a reference to the notes?
	32.	Do all of the basic financial statements foot and tie? (Adding a footnote that indicates your statements do not tie is not acceptable)
	33.	Is the difference between assets and liabilities reported as net position? [GASB 34: 30]
	34.	Ensure that amounts reported in the notes are correct and that they agree with applicable amounts in the financial statements.

## **SECTION 3: MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**

- 3.1 Introduction
- 3.2 Overview of MD&A Requirements
- 3.3 Additional MD&A Guidance
- 3.4 Checklist – MD&A

**INTRODUCTION**

Management's Discussion and Analysis (MD&A) is an analysis of the financial condition and operating results of the college written by its *financial managers*. Although it is required supplementary information, GASB requires that MD&A be presented before the basic financial statements because it introduces the statements and notes. GASB 34, paragraph 8, states that MD&A should provide an "objective and easily readable analysis of the financial activities based on currently known facts, decisions, or conditions."

The information presented here should be confined to the topics discussed in items 1 through 8 below according to GASB Statement 37, paragraph 4. Institutions are encouraged to use MD&A to share their knowledgeable insights on the transactions, events, legislation, and conditions that are reflected in the college's financial report.

**ORDER OF CONTENTS**

The items should be arranged in the order listed below.

**PAGE NUMBERS**

In general, all pages should be numbered and these numbers should agree with the pages as listed in the table of contents

**OVERVIEW OF MD&A REQUIREMENTS**

The following is an outline of the requirements for MD&A. The information presented here should be confined to the topics presented below:

**1. BRIEF DISCUSSION OF  
BASIC FINANCIAL  
STATEMENTS**

- a. Explain the relationships of the statements to each other and significant differences in the information they provide.
- b. Identify GASB references from which the statements were fashioned.
- c. Include descriptions of the major components of the basic financial statements (at least in the first few years that GASB 39 is applied).

**2. CONDENSED  
COMPARATIVE FINANCIAL  
INFORMATION**

This required information must be presented in the form of comparative condensed financial statements. This format may not be replaced by a graph. This list is prescribed by GASB 34, 11b, and requires three years' worth of comparative data will be available at a glance to financial statement users. The required elements are as follows:

- a. Total assets, distinguishing between capital and other assets
- b. Total liabilities, distinguishing between long-term liabilities and other liabilities
- c. Total net position, distinguishing among amounts invested in net investment in capital assets; restricted amounts; and unrestricted amounts
- d. Operating revenue by major source and total operating revenues
- e. Operating expenses by function and total operating expenses
- f. Operating income (loss)
- g. Non-operating revenues and expenses
- h. Income before other revenues, expenses, gains, and losses
- i. Capital contributions
- j. Contributions to term and permanent endowments
- k. Other contributions
- l. Special and extraordinary items
- m. Change in net position
- n. Ending net position

**3. OVERALL FINANCIAL  
POSITION**

The third component of MD&A is the required analysis of the college's overall financial position and results of operations. This component is perhaps the most important of the eight. It should *assist* users in assessing whether the college's financial position has improved or deteriorated as a result of the year's operations.

The emphasis is on *assist* for this component. GASB does not require management to determine—and report—whether the college's financial position improved or deteriorated during the period. At best, this is a subjective assessment and must include "significant" factors that caused the variations.

The underlying concept of the term "significant" is the same as "material." The definition of materiality follows:

*The omission or misstatement of an item in a financial report is material if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item.*

Several important things should be considered when preparing this component of MD&A.

- a. The analysis should use as its starting point the condensed financial information discussed previously.
- b. The analysis should include both the amounts and percentages of changes and *the reasons for significant changes from the prior year.*
- c. The analysis should not be limited to the figures reported in the financial statements. Important economic factors, such as changes in the tax or employment bases, that significantly affected operating results for the year should be discussed.
- d. As financial managers for the college, the authors of MD&A are in the best position to know why things changed financially. MD&A gives the authors an excellent opportunity to share their expertise.

#### 4. ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

*Not applicable to community colleges*

#### 5. ANALYSIS OF SIGNIFICANT BUDGET VARIATIONS

*Not applicable to community colleges*

#### 6. SIGNIFICANT CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

This section should essentially be a summary of the information contained in the note disclosures for capital assets and long-term liabilities and refer the reader to these required disclosures.

Three types of information are required for this component of MD&A. These are as follows (as applicable):

- a. *Significant commitments made for capital expenses.* This discussion should also indicate how the college intends to

finance planned expenses.

- b. Changes in credit ratings.* Both positive and negative changes should be discussed, including a brief description of the reason for the change.
- c. Debt limitations that may affect the financing of planned facilities or services.*

7. SIGNIFICANT  
CHANGES IN  
INFRASTRUCTURE ASSETS

*Only if applicable to your institution*

8. CURRENTLY KNOWN  
FACTS, DECISIONS, OR  
CONDITIONS

The final component is the requirement to report on currently known facts, decisions or conditions that are expected to have a significant effect on the college's financial position (net position) or results of operations (revenues, expenses, and other changes in net position). This information is intended to help users assess *future* operations of the college. However, financial managers are not asked to make projections. The term "currently known" means information that management is aware of as of the date of the auditor's report. There is no need to repeat items in this component if they have already been mentioned elsewhere.



**ADDITIONAL MD&A GUIDANCE****REPORTING COMPONENT  
UNIT INFORMATION IN  
MD&A**

Community colleges are considered to be special purpose primary governments according to the definition in GASB 14. Therefore, they must distinguish between the primary government and its discretely presented component units in their reports. The requirements for MD&A are no different from those of reporting in the basic financial statements. GASB 34, paragraph 10, requires that MD&A distinguish between the primary government and its discretely presented component units.

The focus of MD&A should be on the primary government. Discretely presented component unit information should be discussed in MD&A when necessary to present a financial analysis of the primary government, but only after giving consideration to the component unit's significance to the total of all discretely presented component units and that component unit's relationship with the primary government. In all cases, it is appropriate to refer the reader of MD&A to the MD&A's presented in the component units' own separately issued financial reports.

**MAKE MD&A EASILY  
READABLE**

MD&A should be written for a reader with some knowledge of finances and a willingness to put forth the effort to understand the financial statements. Avoid adding information not required in the MD&A.

Financial managers should use "plain English" when possible and give explanations of advanced accounting terms.

**CHARTS, GRAPHS, AND  
TABLES**

Using visual displays of information increases the clarity of MD&A by cutting down on the amount of text that has to be presented.

**AVOIDING BOILERPLATE**

Institutions should avoid making their MD&A appear like others by the use of duplicate language.

- LETTER OF TRANSMITTAL    If your college prepares a CAFR, a letter of transmittal is required. The following guidelines are suggested for presentation and minimum content:
- a. The letter should be included in the introductory section of the CAFR (that is, before the financial section).
  - b. The letter must be signed by the institution's Chief Financial Officer.
  - c. The minimum contents include the following:
    1. Management's responsibility for financial information
    2. An explanation of the sections of a CAFR
    3. Definition of the financial reporting entity
    4. Economic condition and outlook including such topics as (1) overview of the local economy, (2) information regarding major industries affecting the local economy, and (3) future economic outlook
    5. Major initiatives including such topics as (1) current-year projects, (2) future projects, and (3) service efforts and accomplishments information for selected departments or activities
    6. Financial information including such topics as (1) discussion of internal control framework and budgetary controls, (2) general government functions, (3) proprietary operations, (4) debt administration, (5) cash management, (6) risk management, and (7) fiduciary operations
    7. Other information including such topics as (1) independent audit, (2) awards, and (3) acknowledgements.

## CHECKLIST

Please note that item numbers tie to complete checklist in Appendix C.

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	13.	Is MD&A presented and does it follow the report of the independent auditor and precede the basic financial statements? [GASB 34 11b]
	14.	Does MD&A present condensed financial data for three comparative years? Does condensed financial data include: [GASB 34 11b]
	15.	Total assets (distinguishing between capital and other liabilities)? [GASB 34 11b]
	16.	Total liabilities (distinguishing between long-term liabilities and other liabilities)? [GASB 34 11b]
	17.	Total net position/equity (distinguishing net investment in capital assets; restricted net position; and unrestricted net position)? [GASB 34 11b]
	18.	Operating revenues (by major sources)? [GASB 34 11b(4)]
	19.	Non-operating revenues (by major sources)? [GASB 34 11b (5)]
	20.	Program expenses by function? [GASB 34 11b (5)]
	21.	Change in net position?[GASB 34 11b(13)]
	22.	Ending net position? [GASB 34 11b 14)]
	23.	Contributions? (including capital, contributions to endowments, and other) [GASB 34 11b(10)]
	24.	Does MD&A provide an overall analysis of the entity's financial position and results of operations to assess whether financial position has improved or deteriorated during the year, including reasons for significant changes? [GASB 34 11c]
	25.	Does MD&A describe significant capital asset and long-term debt activity during the year, including a change in credit rating, and commitments made for capital expenses? [GASB 34 11f]
	26.	Does the MD&A include a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position (net position) or results of operation? [GASB 34 11]
	27.	Do the amounts reported in MD&A agree with related amounts in the basic financial statements?
	28.	Has the college refrained from addressing MD&A topics not specifically prescribed by GASB 34? [GASB 37]

## **SECTION 4: STATEMENT OF NET POSITION**

- 4.1 Introduction and Discussion
- 4.2 Minimum Components and Format Current Assets
  - 4.21 Report Format Sample of Exhibit 1 – Statement of Net Position
  - 4.22 Report Format Sample of Affiliated Organizations – Statement of Financial Position
- 4.31 Current Assets
- 4.32 Noncurrent Assets
  - 4.321 Capital Assets Classifications
  - 4.322 Deferred Outflows of Resources
- 4.33 Current Liabilities
- 4.34 Noncurrent Liabilities
- 4.35 Net Position
- 4.4 FAQ's (Frequently Asked Questions) – Statement of Net Position
- 4.5 Checklist – Statement of Net Position

**INTRODUCTION AND DISCUSSION**

INTRODUCTION	The primary purpose of the Statement of Net Position is to provide information about an institution's assets, liabilities, and net position at a moment in time, generally at the end of a reporting period. The information provided helps users assess, among other things, the institution's liquidity, its ability to meet its obligations, and its needs for external financing.
MINIMUM REQUIREMENTS	GASB Statement 34 sets forth certain minimum requirements for the Statement of Net Position in three areas, namely: <ul style="list-style-type: none"> <li>a) Classified format</li> <li>b) Components of net position</li> <li>c) Display of restricted net position</li> </ul>
CLASSIFIED FORMAT	Assets and liabilities must be presented in a classified format that distinguishes between current and long-term assets and liabilities.  The "current" classification applies to those assets that will be realized in cash, sold, or consumed within one year and those liabilities that will be discharged by use of current assets or the creation of other current liabilities within one year (Accounting Research Bulletin 43).
REFERENCE TO NOTES	Each financial statement should include a reference to the notes.
ORDER OF LIQUIDITY	Noncurrent liabilities should be listed on the Statement of Net Position in their order of liquidity.
COMPONENTS OF NET POSITION	The net position must be displayed in three broad components: <ul style="list-style-type: none"> <li>a) Net Investment in Capital Assets,</li> <li>b) Restricted, and</li> <li>c) Unrestricted.</li> </ul>
DISPLAY OF RESTRICTED NET POSITION	Within this component, institutions should distinguish between major categories of restrictions, e.g. student financial aid, instructional programs, loans, debt service.  When permanent endowments (those that must be maintained in perpetuity) are included in this component, restricted net position must be further divided and displayed in two subcomponents – expendable and nonexpendable.  <u>NOTE:</u> GASB Statement 34 does <u>not permit</u> showing designations of unrestricted net position to be reported on the face of the Statement of Net Position. Such information, e.g. governing board designations of unrestricted net position for certain uses, is required to be disclosed in Schedule D.

## STATEMENT OF NET POSITION

4.21

## Report Format – Sample of Exhibit 1 – Statement of Nets Position

Sample Community College		Exhibit 1
<b>Statement of Net Position</b>		
<b>August 31, FY2 and August 31, FY1</b>		
<b>ASSETS</b>	<b>FY2</b>	<b>FY1</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 41,351,447	\$ 27,885,226
Short term investments	-	-
Accounts receivable (net)	24,919,195	20,885,439
Other Assets - Current	11,820,137	11,353,525
Notes receivable	16,862	25,550
Inventories	571,347	586,646
Prepaid expenses	1,159,577	1,193,178
<b>Total Current Assets</b>	<b>79,838,565</b>	<b>61,929,564</b>
<b>Noncurrent Assets:</b>		
Restricted cash and cash equivalents	4,918,097	12,502,111
Endowment Investments	-	-
Other long-term investments	106,590,681	141,497,429
Notes receivable	-	-
Other Assets - Noncurrent	2,875,685	3,216,285
Deposit with Bond Trustee	5,005,089	4,900,590
Capital assets (net) (See Note 5):	273,235,290	246,390,268
<b>Total Noncurrent Assets</b>	<b>392,624,842</b>	<b>408,506,683</b>
<b>Total Assets</b>	<b>472,463,407</b>	<b>470,436,247</b>
<b>Deferred Outflows of Resources</b>		
Accumulated decrease in fair value of hedging derivatives	XXX,XXX	XXX,XXX
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	24,319,514	20,297,764
Accrued liabilities	19,048,802	17,919,361
Accrued compensable absences - current portion	4,773,684	4,323,280
Funds held for others	1,521,906	1,503,596
Unearned Revenue	32,678,823	29,395,229
Notes payable - current portion	169,502	162,485
Bonds payable - current portion	9,080,000	3,635,000
<b>Total Current Liabilities</b>	<b>91,592,231</b>	<b>77,236,715</b>
<b>Noncurrent Liabilities:</b>		
Accrued compensable absences	2,326,055	1,447,372
Notes payable	805,954	975,456
Bonds payable	58,525,000	57,755,000
<b>Total Noncurrent Liabilities</b>	<b>61,657,009</b>	<b>60,177,828</b>
<b>Total Liabilities</b>	<b>153,249,240</b>	<b>137,414,543</b>
<b>Deferred Inflows of Resources</b>		
Accumulated increase in fair value of hedging derivatives	XXX,XXX	XXX,XXX
<b>NET POSITION</b>		
Net Investment in Capital Assets	215,480,290	188,181,468
Restricted for:		
Expendable		
Unexpended Bond Proceeds	-	310,000
Debt service	6,486,525	9,733,554
Unrestricted	97,247,352	134,796,682
<b>Total Net Position (Schedule D)</b>	<b>\$ 319,214,167</b>	<b>\$ 333,021,704</b>
The accompanying notes are an integral part of the financial statements.		

**REPORT FORMAT – SAMPLE OF AFFILIATED ORGANIZATIONS – STATEMENT OF FINANCIAL POSITION****Sample Community College  
Affiliated Organization  
Statement of Financial Position**

	<b>FY2</b>	<b>FY1</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 680,427	587,369
Investments	3,082,318	4,535,798
Accounts receivable		
Capital assets (net)		
Prepaid expenses	4,581	
Other	91,214	241,668
<b>Total Assets</b>	<b>3,858,540</b>	<b>5,364,835</b>
<b>Deferred Outflows of Resources</b>		
Accumulated decrease in fair value of hedging	xxx,xxx	xxx,xxx
<b>Total Deferred Outflows of Resources</b>	<b>xxx,xxx</b>	<b>xxx,xxx</b>
<b>Liabilities</b>		
Accounts payable		26,987
Debt obligations	3,736,368	864,772
Other		1,709,545
<b>Total Liabilities</b>	<b>3,736,368</b>	<b>3,601,304</b>
<b>Deferred Inflows of Resources</b>		
Deferred Inflow	xxx,xxx	xxx,xxx
<b>Total Deferred Inflows of Resources</b>	<b>xxx,xxx</b>	<b>xxx,xxx</b>
<b>Net Position</b>		
Unrestricted	122,172	267,898
Temporarily Restricted		
Permanently Restricted		
<b>Total Net Position</b>	<b>\$ 122,172</b>	<b>267,898</b>

The accompanying notes are an integral part of the financial statements.

**CURRENT ASSETS**

For Current Assets, the Statement of Net Position should contain at a minimum the following levels of detail:

**CASH AND CASH EQUIVALENTS**

Includes cash on hand, cash in banks (demand deposits, time deposits, and certificates of deposit), treasury bills, and treasury notes with original maturities of less than 90 days

**Cash on Hand** – any cash on hand at the end of the fiscal year

**Cash in Bank** – total amount of cash in local bank accounts  
Note: this should reflect only cash-in-demand accounts

**Cash Equivalents** – any short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value from changes in interest rates. Investments in public funds investment pools would usually be reported as cash and cash equivalents

**SHORT TERM INVESTMENTS**

Short term investments are those with maturities greater than three months but less than one year based on the original date of purchase, or other investments with longer maturity dates, if the entity plans to sell the investment during the next fiscal year. Public funds investment pools may be reported here if the governing board so designates.

GASB 31 requires that investments be reported at fair market value on the Balance Sheet (See Section 7.4 for more information).

**RECEIVABLES**

Report each of these types of receivables on their respective line items if material.

**Accounts Receivable** – includes only the amount net of allowances of accounts receivable. Allowances for Doubtful Accounts should be disclosed as described in footnote 17 of this manual.

The calculation of the allowance for doubtful accounts should be on a reasonable, realistic, and supported basis. The remaining balance may be reflected as a reserve for accounts receivable (or non-liquid assets if combined with other non-monetary assets).

**Tuition and Fees Receivable** – includes only the net amount of tuition and fees receivable. Allowances for Doubtful Accounts should be disclosed as described in footnote 17 of this manual.

The calculation of the allowance for Doubtful Accounts should be on a reasonable, realistic, and supported basis. The remaining balance may be reflected as a reserve for tuition and fees



receivable (or non-liquid assets if combined with other non-monetary assets).

**Taxes Receivable** - includes the net amount of current and delinquent taxes receivable. Allowances for Doubtful Accounts should be disclosed as described in footnote 17 of this manual.

OTHER ASSETS

Includes expenses paid in advance that pertain to the subsequent fiscal year. An example is Pell scholarships disbursed to students in August for fall classes.

NOTES RECEIVABLE

Written contractual agreements containing an unconditional promise to pay a certain sum of money under terms specified in the note for a period of one year or less.

Notes receivable should be separately disclosed as a line item on the Statement of Net Position and not included with bond proceeds.

INVENTORIES

Report on separate line items if material:

**Goods for Resale** – finished goods purchased by an entity for sale to another entity at an increased price. The total cost of goods for resale on hand as of a reporting date should be the amount reported as inventories for resale.

**Consumable Supplies** – goods and/or items purchased for daily operations (i.e., office supplies) and not for resale. The method used in costing the inventory must be explained in detail in the footnotes.

**NONCURRENT ASSETS**

For Noncurrent Assets, the Statement of Net Position should contain at a minimum the following levels of detail:

RESTRICTED CASH AND CASH EQUIVALENTS	Includes unexpended cash balances restricted by donors or other outside agencies for specific purposes. They originate from income on restricted endowment funds. Gifts whose donors have placed limitations on their use, grants from private or governmental sources for research, training, bond proceeds, and other sponsored funds.
ENDOWMENT INVESTMENTS	The resources for which donors, external agencies, or the governing board have stipulated that the principal of the fund is not expendable and is to be invested for the purpose of producing present and future income. That income may be expended or added to principal.
OTHER LONG TERM INVESTMENTS	<p>Assets held by an institution to produce revenues. Common market investments are corporate bonds and common or preferred stock.</p> <p>These assets should be considered long-term investments by definition and should not be confused with the investment of a temporary cash surplus. Management intent should also be a factor in determining whether an investment should be classified as long-term.</p> <p>GASB 31 requires that investments be reported at fair market value on the Statement of Net Position (See Section 7.4 for more information).</p>
NOTES RECEIVABLE	<p>Written contractual agreements containing an unconditional promise to pay a certain sum of money under terms specified in the note for a period greater than one year.</p> <p>Notes receivable should be separately disclosed as a line item on the Statement of Net Position and not included with bond proceeds.</p>

**CAPITAL ASSETS CLASSIFICATIONS**

CAPITAL ASSETS (NET)	<p>Real or personal property that has a value equal to or greater than the capitalization threshold for the particular classification of the asset and has an estimated life of greater than one year. Capitalization records the value of a capital item or the costs incurred to build or acquire the item as a capital asset. Capital assets that have a cost of \$5,000 or more and have an estimated life greater than one year are capitalized. Major building repairs and maintenance of at least \$100,000 or that significantly extend the building's useful life also are capitalized. (See Section 7.2, Section 7.6 and Appendix C for list of assets and estimated useful life).</p>
NOT SUBJECT TO DEPRECIATION	<p><b>Land</b> – real property acquired by purchase or gift to be used in the operations of the institution. Land is characterized by an unlimited life. The value of land purchased includes the amount paid, any costs involving the purchase, such as legal fees and recording fees, and any costs in the preparation of the land for its intended use, such as grading and clearing. The value of land acquired by gift is the fair market value at the time of the gift.</p> <p><b>Museums and Art Collections</b> – all museum items, art and scientific collections, slide collections, etc., wherever located, are included. Library books that are considered "collections" similar to works of art and historical treasures, consistent with the provisions of GASB Statement 34, may or may not be capitalized depending on whether the item is exhaustible or inexhaustible. Refer to GASB Statement 34, paragraphs 27-29 for further information.</p> <p><b>Construction in Progress</b> – this classification includes construction of buildings, other improvements, and equipment that are in progress at the end of the fiscal year. The amount completed during the fiscal year should be capitalized. Capitalization of Interest on Construction – per GASB Statement 34, net interest must be capitalized on construction in a proprietary fund as long as there is any outstanding debt, even if the outstanding debt has no relationship to the new project. Refer to GASB 34 for further information.</p>
ASSETS SUBJECT TO DEPRECIATION	<p><b>Infrastructure</b> – long-lived capital assets that normally are stationary in nature and typically may be preserved for a significantly greater number of years than most capital assets, such as roads, bridges, and sewer systems.</p> <p><u>Note:</u> THECB recommends that community colleges only report infrastructure if the existing infrastructure is deemed material to the financial statements taken as a whole or if it is likely that material infrastructure components will be added to existing immaterial infrastructure assets. Refer to GASB 34 if infrastructure is reported.</p>

**Buildings and Real Estate Improvements, including**

(a) the cost of permanent structures used in the operations of the institution. This includes any permanently attached fixtures or machinery that cannot be removed without impairing the use of the building. All direct costs of construction are included in the cost of the building. Building improvements should be capitalized based on institution's accounting policy.

(b) all improvements to land other than buildings. This category includes parking lots, fencing and gates, athletic fields, fountains, landscaping, etc.

(c) improvements that meet or exceed the capitalization threshold (on a project basis) made to a leased structure for better utilization of the property over the term of the lease. Improvements made in lieu of rent will be expensed in the period incurred.

**Land Improvements** – all improvements to land other than buildings. This category includes parking lots, fencing and gates, athletic fields, fountains, landscaping, etc. (see Section 10, Appendix C for a more comprehensive listing).

**Leasehold Improvements** – improvements that meet or exceed the capitalization threshold (on a project basis) made to a leased structure for better utilization of the property over the term of the lease. Improvements made in lieu of rent will be expensed in the period incurred.

**Library Books** – all professional, academic, and research library books, and other library items are included, regardless of the source of funds used in acquiring them. Book collections that are considered to be works of art are not depreciable. Library acquisitions are valued at cost or other reasonable basis and capitalized when purchases for the year reach a recommended \$5,000 threshold and have a useful life of greater than one year. Depreciation should be calculated based on a useful life of 15 years. The general library should maintain records of all books and other library items. These records will suffice as detailed inventory records and should not be duplicated in the inventory records of the business office. Donated books should be recorded at fair value as of the date of the gift. Periodicals and subscriptions, including those in electronic form, should be expensed as incurred.

The CB recommends using the group depreciation method to depreciate library books. The group method uses an average rate of depreciation applied to the entire group of library books. Depreciation expense is computed by multiplying an average depreciation rate by the balance in the group asset control account at year end. Deletions are valued at annually adjusted

average cost. An unweighted or weighted method may be used to estimate the rate. Refer to paragraphs 163-166 of GASB Statement 34 for further information.

When books are retired, the group asset account is credited for the average cost and the accumulated depreciation account is debited for the same amount; no losses or gains are recognized. Depreciation expense in subsequent years would change as items are added or useful life estimates revised. Note: accumulated depreciation should not exceed the reported cost of the assets.

**Equipment** – Equipment represents personal property that is movable. Examples include furniture, office and teaching equipment, telecommunications and peripheral equipment, and livestock. Equipment includes all personal property having all of these characteristics: (1) an acquisition value in excess of a specific minimum (*dollar amount*) for each unit (It is recommended that the equipment have a useful life of one or more years and an acquisition cost of \$5,000 or more per unit. This definition is consistent with federal requirement outlined in Circular A-21.), (2) an expected useful life in excess of a specific minimum period, and (3) an identity which is not altered materially through use. Portable buildings are also a component of this category.

**ASSET GROUPS SUMMARY** The CB's GASB Task Force has recommended the following classification of capital assets for Texas community and technical colleges. It has also made recommendations concerning useful life and residual value for each classification to aid in determination of depreciation expense. Each community college district is allowed to establish its own policy for useful life and residual value.

ASSET GROUPS SUBJECT TO DEPRECIATION	USEFUL LIFE	RESIDUAL VALUE
I. Buildings And Real Estate Improvements		
Buildings and Building Improvements	50 Years	10%
Land Improvements	20 Years	10%
Leasehold Improvements	Lease Term	None
II. Infrastructure (if reported separately)	See GASB 34	None
III. Library Books	15 Years	None
IV. Equipment	Lease Term	None
Furniture, Machinery, Vehicles, and Other Equipment	10 Years	None
Telecommunications and Peripheral Equipment	5 Years	None
ASSET GROUP CLASSIFICATION DETAILS	See Section 10, Appendix B, for a detailed list of capital assets by classification.	

**DEFERRED OUTFLOWS OF RESOURCES**

DEFERRED OUTFLOWS      Long term prepayments of expenses subject to amortization.  
Examples are the cost of insuring debt and certain pension costs.

**CURRENT LIABILITIES**

For Current Liabilities, the Statement of Net Position should contain at a minimum the following levels of detail:

ACCOUNTS PAYABLE	A liability or amount owed to a creditor for goods or services received that resulted from an oral or implied promise to pay. Most accounts payable result from the purchase of goods, supplies, equipment, and/or services received.
ACCRUED LIABILITIES	Obligations that accumulate systematically over time. The recording of these liabilities and the accompanying expenses is usually deferred to the end of the accounting period. An accrued expense is an expense that has been incurred during the accounting period but has neither been paid nor recorded. Examples of accrued liabilities would be payroll, payroll taxes, and interest.
ACCRUED COMPENSABLE ABSENCES-CURRENT PORTION	The portion of compensable absences due within one year. The estimate could be based on historical trends or budgeted amounts, and may be affected by other factors such as the institution's policy regarding the unused leave amounts from prior years.
FUNDS HELD FOR OTHERS	Funds in the custody of the institution but not belonging to it. Colleges and universities often serve as depositories or fiscal agents for student organizations, faculty committees, or for other groups connected with the institutions. An example would be federal funds received, but not expended in the same fiscal year. Funds held for others could also be classified as a Noncurrent Liability.
UNEARNED REVENUE	<p>Payments received by the institution in advance, for goods or services to be rendered in a subsequent period. Unearned revenue should only be reported when cash has been received and should not be reported as revenue until earned.</p> <p>An example of deferred revenues would be tuition and fees collected from students near the end of a fiscal year for the next term that begins in the next fiscal period.</p>
NOTES PAYABLE-CURRENT PORTION	Result from issuing an interest bearing certificate or making a loan to derive resources to finance acquisition of long-lived assets that are payable within one year or less. Any debt instrument considered to be Commercial Paper or Variable Rate Notes refinanced for less than one year should be classified as Notes Payable.
BONDS PAYABLE-CURRENT PORTION	Amounts due within one year on interest-bearing certificates issued to derive resources to finance acquisition of long-lived assets.

**NONCURRENT LIABILITIES**

For Noncurrent Liabilities, the Statement of Net Position should contain at a minimum the following levels of detail:

ACCRUED COMPENSABLE ABSENCES-NONCURRENT PORTION	The portion of compensable absences expected to be paid after one year or more. The estimate could be based on historical trends or budgeted amounts and may be affected by other factors such as the institution's policy regarding unused amounts from prior periods.
NOTES PAYABLE- NONCURRENT PORTION	Result from issuing an interest-bearing certificate or making a loan to derive resources to finance acquisition of long-lived assets that are payable in installments greater than one year. Any debt instrument considered to be Commercial Paper or Variable Rate Notes refinanced for greater than one year should be classified as Notes Payable.
BONDS PAYABLE- NONCURRENT PORTION	Amounts due beyond one year on interest-bearing certificates issued to derive resources to finance acquisition of long-lived assets.



**NET POSITION**

For Net Position, the Statement of Net Position should contain at a minimum the following levels of detail:

NET INVESTMENT IN CAPITAL 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 borrowings that are attributable to the acquisition, construction, or improvement of those assets.
RESTRICTED NONEXPENDABLE	Net position that are required to be retained in perpetuity such as permanent endowments or permanent fund principal amounts. Some examples of nonexpendable assets are scholarships, fellowships, and research.
RESTRICTED EXPENDABLE	Net position that are restricted due to constraints placed on the assets either by external creditors such as debt covenants, grantors, or imposed by laws or regulations of other governments. This does not include net position restricted by the college's governing board. Some examples are Scholarships and Fellowships, Research, Instructional department uses, Loans, Capital Projects, and Debt Service.
UNRESTRICTED NET POSITION	Consist of net position that do not meet the definition of "restricted" or "net investment in capital assets." The distribution of this net position must not be presented on the face of the financial statement, but may be presented in the notes.

**FREQUENTLY ASKED QUESTIONS**

QUESTION 1      Do we disregard Mandatory and Non-mandatory transfers between funds because they zero each other out?

ANSWER 1      Yes, for the core financial statements (assuming you have no separately reported component units re: GASB 34).

QUESTION 2      Do we report Land and Site Improvements on a separate line called Investments in Real Estate, which is separate from Capital Assets, net, - on the Statement of Net Position?

ANSWER 2      If the land is being held for the production of income or future sale, it should be reported as a separate line in the noncurrent assets section. It should not be included in the capital assets.

## CHECKLIST

Please note that item numbers tie to complete checklist in Appendix C.

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
<b>STATEMENT OF NET POSITION (EXHIBIT 1)</b>		
	35.	Are assets and liabilities classified as current and noncurrent?[GASB 34 97]
	36.	Are restrictions on cash or investments properly disclosed (SFAS No 5) and are restricted amounts appropriately segregated from other cash items? Show as noncurrent assets. [ARB 43]
	37.	Are bank overdrafts reported as liabilities?
	38.	Are investment in TexPool, Lone Star, and other investments with original maturities of three month or less considered to be cash equivalents?
	39.	Is there a subtotal for "total liabilities?" [NCGAS I, appendix A. example 1; G-94, p. 443]
	40.	Has the College refrained from reporting changes in the fair value of investments as a contra-equity account (instead of including the change as part of investment income)? [GASBS 31 13]
	41.	Is the balance of net position subdivided into the following categories, as appropriate 1) net position net investment in capital assets, 2) restricted net position, and 3) nonrestricted net position? [GASB 34 98]
	42.	Has the College refrained from reporting designations of unrestricted net position on the face of the statement of net position? [GASB 34 37]
	43.	Net position reported on Statement of Net Position (Exhibit 1) must tie to amount reported on the Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2)
	44.	Do the amounts per the Statement of Net Position tie to the appropriate footnotes?

## **SECTION 5: STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (SRECNP)**

- 5.1 Introduction
- 5.2 Report Format
- 5.21 Sample of Exhibit 2 – Statement of Revenues, Expenses, and Changes in Net Position
- 5.22 Sample of Affiliated Organizations – Statement of Activities
- 5.3 Revenues
- 5.4 Expenses
- 5.5 Other Reporting Issue – Component Units
- 5.6 FAQ's (Frequently Asked Questions) – SRECNP
- 5.7 Checklist - SRECNP

**INTRODUCTION**

The intent of the GASB statement of activities is to report the burden of the government's functions on non-operating revenues, defined as the amount of the functions that are not supported by charges to users (GASB 34 38).

Establishing the financial burden on the reporting government's citizenry or taxpayers as a financial reporting focus has introduced a new dimension to governmental financial reporting. The GASB believes that this clearly defined presentation of governmental operations provides an opportunity for analysis and insight previously not possible (GASB 34 344(c)).

The Statement of Revenues, Expenses, and Changes in Net Position should be presented in the following sequence using the all-inclusive format (GASB 34 101):

Operating revenues (detailed)

Total operating revenues

Operating expenses (detailed)

Total operating expenses

Operating income (loss)

Non-operating revenues and expenses (detailed)

Income before other revenues, expenses, gains, and losses

Capital contributions (grant, developer, and other), additions to permanent and term endowments, and special and extraordinary items (detailed)

Increase (decrease) in net position

Net position—beginning of period

Net position—end of period

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**5.21**
**Report Format – Sample of Exhibit 2 – SRECNP**

<b>Sample Community College</b>		<b>Exhibit 2</b>
<b>Statements of Revenues, Expenses, and Changes in Net Position</b>		
<b>Years Ended August 31, FY2 And August 31, FY1</b>		
<b>Operating Revenues</b>	<b>FY2</b>	<b>FY1</b>
Tuition and Fees (Net)	\$ 39,771,189	\$ 43,608,060
Federal Grants and Contracts	22,818,923	29,414,331
State Grants and Contracts	4,657,441	3,494,612
Local Grants and Contracts	-	-
Non-Governmental Grants and Contracts	4,133,147	2,521,797
Sales and Services of Educational Activities	446,968	497,918
Investment Income - Program Restricted	-	-
Auxiliary Enterprises (net of discounts)	6,975,428	6,970,033
General Operating Revenues	1,177,256	1,007,198
<b>Total Operating Revenues (Schedule A)</b>	<b>79,980,352</b>	<b>87,513,949</b>
<b>Operating Expenses</b>		
Instruction	121,450,160	118,222,376
Public Service	9,954,204	9,684,907
Academic Support	14,823,518	14,941,981
Student Services	26,635,350	24,993,208
Institutional Support	45,741,192	44,267,563
Operation and Maintenance of Plant	21,086,945	19,735,934
Scholarships and Fellowships	32,013,809	24,661,506
Auxiliary Enterprises	10,447,407	10,206,724
Depreciation	10,066,975	8,929,414
<b>Total Operating Expenses (Schedule B)</b>	<b>292,219,560</b>	<b>275,643,613</b>
<b>Operating Loss</b>	<b>(212,239,208)</b>	<b>(188,129,664)</b>
<b>Non-Operating Revenues (Expenses)</b>		
State Appropriations	100,623,986	105,376,873
Ad Valorem Taxes (Net)	76,921,860	74,531,105
Federal Revenue, NonOperating	17,890,434	5,423,187
Gifts	723,092	279,721
Investment income	3,073,000	9,545,818
Gain on sale of investment	78,220	-
Contributions in aid of construction	495,952	-
Interest on Capital Related Debt	(735,065)	(1,966,747)
Loss on Disposal of Fixed Assets	(238,206)	(2,033,987)
Other Non-Operating Revenues	52,225	70,771
Other Non-Operating Expenses	(453,827)	(38,162)
<b>Net Non-Operating Revenues (Schedule C)</b>	<b>198,431,671</b>	<b>191,188,579</b>
<b>Income Before Extraordinary Item</b>	<b>(13,807,537)</b>	<b>3,058,915</b>
<b>Extraordinary Item:</b>		
Accrual for legal expense	-	(9,588,038)
<b>Decrease in Net Position</b>	<b>(13,807,537)</b>	<b>(6,529,123)</b>
<b>Net Position</b>		
Net Position - Beginning of Year	333,021,704	339,550,827
Net Position - End of Year	<b>\$ 319,214,167</b>	<b>333,021,704</b>
The accompanying notes are an integral part of the financial statements.		

**REPORT FORMAT – SAMPLE OF AFFILIATED ORGANIZATIONS – STATEMENT OF ACTIVITIES****Sample Community****College****Affiliated Organization****Statement of Activities**

	<b>FY2</b>	<b>FY1</b>
<b>Revenue</b>		
Sales and Service	\$	
Grants and Contracts		45,673
Interest Income	11,977	
Unrealized Investment Income		12,654
Gifts		557,985
Other	298,030	63,498
<b>Total Revenue</b>	<b>310,007</b>	<b>679,810</b>
<b>Expenses</b>		
Salary and wages	69,787	45,987
Services and supplies	5,407	
Interest	370,404	308,851
Depreciation	10,135	
Scholarships and research support		56,987
Other		37,009
<b>Total Expenses</b>	<b>455,733</b>	<b>448,834</b>
<b>Change in net position</b>	<b>(145,726)</b>	<b>230,976</b>
Net Position at beginning of year	267,898	36,922
<b>Net Position at end of year</b>	<b>\$ 122,172</b>	<b>267,898</b>

**REVENUES****INSTRUCTIONS**

Revenues are required to be presented in the following manner (GASB 34 100-103):

- Operating Revenues
- Non-Operating Revenues
- Capital contributions, additions to endowments, and special and extraordinary items.

In determining which of the above categories revenues fall under, the GASB advises that each institution establish a policy defining operating revenues. Revenues not defined as operating revenues automatically fall to the other categories.

**OPERATING REVENUES**

As business-type activities, operating revenues should be defined as the results of exchange transactions with those who purchase, use or directly benefit from the goods or services of the college. Revenues are recorded on the accrual basis of accounting. Revenues are recognized when earned; e.g., when goods are received or services are performed. Operating revenues should be reported gross of related expenses and net of any discount or sales allowance.

Operating revenues can consist of the following categories: Tuition and Fees (net of discounts); Sales and Services of Educational Activities; Federal/State/Local Grants; Non-Governmental Grants and Contracts; Auxiliary Enterprises, and Other Operating Revenues.

With GASB 34 102 as guidance, each grant should be reviewed on its own merits. The exchange component should be considered. Grants that are essentially the same as a contract for services can be reported as an operating activity. Professional judgment should be employed.

Funds held for third-party beneficiaries (e.g. students) that may not be used to support the college's programs should not be considered revenues or expenses. These resources should be reported as cash and/or short-term investment assets and as a liability on the Statement of Net Position. (GASB 34 69).

**NON-OPERATING  
REVENUES**

Non-operating revenues derive from non-exchange transactions or those that are not reported as operating activities in the Statement of Cash Flows, such as investment income. Non-exchange transactions are recognized in accordance with the standards in GASB 33.

Non-operating revenues consist of the following categories: state appropriations (including restricted revenues such as state insurance and benefit allocations); taxes levied by the college; funds provided by other entities for unrestricted purposes (other



than state allocations); gifts (other than capital contributions); investment income not restricted to a specific program; and other non-operating, non-capital revenues.

Grant revenue related to Title IV programs is now considered non-operating revenue based on guidance included in the GASB Implementation Guide. Question and answer 7.72.10 on page 7-97, states that institutions should record receipts as non-operating revenue.

#### OTHER REVENUE

Revenues from capital contributions, additions to endowments, and special and extraordinary items (GASB 34 100, 377-378).

#### REVENUE REPORTING ISSUES

**State Funds as Non-Operating Revenues** – State funds should be defined as non-operating revenues in the revenue policy of the colleges and reported accordingly. Both restricted and unrestricted appropriations are to be treated in this manner.

**Tuition and Fee Discounting** – Tuition, fees, and other college charges should be reported net of discounts as defined by The National Association of College and University Business Officers (NACUBO) in *Advisory Report 2000-05*. This requires revenues from tuition, fees, and other student charges to be “discounted” when paid by Pell and other funds. Tuition, fees, and other college charges paid by the student or a third-party payer should be reported as revenues.

Examples of tuition discounts are Texas Public Education Grant (TPEG), institutional scholarships, PELL grants, TEXAS grants, and privately gifted scholarship awards not to exceed the billable tuition & fees. Any awards to students that exceed the billable tuition and fees should be reported as scholarship expense.

**District Taxes (*Ad Valorem*)** – District taxes should be classified as non-operating revenues.

**Investment Income** – Investment income should be classified as non-operating revenue, unless the income is legally restricted to a specific program. In that case it should be reported as operating revenues of the program, as in the case of endowment income restricted to specific programs.

**Restricted Revenues** – The reporting for restricted revenues falls under the same revenue reporting categories listed earlier in this report. Under the single-column reporting format these revenues would be included in the major source categories:

- Operating Revenues
- Non-Operating Revenues
- Capital contributions, additions to endowments, and special and extraordinary items.

**Auxiliary Enterprises** – Auxiliary Enterprise revenues are considered a “major revenue source,” and should be reported as a separate line in the operating revenue section.

**Provision for Bad Debt** – For accounts receivables that affect revenue, record the provision for bad debt against the applicable revenue. For receivables that do not affect revenue (i.e. student loans) record as an expense.

A Texas public community college is considered a single governmental program business-type activity. The college is sub-categorized into functional areas with direct expenses attributed to each area. Functional expenses are defined as the “direct” expenses specifically associated with a function, and would not include allocations of indirect expenses.

The functional categories for expenses will continue to be the current categories of:

- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Operation and Maintenance of Plant
- Scholarships and Fellowships
- Auxiliary Enterprises
- Depreciation

Although reporting by natural classifications (salaries, equipment, etc.) is an option, and considered by some to be more meaningful from a user’s standpoint, the functional presentation permits comparability with statements prepared prior to GASB 34.

Definitions of these categories have not changed under GASB 34/35. However, expenses are now reported rather than expenditures. GASB believes that expenses (i.e., consumption basis) provide more complete, objective, and comparable information about an institution’s costs than do expenditures (i.e., acquisition basis). Following is an explanation of each functional expense category:

**EXPENSES****EDUCATIONAL AND  
GENERAL**

Instruction – includes expenses for all activities that are part of an institution's instructional program. Expenses for credit and non-credit courses, for academic, vocational, and technical instruction, for developmental and tutorial instruction, and for regular, special, and extension sessions should be included.

Expenses for departmental research and public service that are not separately budgeted should be included in this classification.

Expenses of department chairmen, in which instruction is still the primary role of the administrator, are included in this category.

This category should exclude expenses for academic administration when the primary assignment is administration, i.e., academic deans.

**Research** – this category should include all expenses for activities specifically organized to produce research outcomes. Expenses included in this category may be either internally or externally sponsored, but must be separately budgeted.

**Public Service** – This category should include funds expended for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the institution.

**Academic Support** – This category should include funds expended primarily to provide support services for the institution's primary missions: instruction, research, and public service. It includes: (1) the retention, preservation, and display of educational materials, i.e., libraries, museums, and galleries; (2) academic administration, i.e., deans' salaries and office expenses; (3) technical support, i.e., computer services and audio-visual information; and (4) separately budgeted support for course and curriculum development, and related items.

**Student Services** – This category should include funds expended for offices of admissions and the registrar and activities that primarily contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instruction program.

**Institutional Support** – This category should include expenses for: (1) central executive level management and long-range planning of the entire institution; (2) fiscal operations; (3) administrative data processing; (4) space management; (5) employee personnel and records; (6) logistical activities that provide procurement, storerooms, safety, security, printing, and transportation services to the institution; (7) support services for faculty and staff that do not operate as auxiliary enterprises; (8) activities concerned with community and alumni relations, including development and fundraising; (9) bad debt related to

receivables that don't affect revenue (i.e. student loans); and (10) campus security.

**Operations and Maintenance of Plant** – This category should include all expenses of current funds for the operation and maintenance of physical plant, net of amounts charged to auxiliary enterprises, hospitals, and independent operations.

**Scholarships and Fellowships** – This category should include expenses for scholarships and fellowships including tuition remissions and exemptions in grants to students either from selection by the institution or from an entitlement program. If the institution does not select the recipient of the award and is only custodian of the funds, as with The Reserve Officers' Training Corps (ROTC) scholarships, the funds should be reported as a fiduciary activity on the Statement of Net Position.

Recipients of grants are not required to perform service to the institution as consideration of the grant, nor are they expected to repay the amount of the grant to the funding source. When services are required in exchange for financial assistance, as in the federal College Work-Study Program, the charges should be classified as expenses of the department or organizational unit to which the service is rendered.

#### AUXILIARY ENTERPRISES

Should include all expenses relating to the operation of auxiliary enterprises, including expenses for operation and maintenance of plant and institutional support.

#### EXPENSE REPORTING ISSUES

**Allocation of General Expense Not Required** – Community colleges should continue to report direct expenses as they have in the past under currently existing functional categories, and not allocate general expenses to the functional categories.

**Depreciation Expense** – Depreciation should be reported as a separate line under Operating Expenses, rather than allocated to the functional categories.

**Interest Expense** – Interest expense should be shown as a separate line item, similar to the presentation for depreciation expense, under the rationale that it benefits the college's single program as a whole (GASB 34, Paragraph 46). Interest expense is reported as a non-operating expense. It may not be allocated to other functional expense categories.

**OTHER REPORTING ISSUE – COMPONENT UNITS****COMPONENT UNITS**

GASB 61 – The Financial Reporting Entity: Omnibus amends GASB 14 – The Financial Reporting Entity and GASB 34 – Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments to further clarify and modify certain reporting entity considerations for component units. Under GASB 61, fiscal dependency alone no longer requires inclusion in the financial statements of a potential component unit. Instead, to justify inclusion, a financial benefit or burden relationship must also exist between the potential component unit and the primary government. GASB 39 clarifies when affiliated organizations should be reported as component units. Comparative information for the component unit must be presented.

Many Texas public community colleges have legally separate fundraising organizations that may qualify as component units. If the college determines that a legally separate component unit should be presented in its financial statements, the component’s Statement of Financial Position and Statement of Activities should be presented on a separate page behind the primary institution’s Statement of Net Position, and SRECNP.

For purposes of reporting under GASB 39, management should exercise professional judgment to determine if it would be misleading to include a potential component unit in its financial statements. If a potential component unit has either five percent of the net position or five percent of the revenues of the primary institution, possible inclusion in its financial statements should be considered by management of the primary government.

**FREQUENTLY ASKED QUESTIONS**

## QUESTION 1

What would comprise discounts for Other Operating Revenues? It is shown as "net of discounts" on the Statement of Revenues, Expenses, and Changes in Net Position. Are bookstore sales a part of auxiliary enterprises/discounts? Do we have to separate out the division sales/discounts and report them as other operating revenues/discounts? That would be a very large job.

## ANSWER 1

Bookstore sales are a part of auxiliary enterprises/discounts. Total auxiliary enterprises/discounts should be reported separately only if the amount is material. A better example of discounts reported under "Other Operating Revenues" would be discounts on registration fees for seminars or conferences sponsored by instructional departments. Again, separate reporting of total "Other Operating Revenues - Discounts" is necessary if the amount is material.

## QUESTION 2

If a grant or contract provides for equipment acquisitions, how should the amounts provided for equipment and other capital items be reported?

## ANSWER 2

The primary purpose of the grant or contract dictates whether the transaction will be reported as operating or non-operating. If the agreement represents an exchange transaction, and the equipment is merely incidental to the program activity, it will be classified as an operating activity. If the primary purpose is equipment acquisition, it is considered a capital grant and the transaction is reported as capital financing in the Statement of Cash Flows and as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position, if the acquisition exceeds the fixed asset capitalization threshold. If the acquisition does not meet the capitalization threshold, that portion of the transaction must be reported in the operating activities section of the Statement of Cash Flows.

## QUESTION 3

How is the TPEG set-aside from tuition reported? Do we show the tuition and fees net of the TPEG set aside? The CB's GASB Task Force recommendations direct us to record TPEG as tuition when it is awarded and applied to the student's account and tuition discounts are offset at the same time.

## ANSWER 3

On Exhibit 2 - Statement of Revenues, Expenses and Changes in Net Position, tuition should be reported net of the set-aside (based on a certain percentage of gross tuition). On the Schedule A - Schedule of Operating Revenues, the TPEG set-aside is broken out and reported separately under the total tuition section, and the total actual award amount is listed as a deduction under the Scholarship Allowances and Discounts section in the process of presenting Total Net Tuition and Fees. See Section 8.1 of this manual.

## CHECKLIST

Please note that item numbers tie to complete checklist in Appendix C.

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
<b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (EXHIBIT 2)</b>		
	45.	Does the statement distinguish between operating and non-operating revenues and expenses? [GASB 34 100]
	46.	Has the college refrained from including taxes and gifts within the operating category? [GASB 34 102]
	47.	Is operating income/loss reported as a separate line item? [GASB 34 100]
	48.	Are state funds shown as non-operating revenue?
	49.	Total operating revenues must tie to Schedule of Operating Revenues (Schedule A).
	50.	Are expenses shown by functional classification on face of statement? Reported amounts must tie to Schedule of Operating Expenses by Object (Schedule B)?
	51.	Is depreciation expense reported separately from other expense? [APB 12 5]
	52.	Has bad debt expense been netted against related revenue or included as expense if it doesn't affect revenue?
	53.	Is change in net position reported as a separate line item?

## **SECTION 6: STATEMENT OF CASH FLOWS**

- 6.1 Description of Statement of Cash Flows
- 6.2 Five Sections of the Statement of Cash Flows
  - 6.21 Operating Activities
  - 6.22 Non-Capital Financing Activities
  - 6.23 Capital and Related Financing Activities
  - 6.24 Investing Activities
  - 6.25 Reconciliation of Net Operating Income (loss) to net Cash Provided (used) by Operating Activities
- 6.3 Increase (Decrease) in Cash and Cash Equivalents
- 6.4 Report Format
  - 6.41 Sample of Cash Flow Worksheets
  - 6.42 Sample of Exhibit 3
- 6.5 FAQ's (Frequently Asked Questions) – Statement of Cash Flows
- 6.6 Checklist - Statement of Cash Flows



## DESCRIPTION OF STATEMENT OF CASH FLOWS

For the Statement of Cash Flows, operating cash outflows are reported as a deduction from cash inflows to derive net cash provided (used) by various activities of the entity. Both cash outflows and inflows are usually reported at gross. However, net reporting is permitted in limited instances when quick turnover, short maturity, and large amounts characterize the transactions.

The Statement of Cash Flows also shows factors contributing to the change in cash from the beginning to the end of the reporting period. The direct method converts accrual basis net income (loss) to a cash basis. Essentially the inflows and outflows follow the line items from the Statement of Revenues, Expenditures and Change in Net Position. But they are adjusted for non-cash transactions as well as for changes between the prior year and the current year in Statement of Net Position line items such as receivables, inventories, payables, etc. that reflect the amount of cash inflow and outflow for the period.

SECTIONS OF THE  
STATEMENT OF CASH  
FLOWS

The Statement of Cash Flows is divided into five sections:

1. Cash Flows from Operating Activities
2. Cash Flows from Non-Capital Financing Activities
3. Cash Flows from Capital and Related Financing Activities
4. Cash Flows from Investing Activities
5. Reconciliation of Net Operating Income (loss) to Net Cash Provided (used) by Operating Activities

## OTHER GUIDELINES

- GASB Statement 34, paragraph 105, prescribes the direct method of presenting cash flows from operating activities.
- Cash and cash equivalents are items that are readily convertible to cash, while carrying an insignificant risk of change in value. Cash equivalents have original maturities of three months or less and include public funds investment pools unless the governing board has issued a policy that deems them to be short-term investments. The definition of cash and cash equivalents should be included as part of the institution's significant accounting policy disclosure.
- Generally, all activities should be reported gross.
- The Statement of Cash Flows should include a reference to the notes.

## OPERATING ACTIVITIES

CASH FLOWS FROM  
OPERATING ACTIVITIES

The Cash Flows from Operating Activities section should include at a minimum the following inflows and outflows:

1. Inflows:
  - Receipts from students and other customers
  - Receipts from operating grants and contracts
  - Collection of loans to students and employees
  - Other cash receipts
2. Outflows:
  - Payments to suppliers for goods and services
  - Payments to or on behalf of employees
  - Payments for scholarships and fellowships
  - Loans issued to students
  - Other cash payments

RELATIONSHIP OF  
SRECNP TO CASH FLOWS

Basic information for the inflows and outflows related to operating activities will come from the Statement of Revenues, Expenses, and Changes in Net Position operating revenues and expenses. Shown below are the operating revenue and expense line items from the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) and the inflow or outflow to which each line typically relates.

SRECNP Line Item	Cash Flow Line Item
<u>Revenues</u>	
Tuition and Fees	Receipts of tuition and fees
Federal Grants and Contracts	Receipts from federal grants and contracts
State Grants and Contracts	Receipts from state grants and contracts
Non-governmental Grants and Contracts	Receipts from Non-Governmental grants and contracts
Sales and Services of Educational Activities	Receipts from sales and services of educational activities
Auxiliary Enterprises	Receipts from auxiliary enterprises
General Operating Revenues	Other receipts
	Receipts from collections of loans to employees
	Receipts from collections of loans to students

SRECNP Line Item	Cash Flow Line Item
<u>Expenses</u>	
Instruction	Payments to suppliers for goods and services Payments to or on behalf of employees Payments to students under federal grants Payments for loans issued to employees Payments for loans issued to students
Public Service	Payments to suppliers for goods and services Payments to or on behalf of employees
Academic Support	Payments to suppliers for goods and services Payments to or on behalf of employees Payments to students under federal grants Payments for loans issued to employees Payments for loans issued to students
Student Services	Payments to suppliers for goods and services Payments to or on behalf of employees Payments to students under federal grants Payments for loans issued to employees Payments for loans issued to students
Institutional Support	Payments to suppliers for goods and services Payments to or on behalf of employees Payments to students under federal grants Payments for loans issued to employees Payments for loans issued to students
Operation and Maintenance of Plant	Payments to suppliers for goods and services Payments to or on behalf of employees Payments to students under federal grants Payments for loans issued to employees Payments for loans issued to students
Scholarships and Fellowships	Payments to suppliers for goods and services Payments to or on behalf of employees Payments for scholarships and fellowships

Auxiliary Enterprises	Payments to suppliers for goods and services Payments to or on behalf of employees Payments to students under federal grants Payments for scholarships and fellowships Payments for loans issued to employees Payments for loans issued to students
-----------------------	--

Depreciation, although in the operating expense section of the SRECNP, is a non-cash transaction and will appear as an adjusting item on the reconciliation of net operating income (loss) to net cash provided (used) by operating activities.

The functional expense areas are split between the amounts for salaries and benefits paid to employees and the amounts paid to suppliers for goods and services. The breakdown of the expense information may be found on the Schedule of Operating Expenses by Object (Schedule B).

Many of the amounts for line items for both revenues and expenses on the SRECNP will be further adjusted for the Statement of Cash Flows by changes in accounts receivables, allowance for doubtful accounts, prepaid expenses, inventories, accounts payable, other liabilities, etc. during the reporting period. The changes are found by comparing the current and prior year columns of the Statement of Net Position (SONP). However, assets and liabilities are not broken down on the SONP by operating and non-operating activities. Therefore care must be given in considering the source of change in these categories in order to assign such changes to the appropriate section of the Statement of Cash Flows.

## NON-CAPITAL FINANCING ACTIVITIES

Non-capital financing activities include borrowing money for purposes other than acquiring or improving capital assets and repaying those amounts borrowed, including interest. Line items for inflow and outflow of cash in this section may include:

## 1. Inflows:

- Receipts from state appropriations<sup>1</sup>
- Receipts from *ad valorem* taxes levied for maintenance and operation
- Receipts from student organizations and other agency transactions
- Proceeds from non-capital loans
- Receipts from non-capital gifts and non-exchange grants
- Contribution from foundation
- Endowment interest
- Endowment gift
- Proceeds from insurance claims
- Receipts from note borrowings for other than capital purposes
- Receipts from federal grants for non-operating activities
- Receipts from gifts or grants for other than capital purposes
- Title IV federal financial aid programs<sup>2</sup>

## 2. Outflows:

- Payments to student organizations and other agency transactions
- Payments for non-capital loans-principal
- Payments for non-capital loans-interest
- Payments for collections of taxes
- Payments on note borrowings

Amounts for non-capital financing activities will come primarily from the non-operating revenues and expenses section of the

---

<sup>1</sup> State Appropriations should be treated as non-operating revenues for Statement of Revenues, Expenses and Changes in Net Position. See Section 5.3 for more information.

<sup>2</sup> Changed per GASB Implementation Guide Q&A 7.72.10 on page 7-97.

SRECNP but with adjustments from changes between the prior year to the current year in accounts receivable, notes payable, etc. in the Statement of Net Position. However, because assets and liabilities are not reported separately on the SONP as related to operating or non-operating activities, special care should be given to report amounts in the appropriate section of the Statement of Cash Flows.

## CAPITAL AND RELATED FINANCING ACTIVITIES

Capital financing activities include acquiring and disposing of capital assets used in providing goods and services as well as monies borrowed and repaid (including interest) in connection with the acquisition or construction of capital assets. Line items for this section may include the following cash inflows and outflows:

## 1. Inflows:

- Proceeds from the sale of capital assets
- Proceeds from capital debt (net of issuance costs)
- Receipts from capital contracts, gifts, and grants
- Proceeds from insurance for stolen or destroyed capital assets
- Receipts from *ad valorem* taxes for debt service
- Contribution received for capital assets
- Insurance Recoveries from capital asset loss

## 2. Outflows:

- Purchases of capital assets including payments for constructions costs
- Payment on capital debt and leases – principal
- Payment on capital debt and leases – interest
- Payment on capital leases – principal
- Payment on capital leases – interest and fees
- Bond issue costs paid on new capital debt issue
- Cash paid to advance refunding escrow agent for capital transaction
- Defeasance of capital debt
- Expense incurred in disposal of capital asset
- Repay funds held for other non-capital agency funds

## INVESTING ACTIVITIES

CASH FLOWS FROM  
INVESTING ACTIVITIES

Investing activities include transactions related to acquiring and disposing of debt or equity investment instruments, including associated interest, and making and collecting loans (except for loans related to programs, which are included in operating activities). Line items for inflow and outflow of cash for investing activities include:

## 1. Inflows:

- Proceeds from sales and maturities of investments (other than cash equivalents)
- Receipts of interest and dividends on debt instruments, equity securities, and cash management or investment pools

## 2. Outflows:

- Payments to acquire debt instruments and equity securities
- Deposits into investment pools that the institution is not using as demand accounts per policy

The amounts for the section of the Statement of Cash Flows on investing activities come mainly from the changes in investments found on the Statement of Net Position. However, the investment income amount is obtained from the SRECNP.



**RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED  
(USED) BY OPERATING ACTIVITIES**

A reconciliation of net operating income (loss) to net cash provided (used) by operating activities must be included at the bottom of the Statement of Cash Flows. The reconciliation is like the indirect method of preparing a statement of cash flows as it adjusts the operating net income (loss) for items not having an effect on cash to arrive at net cash provided (used) by operating activities.

1. Operating income (loss)
2. Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities
  - Amortization expense
  - Amortization of deferred charges
  - Depreciation expense or Bad debt expense
  - Gain on sale of assets (only if part of operating activities)
  - Health insurance and benefits paid by the State
  - Non-cash revenues (only if part of operating activities)
  - Non-cash expenses (only if part of operating activities)
  - Other revenues
  - Payments made directly by state for benefits
  - Prior period adjustment related to operating activities
  - Remissions and exemptions
  - State waivers
3. Changes in Assets and Liabilities (only the portions relating to operating activities)
  - Accounts Receivable or accounts payable
  - Deferred Expenses or prepaid expenses
  - Inventories or notes receivable
  - Accrued Liabilities
  - Compensable Absences
  - Deferred Revenue or deferred expenses
  - Deferred Credits – Other
  - Deferred Credits – Student Related
  - Deposits or federal grants

**Reconciliation of Net Operating Income (loss) to net Cash Provided (Used)  
By Operating Activities**

---

- Due from other governments
  - Funds held for others
  - Inventories for resale
  - Loans to employees or loans to students
  - Payroll and related payables
  - Retirement incentive program payable
  - State grants
  - Utility escrow
  - Other assets, other liabilities
4. Noncash investing, capital and financing activities
- Proceeds from capital lease (must be compensating transactions)
  - Acquisition of equipment from capital lease (must be compensating transactions)
  - Proceeds from note payable (must be compensating transactions)
  - Acquisition of equipment from note payable (must be compensating transactions)
  - Net effect of noncash transactions

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

The cash provided (used) by operating activities, non-capital financing activities, capital financing activities, and investing activities should equal the increase or decrease in cash and cash equivalents from the beginning of the year to the end of the year.

WORKSHEETS FOR  
PREPARING STATEMENT  
OF CASH FLOWS (EXHIBIT  
3)

A series of worksheets are provided to assist in the preparation of the Statement of Cash Flows. Within these worksheets, the following conventions are used to trace entries: A – Asset Section; L – Liabilities Section; R – Revenue Section; and, E – Expense Section.

**1. Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**

This reconciliation is really a schedule that “indirectly” reconciles the operating income (loss) found on the SRECNP with the net cash provided (used) by operating activities as reported in the first section of the Statement of Cash Flows using the direct method. The reconciliation is accomplished by adding or deducting transactions that do not provide or use cash and by adding or deducting changes in assets and liabilities that affect cash collected or paid during the reporting period for operations. Depreciation expense and bad debt expense are examples of transactions included in the reconciliation because they do not provide or use cash. Changes in assets and liabilities that are not used are those related to investments and capital items.

**2. Walk Forward of Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position**

A typical walk forward from the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position is provided. Each line item on the statements is broken down into component parts that affect the Statement of Cash Flows and labeled so that the components may be traced through to the Statement of Cash Flows.

Sample Community College  
Cash Flow Worksheet  
For the Fiscal Year Ended August 31, FY2

<b>STATEMENT OF NET POSITION</b>	<b>Beginning Balance</b>	<b>Ending Balance</b>	<b>Difference</b>	<b>SONP Entries to Cash Flow</b>		
<b>Current Assets</b>						
Cash and Cash Equivalents	27,885,226	41,361,447	13,476,221	A-A1	13,476,221	Increase (decrease) in Cash
Investments	-	-	-	A-B1	-	
* Accounts Receivable	20,885,439	24,919,195	4,033,756	A-D1	(229,660)	Accts Rec-General
				A-D2	3,041,618	Tuition Receivables
				A-D3	1,901,525	Contract/Grant Receivables
				A-D4	210,243	Tax Receivables
				A-D5	(899,886)	Interest Receivables
				A-D6	9,916	Bond Receivable
Inventories	586,646	571,347	(15,299)	A-E1	(15,299)	Payments to suppliers
* Notes Receivable	25,550	16,862	(8,688)	A-F1	37,485	New loans given
				A-F2	(32,071)	Loans repaid
				A-F3	(14,102)	Loans written off
Deferred Outflows	11,353,525	11,820,137	466,612	A-Q1	466,612	Payments to suppliers
Prepaid Expenses	1,193,178	1,159,577	(33,601)	A-H1	(175,714)	Payments to suppliers
				A-H2	142,113	Payments to employees
<b>Total Current Assets</b>	<b>61,929,564</b>	<b>79,848,565</b>	<b>17,919,001</b>		<b>17,919,001</b>	
<b>Non-Current Assets</b>						
Restricted Cash and Cash Equivalents	12,502,111	4,918,097	(7,584,014)	A-J1	(7,584,014)	Increase (decrease) in Cash
* Long-term Investments	146,090,803	120,535,852	(25,554,951)	A-K1	80,799,000	Purchases
				A-K2	(104,000,000)	Sales
				A-K3	(58,560)	Interest on investments
				A-K4	(2,295,391)	Unrealized Loss
* Notes Receivable (net)	-	-	-		-	
Deferred Outflows	3,216,285	2,875,685	(340,600)	A-M1	(340,600)	Other expense
Deposit with Bond Trustee	4,900,590	5,005,089	104,499	A-N1	104,499	Fee for capital debt
* Capital Assets (net)	246,390,269	273,235,290	26,845,021	A-P1	35,331,960	Purchases
				A-P2	170,460	Donated Assets
				A-P3	(478,654)	Sales/Disposals
				A-P4	(10,066,975)	Accum. Depreciation
				A-P5	1,888,230	Capitalized interest
<b>Total Non-Current Assets</b>	<b>413,100,058</b>	<b>406,570,013</b>	<b>(6,530,045)</b>		<b>(6,530,045)</b>	

STATEMENT OF NET POSITION	Beginning Balance	Ending Balance	Difference	SONP Entries to Cash Flow		
<b>Current Liabilities</b>						
* <b>Accounts Payable</b>	(20,297,764)	(24,319,514)	(4,021,750)	L-A1	(2,981,384)	Suppliers of Goods/Services
				L-A2	584,197	Employees (Deferred Comp)
				L-A3	(1,624,563)	Scholarships/Fellowships
* <b>Accrued Liabilities</b>	(17,919,361)	(19,048,802)	(1,129,441)	L-B1	134,123	Students/customers
				L-B2	(547,974)	Employees
				L-B3	(8,587)	Scholarships/Fellowships
				L-B4	(644,370)	Suppliers of Goods/Services
				L-B5	(145,129)	Bond Premium
				L-B9	(6,002)	Fee related to bonds
				L-B6	35,631	Interest Payables
				L-B7	(22,768)	Accrued interest
				L-B8	75,635	Special accruals
Accrued Compensable Absences	(4,323,280)	(4,773,684)	(450,404)	L-C1	(450,404)	Payments to employees
* <b>Funds Held for Others</b>	(1,503,596)	(1,521,906)	(18,310)	L-D1	(4,148,503)	Funds received
				L-D2	4,130,193	Funds paid out
* <b>Deferred Inflows</b>	(29,395,229)	(32,678,823)	(3,283,594)	L-E1	(3,400,874)	Students/customer prepayments
				L-E2	117,280	Contract/Grant deferred rev
Notes Payable - Current Portion	(162,485)	(169,502)	(7,017)	L-J6	(7,017)	Transferred from note payable
* <b>Bond Payable - Current Portion</b>	(3,635,000)	(9,080,000)	(5,445,000)	L-F1	(5,445,000)	Transferred from bond payable
Total Current Liabilities	(77,236,715)	(91,592,231)	(14,355,516)		(14,355,516)	
<b>Non-Current Liabilities</b>						
* <b>Deferred Inflows</b>	-	-	-	L-G1	-	
Accrued Compensable Absences	(1,447,372)	(2,326,055)	(878,683)	L-H1	(878,683)	Payments to employees
* <b>Notes Payable</b>	(975,456)	(805,954)	169,502	L-J4	-	Amt borrowed
				L-J5	162,485	Principle paid
				L-J6	7,017	Transferred to current portion
* <b>Bond Payable</b>	(57,755,000)	(58,525,000)	(770,000)	L-J1	3,635,000	Principle paid
				L-J2	(9,850,000)	Proceeds of maintenance tax notes
				L-F1	5,445,000	Transferred to current portion
Total Non-Current Liabilities	(60,177,828)	(61,657,009)	(1,479,181)		(1,479,181)	
<b>Net POSITION (Basically fund balances)</b>						
* <b>Invested in capital assets, net of related debt</b>	(188,181,469)	(215,480,290)	(27,298,821)		(27,298,821)	
Restricted for:						
Expendable						
Unexpended Bond Proceeds	(310,000)	-	310,000		310,000	
* <b>Debt Service</b>	(9,733,554)	(6,486,525)	3,247,029		3,247,029	
* <b>Unrestricted</b>	(139,390,056)	(111,202,523)	28,187,533		28,187,533	
Total Net Assets	(337,615,079)	(333,169,338)	4,445,741			
Check – Totals should be zero	0	0	0	R-T1	(4,445,741)	
NOTE Current Cash and Cash Equivalents Diff.	13,476,221					
Restricted Cash and Cash Equivalents Diff.	(7,584,014)			A-	Asset Section	
Net Change in Cash for Cash Flow State.	5,892,207			L-	Liabilities Section	
* <b>Reconciliations required for these accounts</b>				R-	Revenue Section	
				E-	Expense Section	

## Sample Community College

## Cash Flow Worksheet

For the Fiscal Year Ended August 31, FY2

**STATEMENT OF REVENUE, EXPENSE AND CHANGES IN NET POSITION****Operating Revenues****SRECNP Entries to Cash Flow**

State Appropriations	(100,623,986)	R-H1	100,623,986	State Appropriations
Tuition and charges (net of discounts of \$_____)	(39,771,189)	R-A1	39,771,189	Receipts from students and other cust
Federal Grants and Contracts	(40,719,357)	R-B1	40,719,357	Receipts from grants and contracts
State Grants and Contracts	(4,657,441)	R-C1	4,657,441	Receipts from grants and contracts
Non-Governmental Grants and Contracts	(4,133,147)	R-D1	4,133,147	Receipts from grants and contracts
Sales and Services of Educational Activities	(446,968)	R-E1	446,968	Receipts from students and other cust
Auxiliary Enterprises (Bookstore)	(6,975,428)	R-F1	6,975,428	Receipts from students and other cust
Other Operating Revenue	(1,177,256)	R-G1	1,162,849	Misc. Oper. Rev.
		R-G2	14,407	Revenue to loan fund
<b>Total Operating Revenues</b>	<b>(198,504,772)</b>		<b>198,504,772</b>	
<b>Operating Expenses</b>				
Instruction	121,450,160	E-A1	(15,256,194)	Suppliers
		E-A2	(106,193,966)	Employee salaries and fringe
Public Service	9,954,204	E-B1	(5,473,139)	Suppliers
		E-B2	(4,481,065)	Employee salaries and fringe
Academic Support	14,823,518	E-C1	(3,687,245)	Suppliers
		E-C2	(11,136,273)	Employee salaries and fringe
Student Services	26,635,350	E-D1	(5,448,598)	Suppliers
		E-D2	(21,186,752)	Employee salaries and fringe
Institutional Support	45,741,192	E-E1	(7,347,474)	Suppliers
		E-E7	(539,705)	Suppliers bad debt for disputed amt
		E-E3	(47,300)	Customers bad debt
		E-E4	(1,572,716)	Related to taxes collect. Fee
		E-E5	(777,048)	Bad debt for tax receivable
		E-E2	(34,904,317)	Employee salaries and fringe
		E-E6	(552,632)	Donated equipment
Operation and Maintenance of Plant	21,086,945	E-F1	(13,555,368)	Suppliers
		E-F2	(7,531,577)	Employee salaries and fringe
Scholarships and Fellowships	25,011,776	E-G1	(25,011,776)	Scholarships and fellowships
Auxiliary Enterprises	10,447,407	E-H1	(4,950,617)	Suppliers
		E-H3	(432,736)	Customers bad debt (sales to custome
		E-H4	290,340	Bad debt for 3rd party bkstore com
		E-H2	(5,354,394)	Employee salaries and fringe
Depreciation	10,066,975	E-J1	(10,066,975)	Other Receipts
<b>Total Operating Expenses</b>	<b>285,217,527</b>		<b>(285,217,527)</b>	
<b>Operating Loss</b>	<b>86,712,755</b>			

<b>STATEMENT OF REVENUE, EXPENSE AND CHANGES IN NET POSITION</b>						
<b>Non-Operating Revenues (Expenses)</b>				<b>SRECNP Entries to Cash Flow</b>		
Ad Valorem Taxes			(79,271,624)	R-J1	79,271,624	Receipts from ad valorem taxes
Gifts			(723,092)	R-K1	723,092	Donated assets
Investment Income			(3,073,000)	R-L1	6,588,548	Investment income
				R-L2	(3,515,548)	Unrealized market loss
Gain on Sale of Investment			(78,220)	R-Y1	78,220	Proceeds on sale of investments
Contributions in Aid of Construction			(495,952)	R-Z1	495,952	Contribution for capital assets
Interest on Capital Related Debt			735,065	R-M1	(689,269)	Interest on bonds
				R-M2	(45,796)	Interest on note payable
Loss on Disposal of Fixed Assets			238,206	R-N1	(478,653)	Disposed items
				R-P1	240,447	Proceeds from sale of disposed items
Other Non-Operating Revenues			(52,225)	R-P2	52,225	Other revenue
Other Non-Operating Expenses			453,827	R-P3	(321,457)	Non-capital construction costs
				R-P4	(95,984)	Bond expenses
				R-P5	(36,386)	Misc bond expenses
Net Non-Operating Revenues (Expenses)			(82,267,015)		82,267,015	
<b>Income Before Extraordinary Items</b>			4,445,740		(4,445,740)	
<b>Extraordinary Item</b>						
Accrued Expense for Liability			-	R-S1	-	Expense associated with accrued liab.
Total Extraordinary Item			-		-	
<b>(Increase) Decrease in Net Assets</b>			4,445,740	R-T1	(4,445,740)	
				A-	<b>Asset Section</b>	
				L-	<b>Liabilities Section</b>	
				R-	<b>Revenue Section</b>	
				E-	<b>Expense Section</b>	



**Sample Community College**  
**Cash Flow Worksheet**  
**For the Fiscal Year Ended August 31, FY2**

**CASH FLOWS FROM OPERATING ACTIVITIES****Entries from Statement of Position & Statement of Revenues, Expenses and Changes in Net Position**

Receipts from students and other customers	47,168,342	A-D1	229,660	R-A1	39,771,189	R-E1	446,968	R-F1	6,975,428
		A-D2	(3,041,618)	E-E3	(47,300)	E-H3	(432,736)		
		L-B1	(134,123)	L-E1	3,400,874				
Receipts from State Allocations	100,623,986	R-H1	100,623,986						
Receipts from grants and contracts	47,491,141	A-D3	(1,901,525)	R-B1	40,719,357	R-C1	4,657,441	R-D1	4,133,147
		L-E2	(117,280)						
Payments to suppliers for goods and services	(52,226,869)	A-E1	15,299	E-A1	(15,256,194)	E-B1	(5,473,139)	E-C1	(3,687,245)
		E-H1	(4,950,617)	L-B8	(75,635)				
		A-H1	175,714	E-D1	(5,448,598)	E-E1	(7,347,475)	E-F1	(13,555,368)
		E-H4	290,340			E-E7	(539,705)		
		L-A1	2,981,384	L-B4	644,370				
Payments to or on behalf of employees	(189,637,593)	L-B2	547,974	E-A2	(106,193,966)	E-B2	(4,481,065)	E-C2	(11,136,273)
		L-H1	878,683	E-D2	(21,186,752)	E-E2	(34,904,317)	E-F2	(7,531,577)
		L-C1	450,404	A-H2	(142,113)	E-H2	(5,354,394)	L-A2	(584,197)
Payments for scholarships and fellowships	(23,845,238)	E-G1	(25,011,776)	L-B3	8,587	L-A3	1,624,563	A-Q1	(466,612)
Payments of loans issued to students	(37,485)	A-F1	(37,485)						
Receipts from collection of loans to students and employees	60,580	A-F2	32,071	R-G2	14,407	A-F3	14,102		
Other Receipts (payments)	1,162,849	R-G1	1,162,849						
<b>Net cash provided (used) by Operating Activities</b>	<b>(69,240,287)</b>								
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>									
Receipts from <i>Ad Valorem</i> Taxes - Maintenance & Operation	78,284,332	R-J1	79,271,624	A-D4	(210,243)	E-E5	(777,048)	ADJ1	(1)
Payments for collection of taxes	(1,572,716)	E-E4	(1,572,716)						
Receipts from gifts or grants for other than capital purposes	-								
Receipts from student organizations and other agency transactions	4,148,503	L-D1	4,148,503						
Payments to student organizations and other agency transactions	(4,130,193)	L-D2	(4,130,193)						
Receipts from private gifts for endowment purposes	-								
Receipts from note borrowings	-	L-J4	-						
Payments on note - principle	(162,485)	L-J5	(162,485)						
Payments on notes - interest	(45,796)	R-M2	(45,796)						
Other receipts	52,225	R-P2	52,225						
Other payments	(1,201,013)	A-P3	478,654	R-P3	(321,457)	R-N1	(478,653)	R-L2	(3,515,548)
		A-M1	340,600	A-K4	2,295,391				
<b>Net cash provided by Noncapital Financing Activities</b>	<b>75,372,857</b>								

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES											
Receipts from the issuance of capital debt		9,911,997	L-J2	9,850,000	L-B5	145,129	A-D6	(9,916)	R-P4	(95,984)	
			L-B7	22,768							
Receipts from <i>Ad Valorem</i> Taxes - Debt Services											
Contribution received in aid of construction		495,952	R-Z1	495,952							
Receipts from capital allocations		-									
Receipts from capital grants and gifts		-	R-K1	723,092	E-E6	(552,632)	A-P2	(170,460)			
Receipts from the sale of capital assets		240,447	R-P1	240,447							
Payments for purchases of capital assets		(35,331,960)	A-P1	(35,331,960)							
Payments of principal paid on capital debt and leases		(3,635,000)	L-J1	(3,635,000)							
Payments of interest and fees on capital debt and leases		(2,748,013)	R-M1	(689,269)	L-B9	6,002	L-B6	(35,631)	A-P5	(1,888,230)	
			R-P5	(36,386)	E-J1	(10,066,975)	A-P4	10,066,975			
			A-N1	(104,499)							
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES											

CASH FLOWS FROM INVESTING ACTIVITIES				Entries from Statement of Net Position & Statement of Revenues, Expenses and Changes in Net Position							
Receipts from sales and maturities of investments	104,078,220			A-K2	104,000,000	R-Y1	78,220				
Receipts from interest on investments	7,546,994			R-L1	6,588,548	A-D5	899,886	A-K3	58,560		
Payments for purchase of investments	(80,799,000)			A-K1	(80,799,000)						
<b>Net cash provided by Investing Activities</b>	<b>30,826,214</b>										
<b>Net Decrease in Cash</b>	<b>36,958,784</b>			A-A1	13,476,221	A-J1	(7,584,014)				
Cash and cash equivalents- September 1, 2001	40,387,337										
Cash and cash equivalents- August 31, 2002	77,346,121										
<b>Change in Cash</b>	<b>36,958,784</b>	<b>Check Figure:</b>	<b>#####</b>								
<b>Reconciliation of net operating revenues (expenses) to</b>											
<b>Net cash provided (used) by operating activities:</b>											
<b>Operating income (loss)</b>	<b>(86,712,755)</b>										
Adjustments to reconcile net income (loss) to net cash											
provided (used) by operating activities:											
<b>A</b> Depreciation Expense	10,066,975			E-J1	10,066,975						
<b>B</b> Tax Collection Fee	1,572,716			E-E4	1,572,716						
<b>C</b> Bad Debt Expense	1,506,449			E-H4	(290,340)	E-H3	432,736	E-E3	47,300	E-E5	777,048
				E-E7	539,705						
<b>D</b> Amortization of Bond Premium	(109,498)			L-B5	(145,129)	L-B6	35,631				
<b>E</b> Amortization of Bond Discount	-										
<b>F</b> Accrued Interest Payable	(28,770)			L-B7	22,768	L-B9	6,002				
<b>G</b> Accrued AdValorem Tax	(987,292)			A-D4	210,243	E-E5	777,048	ADJ	1		
<b>H</b> Accrued Interest Receivable	899,886			A-D5	(899,886)						
<b>I</b> Capitalized interest on Note Payable	-										
<b>Changes in Assets and Liabilities:</b>											
Receivables (adjusted for non-cash amts)	(4,513,792)	(4,033,756)		E-H3	(432,736)	E-E3	(47,300)				
Inventories	15,299										
Notes Receivable	8,688										
Deferred Outflows	(466,612)										
Prepaid Expenses	33,601										
Accounts payable	4,021,750										
Accrued Liabilities (adjusted for non-cash amts)	840,387	1,129,441		E-H4	290,340	E-E7	(539,705)	Misc	(39,689)	*	
Compensated absences	1,329,087			L-C1	450,404	L-H1	878,683				
Deferred Inflows	3,283,594										
<b>Net Cash Provided (used) by operating activities</b>	<b>(69,240,287)</b>										
<b>Notes to Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating activities</b>											
<b>A</b> Depreciation Expense is a non-cash item and therefore added back to Operating Activities											
<b>B</b> Tax Collection Fee is directly related to Ad Valorem taxes in Financing Activities and therefore removed from Operating Activities											
<b>C</b> Bad Debt Expense consists of non-cash items and therefore added back to Operating Activities											
<b>D</b> Bond Premium is directly related to Interest paid on capital debt in the Financing Activities and therefore removed from Operating Activities											
<b>E</b> Bond Discount is directly related to interest in relation to capital debt in the Financing Activities and therefore removed from Operating Activities											
<b>F</b> Accrued Interest Payable is directly related to interest paid on capital debt in Financing Activities and therefore removed from Operating Activities											
<b>G</b> Accounts Receivable for Ad Valorem Taxes is related to Ad Valorem Taxes in the Financing Activities and therefore removed from Operating Activities											
<b>H</b> Accrued Interest Receivable is directly related to Investing Activities and therefore removed from Operating Activities											
<b>I</b> Capitalized interest on Note Payable was charged to simple interest expense but was a non-cash transaction											
<b>*</b> miscellaneous non-cash adjustments related to bonds											

Sample Community College		EXHIBIT 3
Statements of Cash Flows		
Years Ended August 31, FY2 and August 31, FY1		
	FY2	FY1
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from students and other customers	\$ 47,168,342	\$ 49,709,391
Receipts from grants and contracts	35,501,856	41,872,728
Payments to suppliers for goods and services	(52,226,869)	(51,449,949)
Payments to or on behalf of employees	(189,637,593)	(179,202,422)
Payments for scholarships and fellowships	(23,845,238)	(21,901,063)
Loans issued to students	(37,485)	(56,461)
Collection of loans to students	60,580	63,212
Other receipts	1,162,849	1,001,724
Net cash used by operating activities	<u>(181,853,558)</u>	<u>(159,962,840)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Receipts from state appropriations	100,623,986	105,376,873
Receipts from ad valorem taxes	78,284,332	75,811,475
Receipts from Non Operating Federal Revenue	17,890,434	5,423,187
Payments for collection of taxes	(1,572,716)	(1,530,189)
Receipts from student organizations and other agency transactions	4,148,503	4,526,248
Payments to student organizations and other agency transactions	(4,130,193)	(4,016,069)
Proceeds from note borrowings	-	341,259
Payments on notes - principal	(162,485)	-
Payments on notes - interest	(45,796)	-
Other receipts	71,369	70,771
Other payments	-	(1,086,658)
Net cash provided by noncapital financing activities	<u>195,107,434</u>	<u>184,916,897</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Proceeds on issuance of capital debt	9,911,997	-
Contribution received in aid of construction	495,952	-
Proceeds from the sale of capital assets	240,447	8,683
Purchases of capital assets	(41,243,109)	(38,438,670)
Payments on capital debt - principal	(3,635,000)	(2,470,000)
Payments on capital debt - interest	(2,748,013)	(3,269,638)
Net cash used by capital and related financing activities	<u>(36,977,726)</u>	<u>(44,169,625)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	104,078,220	67,350,000
Interest on investments	6,326,837	10,701,679
Purchase of investments	(80,799,000)	(75,000,000)
Net cash provided by investing activities	<u>29,606,057</u>	<u>3,051,679</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,882,207</b>	<b>(16,163,889)</b>
<b>CASH AND CASH EQUIVALENTS—September 1</b>	<b>40,387,337</b>	<b>56,551,226</b>
<b>CASH AND CASH EQUIVALENTS—August 31</b>	<b>\$ 46,269,544</b>	<b>\$ 40,387,337</b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (212,239,208)	\$ (188,129,664)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	10,066,975	8,929,414
Bad debt expense	729,401	1,457,761
Payments made directly by state for benefits	15,262,946	10,016,561
Changes in assets and liabilities:		
Receivables (net)	(4,601,198)	(577,120)
Deferred outflow	(466,612)	(2,627,553)
Inventories	15,299	(61,443)
Notes receivable	8,688	1,277
Prepaid expenses	33,601	52,467
Accounts payable	4,021,750	9,793,121
Accrued liabilities	702,119	(1,302,734)
Compensated absences	1,329,087	1,312,184
Deferred inflow	3,283,594	1,172,889
Net cash used by operating activities	<u>\$ (181,853,558)</u>	<u>\$ (159,962,840)</u>

The accompanying notes are an integral part of the financial statements.

**FREQUENTLY ASKED QUESTIONS****QUESTION 1**

How should scholarship tuition discounts be shown on the Statement of Cash Flows?

**ANSWER 1**

The tuition net of discount shows on the Statement of Cash Flows less any outstanding receivables. Scholarship tuition discounts are non-cash adjustments so that only those scholarships that represent disbursements are reported as an expense and the tuition amount is the revenue earned. Federal financial aid is reported as grant/contract income. When it is used to satisfy tuition accounts it is a discount because no disbursement was made. This procedure also assures that the income is only reported once in the financial statement (contrary to prior periods when it was reported both as grant revenue and as tuition revenue when the student's fee bill was satisfied).

**QUESTION 2**

What guidance is available with respect to the reporting of cash flows?

**ANSWER 2**

GASB Statement 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting, was issued in September 1989. The GASB staff issued an implementation guide for GASB Statement 9 dated June 1992 that addresses many specific implementation questions.

**QUESTION 3**

How is interest collected on student loans reported in the Statement of Cash Flows?

**ANSWER 3**

Because student loans are program activities, interest collected on these loans is reported as operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position and as cash flows from operating activities in the Statement of Cash Flows.

**QUESTION 4**

How should the sale of fixed assets be shown in the Statement of Cash Flows?

**ANSWER 4**

The proceeds from the sale of fixed assets are displayed in the capital financing activities section. Removal of the fixed asset and accumulated depreciation are not cash items and thus would not be reflected in the recognition of the cash inflow. Additionally, depreciation expense is displayed as a reconciling item in the reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities.

**QUESTION 5**

Are there situations where information may be reported net instead of gross in the Statement of Cash Flows?

**ANSWER 5**

Generally, all activities should be reported gross in the Statement of Cash Flows. However, there are some circumstances where net reporting is appropriate because (1) their turnover is quick, (2) their amounts are large, (3) their maturities are short or (4)

the cash actually collected is a net amount. Examples include loans receivable and debt (if the original maturity of the asset or liability is three months or less) or property tax receipts collected by a third party and remitted to the district. In addition, investment income may be recognized net of the amount charged for external investment management fees (See GASB 9, Paragraph 13).

**QUESTION 6**

**What basic information is needed to report cash flows from investment activity in the Statement of Cash Flows?**

**ANSWER 6**

Four components are needed to report cash flows from investments.

gross purchases of investments

gross sales of investments

proceeds from the sale of donated investments

investment income received on investments

**QUESTION 7**

**How are gains and losses from endowments or other long-term investments reported in the Statement of Cash Flows?**

**ANSWER 7**

Only realized cash inflows are reported in the investing section in the Statement of Cash Flows. Unrealized gains are not reported in the reconciliation of net operating revenues to net cash flows provided by operating activities because the reconciliation begins with operating income (loss) and such transactions are deemed to be non-operating revenues.

**QUESTION 8**

**If a grant or contract provides for equipment acquisitions, how should the amounts provided for equipment and other capital items be reported?**

**ANSWER 8**

The primary purpose of the grant or contract dictates whether the transaction will be reported as operating or non-operating. If the agreement represents an exchange transaction, and the equipment is merely incidental to the program activity, it will be classified as an operating activity. If the primary purpose is equipment acquisition, it is considered a capital grant and the transaction is reported as capital financing in the Statement of Cash Flows and as non-operating revenue in the Statement of Revenues, Expenses and Changes in Net Position, if the acquisition exceeds the fixed asset capitalization threshold. If the acquisition does not meet the capitalization threshold, that portion of the transaction must be reported in the operating activities section of the Statement of Cash Flows.

**QUESTION 9**

**Where are gains (losses) on the disposal of capital assets reported in the Statement of Cash Flows?**

**ANSWER 9**

The total amount of cash received is displayed as an inflow in the cash flows from the capital financing activities section of the

Statement of Cash Flows. The gain (loss) is reported as non-operating revenue on the Statement of Revenues, Expenses, and Change in Net Position.

## QUESTION 10

How are collection costs and penalty and interest revenue associated with *ad valorem* taxes reported on the Statement of Cash Flows?

## ANSWER 10

For maintenance and operating taxes, related collection costs and incidental revenue should be netted against the *ad valorem* tax revenue and reported in the non-capital financing activities section. For debt services taxes, related collection costs and incidental revenue should be netted against the *ad valorem* tax revenue and reported in the capital and related financing activities section.

## QUESTION 11

How are employee reimbursement payments for travel, continuing education, etc. reported on the Statement of Cash Flows?

## ANSWER 11

These payments are reported as payments to suppliers for goods and services in the operating activities section.

## QUESTION 12

Do we disregard Mandatory and Non-mandatory transfers between funds, because they zero each other out?

## ANSWER 12

Yes

## QUESTION 13

How is amortization of bond issuance costs shown on the Statement of Revenues, Expenses, and Changes in Net Position?

## QUESTION 13

The amortization will show as a non-cash operating expense on the Statement of Revenues, Expenses, and Changes in Net Position and will not show on the Statement of Cash Flows because it is a non-cash transaction.

## QUESTION 14

How do we handle "Other non-operating revenues" in the Statement of Cash Flows? Examples included library fine revenue, facility rental revenue, miscellaneous income, ticket sales, copier revenue, advertising sales, discount on sales tax, and collection fees received.

## ANSWER 14

Everything except a discount on sales tax is considered operating revenue. The library (as well as copier revenue) is a part of the college's ongoing mission. Facility rental fees, ticket sales, and advertising sales are part of the auxiliary activities and are also considered an ongoing part of the institution's mission. GASB Statement 9 defines collection fees received as operating revenue. The discount on sales tax is a pass-through (neither revenue nor expense – a contra account to revenue) and will not show in the Statement of Cash Flows.



QUESTION 15	How should Bad Debt Expense be shown on the Statement of Cash Flows?
ANSWER 15	For bad debt that isn't netted against revenue, treat it as a non-cash expense. It will not appear in the reconciliation section on the Statement of Cash Flows.
QUESTION 16	How should Donated Building Rental (\$204,000) be shown on the Statement of Cash Flows? On the SRECNP, building rental expense is shown as an operating expense and the revenue is shown as a gift under non-operating revenues. Is this correct?
ANSWER 16	Both the rental income and expense should be shown as operating on the Statement of Cash Flows. The revenue should not be under non-operating revenue.
QUESTION 17	How should a donated capitalized asset be shown on the Statement of Cash Flows? It is shown as a gift under non-operating revenues on the Statement of Revenues, Expenses, and Changes in Net Position.
ANSWER 17	The donated capitalized asset should not be shown on the Statement of Cash Flows because there was no cash transaction involved. It should be shown as a capital contribution on the Statement of Revenues, Expenses, and Changes in Net Position.
QUESTION 18	We have receivables for non-operating activities including, i.e., taxes receivable, interest receivable, and facility rental fees receivable. How and where should this affect the Statement of Cash Flows?
ANSWER 18	These should show under the reconciliation section of the Statement of Cash Flows. If the non-operating activity receivable is for interest income, this is a second adjustment in the reconciliation section of the balance sheet. The change in interest receivable would then be an adjustment to the investment activity interest income so that only the cash received for interest is included. A comparable adjustment would be required with the non-operating activity is interest payable.
QUESTION 19	Should the reconciliation portion of the Statement of Cash Flows use the change in total receivables/payables or only the change in operating receivables/payables?
ANSWER 19	The reconciliation section of the Statement of Cash Flows will use all the receivables and payables in total, separated by operating and non-operating. Then items that are not part of operations (such as interest receivable, interest payable, and so on) are eliminated as a line item so that they may be reported in the appropriate cash flow activity.



**CHECKLIST**

Please note that item numbers tie to complete checklist in Appendix C.

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
<b>STATEMENT OF CASH FLOWS (EXHIBIT 3)</b>		
	54.	Does the statement categorize cash flows as follows: cash flows from operating activities; cash flows from non-capital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities? [GASB 9 31]
	55.	Are cash flows from operating activities reported by major classes of receipts and disbursements i.e., the direct method? [GASB 9 31]
	56.	Has the college refrained from combining cash flows for non-capital financing activities and cash flows from capital and related financing activities into single cash flows from financing activities category? [GASB 9 53-54]
	57.	Has the college reported disbursement for the acquisition of capital assets as cash flows from capital and related financing activities? [GASB 9 57a;]
	58.	Are cash receipts and cash payments generally reported gross rather than net? [GASBS9: 12-14]
	59.	Does the figure reported as cash and cash equivalents at the end of the period trace to a similar account or accounts on the Statement of Net Position (Exhibit 1)? [GASB 9: 8;]
	60.	Is the statement accompanied by a schedule that reconciles operating income and cash flows from operating activities? [GASB 9 7]

## **SECTION 7: NOTES TO THE FINANCIAL STATEMENTS**

7.1	Reporting Entity
7.2	Summary of Significant Accounting Policies
7.3	Authorized Investments
7.4	Deposits and Investments
7.5	Derivatives
7.6	Capital Assets (including library books)
7.7	Non-Current Liabilities
7.8	Debt and Lease Obligations
7.9	Bonds Payable
7.10	Advance Refunding Bonds
7.11	Defeased Bonds Outstanding
7.12	Short-Term Debt
7.13	Employees' Retirement Plan
7.14	Deferred Compensation Program
7.15	Compensable Absences
7.16	Health Care and Life Insurance Benefits
7.17	Benefits Other than Pensions
7.18	Pending Lawsuits and Claims
7.19	Disaggregation of Receivables and Payables Balances
7.20	Funds Held in Trust by Others
7.21	Contract and Grant Awards
7.22	Self-Insured Plans
7.23	Property Tax
7.24	Branch Campus Maintenance Tax
7.25	Income Taxes
7.26	Component Units
7.27	Related Parties (Not a Component Unit)
7.28	Subsequent Events (as needed)
7.29	FAQ's (Frequently Asked Questions) – Notes to the Financial Statements
7.30	Checklist – Notes to the Financial Statements

**REPORTING ENTITY**

Sample Community College (SCC) was established in YYYY, in accordance with the laws of the State of Texas, to serve the educational needs of the *Taxing Entity* and the surrounding communities. The SCC is considered to be a special purpose, primary government according to the definition in GASB Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

REPORTING GUIDELINES	<p>The significant accounting policies followed by the College in preparing these financial statements are in accordance with the <i>Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community Colleges</i>. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.</p>
TUITION	Texas Public Education Grants (TEPG)
DISCOUNTING	<p>Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set-aside, called the TPEG, is shown with tuition and fee revenue amounts as a separate set aside amount (TEC §56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.</p> <p>Title IV, Higher Education Act Program Funds</p> <p>Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.</p> <p>Other Tuition Discounts</p> <p>The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.</p>
BASIS OF ACCOUNTING	<p>The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.</p>
BUDGETARY DATA	<p>Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the CB, LBB, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.</p>
CASH AND CASH EQUIVALENTS	<p>The College's cash and cash equivalents are considered to be cash on-hand, demand deposits, and short term investments with original maturities of three months or less from the date of</p>

	acquisition.
DEFERRED INFLOWS	In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB.
DEFERRED OUTFLOWS	In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt.
INVESTMENTS	In accordance with GASB 31, <i>Accounting and Financial Reporting for Certain Investments and External Investment Pools</i> , investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. [The governing board has designated public funds investment pools comprised of \$X,XXX and \$X,XXX at FY2 and FY1, respectively to be short-term investments]. Long-term investments have an original maturity of greater than one year at the time of purchase.
INVENTORIES	Inventories consist of consumable office supplies, physical plant supplies, food service supplies, and bookstore stock. Inventories are valued at (insert inventory valuation method) and are charged to expense as consumed.
CAPITAL ASSETS	<p>Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.</p> <p>Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other</p>

	equipment, and five years for telecommunications and peripheral equipment.
UNEARNED REVENUE	Tuition and fees of \$XX and \$XX and federal, state, and local grants of \$XX and \$XX have been reported as unearned revenue at August 31, FY2 and FY1, respectively.
ESTIMATES	The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
OPERATING AND NON-OPERATING REVENUE AND EXPENSE POLICY	The college distinguishes operating revenues and expenses from non-operating items. The college reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the college's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of _____ is not performed by the college. <i>(Last sentence may or may not be necessary but relates to bookstores, etc.)</i>
PRIOR YEAR RESTATEMENT	Prior year restatement as necessary in accordance with APB 20. <i>(If restatements are made, they must be described in this section of the notes disclosure.)</i>

**AUTHORIZED INVESTMENTS**

SCC is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

**DEPOSITS AND INVESTMENTS**

## Deposits and Investments

*Note: A reconciliation of deposits and investments between this footnote and Exhibit 1 for the reporting entity as a whole MUST be included (See below for an example of the format to follow).*

Cash and Deposits included on Exhibit 1, Statement of Net Position, consist of the items reported below:

**Cash and Deposits**

	<u>FY2</u>	<u>FY1</u>
Bank Deposits		
Demand Deposits	\$xxx,xxx	\$xxx,xxx
Time Deposits	xxx,xxx	xxx,xxx
	xxx,xxx	xxx,xxx
Cash and Cash Equivalents		
Petty Cash on Hand	\$xxx,xxx	\$xxx,xxx
Reimbursements in Transit	xxx,xxx	xxx,xxx
	xxx,xxx	xxx,xxx
Total Cash and Deposits	\$xxx,xxx	\$xxx,xxx

**Reconciliation of Deposits and Investments to Exhibit 1**

Type of Security	Market Value August 31, FY2	Market Value August 31, FY1
U.S. Government Securities	\$xxx,xxx	\$xxx,xxx
U.S. Instrumentality Securities	xxx,xxx	xxx,xxx
Real Estate Investments	xxx,xxx	xxx,xxx
Totals	\$xxx,xxx	\$xxx,xxx
Total Cash and Deposits		\$xxx,xxx
Total Investments		\$xxx,xxx
Total Deposits and Investments		\$xxx,xxx
Cash and Temporary Investments (Exh 1)		\$xxx,xxx
Investments (Exhibit 1)		\$xxx,xxx
TOTAL DEPOSITS AND INVESTMENTS		\$xxx,xxx

*(Note: Annual Investment Reports must agree with this footnote.)*



*{NOTE – The following represents examples of possible disclosures required by GASB Statement No. 40. Preparers of financial statements should be familiar with GASB Statement No. 3, GASB Statement No. 31, GASB Statement No. 40, and GASB 40 Implementation Guide.*

*Disclosure is required only if the district is exposed to any of the following risk: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The District is required to disclose its deposit or investment policy related to the specific risks that are applicable to the district. Only formally adopted policies that have been approved by the board or included as part of a contract are considered policies. If the district does not have a policy for any of the risk categories, the footnote should indicate that fact.}*

As of August 31, FY2 the District had the following investments and maturities

Investment Type	Fair Value	Weight Average Maturity (Years)
U.S. Government Securities	\$xxx,xxx	1.23
U.S. Treasuries	\$xxx,xxx	1.32
Commercial Paper	\$xxx,xxx	0.14
Investment Pool	\$xxx,xxx	0.22
Certificate of Deposit	\$xxx,xxx	0.18
Municipal Bonds	\$xxx,xxx	2.00
Total Fair Value	\$xxx,xxx	

Portfolio weighted average maturity 0.75

- OR -

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 2	2 to 3
U.S. Government Securities	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx	-
U.S. Treasuries	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx	-
Commercial Paper	\$xxx,xxx	\$xxx,xxx	-	-
Investment Pool	\$xxx,xxx	\$xxx,xxx	-	-
Certificate of Deposit	\$xxx,xxx	\$xxx,xxx	-	-
Municipal Bonds	\$xxx,xxx	-	\$xxx,xxx	\$xxx,xxx
Total Fair Value	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx

- OR -

Specific Identification

- OR -

Duration (probably not commonly used)

- OR -

Sumulation Model (probably not commonly used)

[Note]

*Governments are encouraged to select the disclosure method that is most consistent with the method used to identify and manage interest rate risks*

*Any assumptions on maturity dates should be disclosed*

*Debt instruments that are highly sensitive to interest rate changes have additional disclosures (i.e. Variable Rate Investments, etc.)*

*Disclosure should be made by investment type*

**Interest Rate Risk** - In accordance with state law and district policy, the District does not purchase any investments with maturities greater than 10 years.

**Credit Risk** - In accordance with state law and the District's

investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A as well. **The District is required to disclose credit ratings for its investments in either narrative or table form.**

*Note – US government Obligations are not considered to have credit risk. Therefore, no disclosure is required. US Agencies i.e., Federal National Mortgage Association (FNMA) do have credit risk. If an investment is unrated, the footnote should indicate that fact.*

**Concentration of Credit Risk** - The district does not place a limit on the amount the district may invest in any one issuer. More than five percent of the district's investments are in FNMA (6.7 percent) and FHLB (8.1 percent).

*[Note – Investments issued or guaranteed by the US Government, and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.]*

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$XXX,XXX investment in repurchase agreements, \$ XXX,XXX million of underlying securities are held by the investment's counterparty, not in the name of the District. The District's investment policy limits holding of securities by counterparties to no more than \$ XXX,XXX.

*[Note – Custodial credit risk is only disclosed for those deposits or investments that were previously in category 3 under GASB No. 3. All other categorization disclosures (category 1 & 2) are no longer required.]*

*Foreign Currency Risk. This risk most likely will not apply to most community college districts. However if the district does have investments in foreign currency, see GASB No. 40 for guidance on the proper disclosures.]*

**DERIVATIVES**

Interest in derivative products has increased in recent years. Derivatives are investment products that may be a security or contract that derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The following information must be provided if the SCC has made investments in derivatives:

Provide a description of the product and report the carrying value, the market amount, source of funds, net gain or loss from the investment, if the entire investment has a potential to be lost, and a maximum amount that could be lost.

Example of footnote:

SCC has invested in a real estate derivative that matures on 09/01/YYYY. This has a moderate amount of risk.

Book Value	Market Value	Source of Funds	Gain/Loss	May carrying amount be lost?	Maximum Loss
\$XX,XXX	\$XX,XXX	Unrestricted	\$X,XXX	Yes	\$XX,XXX

**CAPITAL ASSETS**

Capital Assets (with Implementation of Library Book Depreciation)

Capital assets activity for the year ended August 31, FY2 was as follows:

	Balance September 1, FY2	Increases	Decreases	Balance August 31, FY2
<u>Not Depreciated:</u>				
Land	XXXXX	XXXXX	XXXXX	XXXXX
Collections	XXXXX	XXXXX	XXXXX	XXXXX
Construction in Process	XXXXX	XXXXX	XXXXX	XXXXX
Subtotal	XXXXX	XXXXX	XXXXX	XXXXX
<u>Buildings and Other Capital Assets:</u>				
Buildings and Building Improvements	XXXXX	XXXXX	XXXXX	XXXXX
Other Real Estate Improvements	XXXXX	XXXXX	XXXXX	XXXXX
Total Buildings and Other Real Estate Improvements	XXXXX	XXXXX	XXXXX	XXXXX
Library Books	XXXXX	XXXXX	XXXXX	XXXXX
Furniture, Machinery, and Equipment	XXXXX	XXXXX	XXXXX	XXXXX
Total Buildings and Other Capital Assets	XXXXX	XXXXX	XXXXX	XXXXX
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	XXXXX	XXXXX	XXXXX	XXXXX
Other Real Estate Improvements	XXXXX	XXXXX	XXXXX	XXXXX
Total Buildings and Other Real Estate	XXXXX	XXXXX	XXXXX	XXXXX
Library Books	XXXXX	XXXXX	XXXXX	XXXXX
Furniture, Machinery, and Equipment	XXXXX	XXXXX	XXXXX	XXXXX
Total Accumulated Depreciation	XXXXX	XXXXX	XXXXX	XXXXX
Net Capital Assets	XXXXX	XXXXX	XXXXX	XXXXX

In addition to the XXXXX collection which is capitalized and depreciated (see capital asset note), the college has other collections that it does not capitalize, including the XXXX collection and its XXXX collection. These collections adhere to the college's policy to: (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at time of purchase rather than capitalized.

CAPITAL ASSETS  
COMPARATIVE

Capital assets activity for the year ended August 31, FY1 was as follows:

	Balance September 1, FY1	Increases	Decreases	Balance August 31, FY1
<u>Not Depreciated:</u>				
Land	XXXXX	XXXXX	XXXXX	XXXXX
Collections	XXXXX	XXXXX	XXXXX	XXXXX
Construction in Process	XXXXX	XXXXX	XXXXX	XXXXX
Subtotal	XXXXX	XXXXX	XXXXX	XXXXX
<u>Buildings and Other Capital Assets:</u>				
Buildings and Building	XXXXX	XXXXX	XXXXX	XXXXX
Other Real Estate Improvements	XXXXX	XXXXX	XXXXX	XXXXX
Total Buildings and Other	XXXXX	XXXXX	XXXXX	XXXXX
Real Estate	XXXXX	XXXXX	XXXXX	XXXXX
Library Books	XXXXX	XXXXX	XXXXX	XXXXX
Furniture, Machinery, and	XXXXX	XXXXX	XXXXX	XXXXX
Total Buildings and Other Capital Assets	XXXXX	XXXXX	XXXXX	XXXXX
<u>Accumulated Depreciation:</u>				
Buildings and Building	XXXXX	XXXXX	XXXXX	XXXXX
Other Real Estate Improvements	XXXXX	XXXXX	XXXXX	XXXXX
Total Buildings and Other	XXXXX	XXXXX	XXXXX	XXXXX
Real Estate	XXXXX	XXXXX	XXXXX	XXXXX
Library Books	XXXXX	XXXXX	XXXXX	XXXXX
Furniture, Machinery, and	XXXXX	XXXXX	XXXXX	XXXXX
Total Accumulated Depreciation	XXXXX	XXXXX	XXXXX	XXXXX
Net Capital Assets	XXXXX	XXXXX	XXXXX	XXXXX

**NON-CURRENT LIABILITIES**

Capital Assets (with Implementation of Library Book depreciation)

Capital assets activity for the year ended August 31, FY2 was as follows:

	Balance September 1, FY2	Additions	Reductions	Balance August 31, FY2	Current Portion
<b>Bonds</b>					
General obligation bonds	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Revenue bonds	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Subtotal	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
<b>Notes</b>					
General obligation notes	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Revenue notes	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Subtotal	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
<b>Leases</b>	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Accrued compensable absences	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Total long-term liabilities	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX

**Note:** Detail of obligations also will be disclosed based on individual colleges.Non-Current  
LIABILITIES  
COMPARATIVE

Non-Current liability activity for the year ended August 31, FY1 was as follows:

	Balance September 1, FY1	Additions	Reductions	Balance August 31, FY1	Current Portion
<b>Bonds</b>					
General obligation bonds	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Revenue bonds	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Subtotal	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
<b>Notes</b>					
General obligation bonds	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Revenue bonds	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Subtotal	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
<b>Leases</b>	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Accrued compensable absences	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Total Non-Current liabilities	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX

**DEBT AND LEASE OBLIGATIONS**

Debt service requirements at August 31, FY2 were as follows (amounts in 000's):

For the Year Ended	<u>General Revenue Bonds</u>			<u>Revenue Bonds</u>			<u>Total Bonds</u>	
<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
FY3	\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX
FY4	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
FY5	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
FY6	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
FY7	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
FY8-FY12	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
FY13-FY17	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
FY18-FY22	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
FY23-FY27	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
FY28-FY32	_____	_____	_____	_____XXXX	_____XXXX	_____XXXX	_____XXXX	_____XXXX
Total	<u>\$ XXXX</u>	<u>\$ XXXX</u>	<u>\$ XXXX</u>	<u>\$ XXXX</u>	<u>\$ XXXX</u>	<u>\$ XXXX</u>	<u>\$ XXXX</u>	<u>\$ XXXX</u>

Obligations under capital leases at August 31, FY2, were as follows (amounts in 000's):

	For the Year Ended <u>August 31,</u>	<u>Total</u>
	FY3	\$ XXX
	FY4	XXX
	FY5	XXX
	FY6	XXX
	FY7	XXX
	FY8-FY12	XXX
	FY13-FY17	XX
	Total minimum lease	XXXX
payments	Less: Amount representing interest costs	(XXXX)
	Present value of minimum lease payment	<u>\$ XXXX</u>



**BONDS PAYABLE**

General information related to bonds payable is summarized below:

- Bond Issue Name, Series YYYY
- Purpose of the bond issue e.g. to construct a student dormitory building
- Issue date (month-day-year)
- Original amount of issue; amount authorized \_\_\_\_\_
- Source of revenue for debt service – general fees, Department of Education annual interest grant.  
Outstanding Balance by Bond Issue

**COMMENT**

This is the prescribed format that each institution should use for *each bond issue*. Avoid paragraphs that are too brief or too lengthy. Each bond issue should continue to have the same issue description annually until, and including, the year in which it is extinguished or retired.

Bonds payable are due in annual installments varying from (\$XXX,XXX) to (\$XXX,XXX) with interest rates from X.X percent to X.X percent with the final installment due in 20XX.

Example:

- Limited Tax Bonds Refunding, Series 2006
  - To refund a portion of Series 2003 and 2004 bonds
  - Issued December 12, 2006
  - Total authorized \$17,573,659; \$15,530,000 Current Interest Bonds and \$2,043,659
  - Capital Appreciation Bonds; all authorized bonds have been issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2011 and 2010 is \$16,203,659 and \$16,443,659, respectively
- Limited Tax Bonds, Series 2004
  - To construct, renovate and equip college buildings district-wide, including phase 2 of the Health Careers Building, construction of the South Austin campus, parking and other such improvements as determined by the College
  - Issued June 30, 2004
  - Total authorized \$99,000,000; \$23,910,000 issued
  - Source of revenue for debt service is ad valorem taxes
  - Outstanding principal balance as of August 31, 2011 and 2010 is \$10,645,000 and \$10,895,000, respectively

**ADVANCE REFUNDING BONDS**

- Refunded (\$X,XXX,XXX) of Student Fee Revenue Bonds, Series 1987
- Issued refunding bonds on (month-day-year)
- (\$XX,XXX,XXX), all authorized bond have been issued
- General Obligation Bonds – Refunding Series YYYY
- Average interest rate of bonds refunded – (X.X %)
- Net proceeds from Refunding Series – (\$XXX,XXX); after payment of (\$X,XXX,XXX) in underwriting fees, insurance, and other issuance costs
- Additional (\$XXX,XXX) of YYYY Series sinking fund monies 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 YYYY Series bonds
- The YYYY Series bonds are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant Fund Group
- Advance refunding of the YYYY Series bonds reduced the college'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 was resulted from the advanced refunding

**DEFEASED BONDS OUTSTANDING**

Bond Issue	Year Refunded	Par Value Outstanding
Revenue Bonds Series YYYY	1997	\$xxx,xxx
Revenue Bonds Series YYYY	1998	\$xxx,xxx
Revenue Bonds Series YYYY	1999	\$xxx,xxx
Total		\$xxx,xxx

(Year refunded for defeased bonds should be designated by calendar year).

**SHORT-TERM DEBT**

The college used short-term debt in the form of [description of debt instrument] for the fiscal year ended August 31, FY2 and [description of debt instrument] for the fiscal year ended August 31, FY1. Short-term notes were used since expenses related to the completion of a building project came due before donations were received.

Short-term debt activity for the year ended August 31, FY2 and FY1, was as follows (amounts in 000's):

		Beginning Balance <u>FY2</u>	<u>Issued</u>	<u>Redeemed</u>	Ending Balance <u>FY2</u>
Description	\$	X	XX,XXX	(XX,XXX)	X
		Beginning Balance <u>FY1</u>	<u>Issued</u>	<u>Redeemed</u>	Ending Balance <u>FY1</u>
Description	\$	X	XX,XXX	(XX,XXX)	X

**EMPLOYEES' RETIREMENT PLAN**

The State of Texas has joint contributory retirement plans for almost all its employees.

**Teacher Retirement System of Texas-Defined Benefit Plan**

*Plan Description.* The Sample Community College District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. The TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. The TRS issues a publicly available financial report with required supplementary information which can be obtained from [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than six percent of the member's annual compensation and a state contribution rate of not less than six percent and not more than 10 percent of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4 percent for Fiscal Years 2008 and 2007 and a state contribution rate of 6.58 percent for Fiscal Year 2008 and six percent for Fiscal Year 2007. Senate Bill (S.B.) 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

**Optional Retirement Plan-Defined Contribution Plan**

*Plan Description.* Participation in the Optional Retirement Program is in lieu of participation in the TRS. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are (x.xx percent) and (x.xx percent), respectively. The college contributes x.xx percent for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the state for the college was \$XXX,XXX and \$XXX,XXX for the fiscal years ended August 31, FY2 and FY1, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the college.

The total payroll for all college employees was \$XXX,XXX and \$XXX,XXX for fiscal years FY2 and FY1, respectively. The total payroll of employees covered by the TRS was \$XXX,XXX and \$XXX,XXX, and the total payroll of employees covered by the Optional Retirement Program was \$XXX,XXX and \$XXX,XXX for fiscal years FY2 and FY1, respectively.

**DEFERRED COMPENSATION PROGRAM**

Deferred Compensation Program (Negative assurance not required)

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.

As of August 31, FY2, the College has XX employees participating in the program. XX employee(s) was vested as of August 31, FY2. A total of \$XXX,XXX in contributions were invested in the plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$XXX,XXX and creating a payable to the vested employee of \$XXX,XXX.

As of August 31, FY1, the College had XX employees participating in the program. A total of \$XXX,XXX in contributions were invested in the plan during the fiscal year. XX employee(s) were vested as of August 31, FY1 resulting in establishment of a payable of \$XXX,XXX and leaving deferred salaries and accumulated earnings of \$XXX,XXX at fiscal year-end.

**COMPENSABLE ABSENCES**

Full-time employees earn annual leave from (number) to (number) hours per month depending on the (number) of years employed with SCC. The college's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to (number) for those employees with (number) or more years of service.

Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The college recognized the accrued liability for the unpaid annual leave for in the amounts of \$X,XXX and \$X,XXX for FY2 and FY1. Sick leave, which is accumulated without limit, is earned at the rate of (number) hours per month. It is paid to an employee who misses work from illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or (number) hours, whichever is less. The college's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

*This note may vary by college. This note should tie to compensable absences in footnote 7.*



**HEALTH CARE AND LIFE INSURANCE BENEFITS**

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$XXX.XX per month for the year ended August 31, FY2 (\$XXX.XX per month for FY1) and totaled \$XXX,XXX for FY2 (\$XXX,XXX for the year ended FY1). The cost of providing those benefits for XXX retirees in the year ended FY2 was \$XX,XXX (retiree benefits for XXX retirees cost \$XX,XXX in FY1). For XXX active employees, the cost of providing benefits was \$XXX,XXX for the year ended FY2 (active employee benefits for XXX employees cost \$XXX,XXX for the year ended FY1.) S. B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

Note: If the number of retirees and active employees and the cost for each group cannot be separated then the following sentence would replace the last two sentences in the above paragraph:

"The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees."

This note should be in accordance with GASB 12.

The total in the third to last sentence regarding the state's contribution per full time employee should tie to the total of State Group Insurance under State Allocations on Schedule A.

GASB 43 Implementation: GASB 43 applies only to plan reporting and not to employer reporting. It's assumed TRS, Employees Retirement System of Texas (ERS), etc. will assume the burden for compliance with this statement unless a college coordinates its own, separate retirement plan.

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

(In accordance with GASB Statement 45)

*Plan Description.* In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Sample Community College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the ERS. SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

The ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

*Funding Policy.* Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB statement 45.

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

Beginning September 1, 2013, SB 1812 limited the state's contribution to 50% of eligible employees for community colleges.

The college's contributions to SRHP for the years ended August 31, FY2, FY1, and FY0, were \$XX,XXX, \$XX,XXX, and \$XX,XXX, respectively, which equaled the required contributions each year.

**PENDING LAWSUITS AND CLAIMS**

On August 31, FY2, various lawsuits and claims involving SCC were pending. While the ultimate liability with respect to litigation and other claims asserted against the college cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

*Each case should be tested on its own merits and in the event it is material, this footnote would be revised. Lawsuit gains or losses which are both unusual in nature and infrequent in occurrence should be reflected as "Extraordinary" on the Statement of Revenues, Expenses, and Changes in Net Position.*

**DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES****Receivables**

Receivables at August 31, FY2 and FY1, were as follows:

	<u>FY2</u>	<u>FY1</u>
Student Receivables	XX,XXX	XX,XXX
Taxes Receivable	XX,XXX	XX,XXX
Federal Receivables	XX,XXX	XX,XXX
Accounts Receivable	XX,XXX	XX,XXX
Interest Receivable	XX,XXX	XX,XXX
Other Receivables	XX,XXX	XX,XXX
Subtotal		
Allowance for Doubtful Accounts		
<b>TOTAL RECEIVABLES</b>	<u>XX,XXX</u>	<u>XX,XXX</u>

**Payables**

Payables at August 31, FY2 and FY1, were as follows:

	<u>FY2</u>	<u>FY1</u>
Vendors Payable	XX,XXX	XX,XXX
Salaries & Benefits Payable	XX,XXX	XX,XXX
Students Payable	XX,XXX	XX,XXX
Accrued Interest	XX,XXX	XX,XXX
Other Payables	XX,XXX	XX,XXX
Subtotal		
<b>TOTAL PAYABLES</b>	<u>XX,XXX</u>	<u>XX,XXX</u>

NOTE: In lieu of a single line for doubtful accounts, the college may wish to display allowances under each receivable type.

**FUNDS HELD IN TRUST BY OTHERS**

(Use if Applicable)

The balances, or transactions, of funds held in trust by others on behalf of SCC are not reflected in the financial statements. At August 31, FY2 and FY1 there were six such funds for the benefit of the College. Based upon the most recent available information, the assets of these funds are reported by the trustees/regents at values totaling \$XXX and \$XXX, respectively.

**CONTRACT AND GRANT AWARDS**

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years FY2 and FY1 for which monies have not been received nor funds expended totaled \$XX,XXX and \$XX,XXX. Of these amounts, \$XX,XXX and \$XX,XXX were from Federal Contract and Grant Awards; \$XX,XXX and \$XX,XXX were from State Contract and Grant Awards; \$XX,XXX and \$XX,XXX from Local Contract and Grant Awards; and \$XX,XXX and \$XX,XXX were from Private Contract and Grant Awards for the fiscal years ended FY2 and FY1, respectively.

**SELF-INSURED PLANS**

The college has various self-insured arrangements for coverage in the areas of employee health insurance, workers' compensation, unemployment compensation, and medical liability. Employee health and medical liability plans are funded. *(Detail may be provided on how they are funded)*. Workers' compensation and unemployment compensation plans are on a pay-as-you-go basis, in which no assets are set aside. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations.

**PROPERTY TAX***Ad Valorem Tax*

The College's *ad valorem* property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College.

At August 31:

	<u>FY2</u>	<u>FY1</u>
Assessed Valuation of the College:	\$XX	\$XX
Less: Exemptions	(XX)	(XX)
Less: Abatements	(XX)	(XX)
Net Assessed Valuation of the College	\$XX	\$XX

	FY2			FY1		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 valuation (Maximum per enabling legislation)	\$.xx	\$.xx	\$.xx	\$.xx	\$.xx	\$.xx
Assessed Tax Rate per \$100 valuation	\$.xx	\$.xx	\$.xx	\$.xx	\$.xx	\$.xx

Taxes levied for the year ended August 31, FY2 and FY1 amounted to \$XX,XXX and \$XX,XXX, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.



	FY2			FY1		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$.xx	\$.xx	\$.xx	\$.xx	\$.xx	\$.xx
Delinquent Taxes Collected	\$.xx	\$.xx	\$.xx	\$.xx	\$.xx	\$.xx
Penalties & Interest Collected	\$.xx	\$.xx	\$.xx	\$.xx	\$.xx	\$.xx
<b>Total Gross Collections</b>	<b>\$.xx</b>	<b>\$.xx</b>	<b>\$.xx</b>	<b>\$.xx</b>	<b>\$.xx</b>	<b>\$.xx</b>
Tax Appraisal & Collection Fees	\$(.xx)	\$(.xx)	\$(.xx)	\$(.xx)	\$(.xx)	\$(.xx)
Bad Debt Expense	\$(.xx)	\$(.xx)	\$(.xx)	\$(.xx)	\$(.xx)	\$(.xx)
<b>Total Net Collections</b>	<b>\$.xx</b>	<b>\$.xx</b>	<b>\$.xx</b>	<b>\$.xx</b>	<b>\$.xx</b>	<b>\$.xx</b>

Tax collections for the year ended August 31, FY2 and FY1 were XX percent and XX percent, respectively of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

The District participates in a number of tax increment financing districts (TIFs). The following table summarizes the obligations of the District's involvement in the TIFs:

TIF Title	Percentage of Incremental Tax Committed	Taxes Forgone in FY2	Taxes Forgone in FY1
City # 1	XXX%	\$XXX,XXX	\$XXX,XXX
City # 2	XXX%	XXX,XXX	XXX,XXX
Total taxes forgone		\$XXX,XXX	\$XXX,XXX

**BRANCH CAMPUS MAINTENANCE TAX**

(Note: This is ONLY applicable to colleges with a branch campus maintenance tax that is levied by either the county or independent school district.)

A branch campus maintenance tax that is established by election is levied by the county or independent school district as applicable. It is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the college. Collections are transferred to the college to be used for operation of a Branch Campus at \_\_\_\_\_. This revenue is reported under Local Grants and Contracts.

(College may amplify on operational agreement between the college and the taxing college or colleges involved.)

	FY2	FY1
County or Independent School District:	Collections (including penalties and interest)	Collections (including penalties and interest)
	\$xx	\$xx
	\$xx	\$xx
	\$xx	\$xx

**INCOME TAXES**

The college is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The college had no unrelated business income tax liability for the year ended August 31, FY2 and FY1.

**COMPONENT UNITS**

## Example 1

Sample Community College Foundation – Discrete Component Unit

Sample Community College Foundation (the Foundation) was established as a separate nonprofit organization in YYYY for the purpose of providing student scholarships and assistance in the development and growth of the College. Under Governmental Standards Board Statement No 39, Determining Whether Certain Organizations are Component Units, the Foundation is a component unit of the college because:

The college provides financial support to the foundation and the economic resources received or held by the foundation are entirely or almost entirely for the direct benefit of the college, and

The college is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the foundation, and

The economic resources held by the foundation that the college is entitled or has the ability to otherwise access, are significant to the college.

Accordingly, the foundation financial statements are included in the college's annual report as a discrete component unit (see table of contents). Complete financial statements of the Sample Community College Foundation can be obtained from the administrative office of the Foundation/Sample Community College.

## Example 2

SCC Foundation – Discrete Component Unit

The SCC College Foundation was established as a separate nonprofit organization in YYYY to raise funds to provide student scholarships and assistance in the development and growth of the college. Under Governmental Standards Board Statement No 39, Determining Whether Certain Organizations are Component Units, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit.

Accordingly, the foundation financial statements are included in the college's annual report as a discrete component unit (see table of contents). Complete financial statements of the SCC Foundation can be obtained from the administrative office of the Foundation/Sample Community College.

**RELATED PARTIES (NOT A COMPONENT UNIT)**

The SCC Association is a nonprofit organization with the purpose of supporting the educational and other activities of the college. The SCC does not appoint a voting majority nor does it fund or is obligated to pay debt related to this association. However, the college does have the ability to significantly influence the policies of this association. The association solicits donations and acts as coordinator of gifts made by other parties. It remitted restricted gifts of (\$XXX,XXX and \$XXX,XXX) and unrestricted gifts of (\$XXX,XXX and \$XXX,XXX) to the college during the years ended August 31, FY2 and FY1, respectively. The college furnished certain services, such as office space, utilities and some staff assistance, to the association for which the association reimbursed the college at cost for these services which totaled \$XX,XXX and \$XX,XXX for FY2 and FY1. The Association was indebted to the college in the amounts of \$X,XXX and \$X,XXX at FY2 and FY1 for services provided.

The Ex-Students Association provided services to the college for which the college paid \$XX,XXX and \$XX,XXX during FY2 and FY1. These services included maintaining records on the students who had graduated from the college. Office space and utilities were also provided to the association by the college.

*This note may vary by college.*

If a college has a related party not listed, an appropriate footnote should be included describing the nature of the relationship involved, a description of transactions in the period including dollar amounts, and any amounts due from or to related parties.

**SUBSEQUENT EVENTS**

Subsequent Events (as needed)

Subsequent events take place after the financial statements date but before the auditor's reports have been issued. Subsequent events should be disclosed in the financial statements if they are of such a nature that their absence would cause the financial statements to be misleading. In note disclosure, provide sufficient detail if your college has any subsequent events. Examples of subsequent events include:

- Issuance of debt instruments
- Indication of an intent to issue debt
- A change in the structure of funding for the college
- Subsequent changes in material amounts of property
- Significant contractual or grant arrangements
- Other significant administrative or accounting activity
- Settlement of material litigation
- Defeasance of debt

**FREQUENTLY ASKED QUESTIONS**

**QUESTION 1**      Footnote #19—Contract and Grant Awards. Is it necessary to include this footnote? Because we no longer follow the AICPA Industry Audit Guide, it seems contradictory to have #19 in the audit.

**ANSWER 1**        Yes, please include this note.

**CHECKLIST**

Please note that item numbers tie to complete checklist in Appendix C.

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
<b>FOOTNOTES TO THE FINANCIAL STATEMENTS</b>		
	61.	Footnotes must be numbered.
	62.	Does the Reporting Entity footnote state: the year the college was established the college was established in accordance with the laws of the State of Texas the college is considered to be a special purpose, primary government according to GASB 14 and while the college receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, that it is not a component unit of any governmental entity?
	63.	Does the college present the summary of significant accounting policies (SSAP) as the second footnote? [NCGAS I 158; APB No 22]
	64.	Does the SSAP Reporting Entity footnote disclose the significant policies followed by the college in preparing their financial statements – including in accordance with CB's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges, in accordance with generally accepted accounting policies and that the college applies all applicable GASB pronouncements.
	65.	Does the SSAP Reporting Entity footnote include a statement stating the college is reported as a special-purpose government engaged in business type activities? [GASB 35]
	66.	Does the SSAP disclose tuition that is discounted?
	67.	Does the SSAP disclose basis of accounting?
	68.	Does the footnote regarding budgetary data address: that each community college is required by law to prepare an annual operating budget; that it is prepared on the accrual basis of accounting; that it has been adopted by the Board of Trustees; and that the copies are filed with the CB, LBB, Legislative Reference Library and Governor's Office of Budget and Planning?
	69.	Does the SSAP define both cash and cash equivalents? [APB 22 12]



<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	70.	Does the SSAP indicate how investments are valued and definition of short term and long term investments? [APB 22 12]
	71.	Does the SSAP disclose how inventories are valued? [APB 22 12]
	72.	Does the SSAP disclose the capitalization threshold(s) for capital assets, the method of depreciation and the estimated useful lives? [GASB 34 115e; APB 12]
	73.	Does the SSAP disclose what revenues are deferred Inflows?
	74.	Has the fact that preparation of financial statements in conformity with Generally accepted accounting principles (GAAP) requires the use of management's estimates been disclosed? [SOP 94-6]
	75.	Does the SSAP disclose the college's policy for defining operating and non-operating revenues? [GASB34 115g]
	76.	If applicable, is there a footnote regarding a Restatement of Net Position present? If applicable, does the footnote include a chart which details the amounts restated and an explanation why these net position were restated?
	77.	Is the footnote on deposits and investment in compliance with GASB 40 and include: the type of investments the college is allowed to invest in; list of the types of investments (securities) held by the college categorized by maturities; and include the college's policy on the four types of risk?
	78.	If the College invests in derivatives during the fiscal year the footnote must disclose the nature of the transactions, the reasons for entering into them and the college's exposure to credit risk, market risk, and legal risk. [GASBTB 94-1]
	79.	Do the notes furnish information on the college's capital assets? [GASB 34 116] Does the note present each major class of capital assets; Does the note report nondepreciable capital assets; Does the note present accumulated depreciation; and Does the note disclose changes in capital asset balances?

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	80.	Do the disclosures on major classes of capital assets include the following: [GASB 34 117] Beginning and ending balances with accumulated depreciation presented separately from historical cost; Capital additions; Sales or other dispositions; and Current depreciation expense?
	81.	Is a description of collections of works of art and historical treasures that are not being capitalized presented and the reason for not capitalizing them? [GASB 34 118]
	82.	Do the notes provide all required information separately for each major class of long-term liabilities? [GASB 34}
	83.	Does long-term liability footnote include: [GASB 34 119] beginning and ending balance; increase and decreases shown separately; and portion due within one year?
	84.	Do the notes disclose debt service to maturity of all outstanding debt? [GASB 38, GAAFR 196] Does the disclosure present debt service payments separately for each of the next five years? Are the principal and interest components of debt service shown separately; and are debt service payments shown for subsequent years reported in five year increments?
	85.	For capital leases, has the gross amount of assets purchased on capital leases and the accumulated depreciation been presented separately and the lease obligation classified current and long-term? Has disclosure been made for future minimum lease payments as of the August 31 date in the aggregate and for each of the next five subsequent years, and in five year increments thereafter? [SFAS 13 16b; GASB 38 11]
	86.	Have the following disclosures been made for operating leases having initial or remaining non-cancelable lease term in excess of one year: future minimum rental payments for each of the next five years and in five-year increments thereafter? [GASB 38 11] total amount of minimum rentals to be received in the future under non-cancelable subleases as the latest balance sheet date? [SFAS 13 16b]

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	87.	Does the bonds payable footnote address the detail of individual long-term debt as follows: bond issue name and series; purpose for which the debt was issued; type of debt (general obligation bonds, revenue bonds, etc.); disclose original amount of the debt; disclose the interest rate and range of maturities; and the source of revenue to repay the debt?
	88.	If the college undertook a refunding during the year that either defeased or redeemed the refunded debt, the note should provide: [GASB 7] a brief description of the refunding transaction, the aggregate difference in debt service between the refunding and the refunded debt, and the economic gain or loss on the transaction.
	89.	Does the footnote on employees' retirement plan include: the name of the plan and a brief description of the type of benefits provided; the percentage of participant salaries currently contributed by the State and by each participant; a paragraph describing the Optional Retirement Program (ORP); participation in lieu of TRS; provides for purchase annuity contracts; the State has no additional unfunded liability for the program; total payroll of the college and total payroll of employees covered by each plan; and the percentage of participants' salaries currently contributed by the State and by each participant?
	90.	Does the footnote on the deferred compensation program address that the authority is granted by Government Code 609.001?
	91.	A footnote on compensable absences must disclose the college's policy on annual and sick leave for all employees upon termination or death and the amount that should be reported as a current and non-current liability. The footnote needs to include number of hours that may be accumulated, the rate it is earned and when it is paid. The short and long-term liability portions of the compensable absences should agree with the entries for "Compensable Absences" in the "Long-term Liability" footnote.

THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST		
Yes or N/A	#	Criteria
	92.	If applicable, are there any lawsuits pending against the college and what are the potential significance for these lawsuits?
	93.	When balances of receivables and payables reported on the statement of net position are aggregations of different components, is the significant component disclosed in the footnotes? [GASB 38]
	94.	Does the footnote regarding contract and grant awards address: when revenue is recognized; how funds expended but not yet collected are reported (grant receivables); how funds received but not yet expended are reported (unearned revenue); how awards that are not yet funded and for which the college has not yet performed services are reported; and report the amounts of awards already committed but which monies have not been received nor expended?
	95.	If the college pays for other post-employment benefits for employees (for example health-care benefits), either in whole or in part, do the notes discuss these benefits? [GASB 12]
	96.	Does the footnote regarding <i>ad valorem</i> tax address: (The <i>ad valorem</i> tax information must be a footnote, not supplementary schedules. Supplementary schedules are not required.) [NGCA I3] when taxes are levied; the gross assessed valuation of the college, the exemption and abatements, and the net assessed valuation; tax rate per \$100 valuation authorized and assessed for both current operations and debt services; the amount of taxes levied for the year ended August 31, FY2 which includes penalty and interest if applicable; the amount of taxes collected. Specifically current taxes, delinquent taxes, penalty and interest; collected for current operations and debt service including totals; when taxes are due; and tax collection as a percentage of the current tax levy?
	97.	Does footnote on income tax disclose that the college is exempt from income tax under IRC Section 115 and whether the college has any unrelated business income tax liability?

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	98.	<p>If the college has a component unit in accordance with GASB 39, is there a footnote that includes:</p> <ul style="list-style-type: none"> <li>a brief description of the component unit;</li> <li>the criteria for including as a component unit;</li> <li>how the component unit is reported - (remember to place component unit financial statements; directly behind the college's financial statements for example college's Statement of Net Position; followed the component unit balance sheet, etc.?)</li> </ul>
	99.	<p>Does the disclosure of material related party transactions include [SFAS 57]</p> <ul style="list-style-type: none"> <li>the nature of the relationship;</li> <li>a description of the transaction;</li> <li>dollar amounts of the transaction; and</li> <li>amounts due from the related parties?</li> </ul>
	100.	If applicable, if any subsequent events exist they must be disclosed in paragraph form. [SFAS 5]
	101.	Does the footnote regarding postemployment benefits include the current and most previous two years of required contributions for the ERS?
	102.	If applicable, is the method of accounting and reporting for non-exchange transactions disclosed? [GASB 33]
	103.	<p>If the college has any significant commitments (e.g. construction), do the notes disclose them?</p> <p>[NCGA I6]</p>
	104.	Other disclosures as appropriate, such as segments, pledges, etc.

## **SECTION 8: REQUIRED SUPPLEMENTAL SCHEDULES – A through D**

- 8.1 Instructions
- 8.2 Report Format
- 8.21 Sample of Schedule A – Schedule of Operating Revenues
- 8.22 Sample of Schedule B – Schedule of Operating Expenses by Object
- 8.23 Sample of Schedule C – Schedule of Non-Operating Revenues and Expenses
- 8.24 Sample of Schedule D – Schedule of Net Position by Source and Availability
- 8.3 FAQ's (Frequently Asked Questions) - Schedules A through D
- 8.4 Checklist - Schedules A through D

**INSTRUCTIONS****SCHEDULE A SCHEDULE  
OF OPERATING REVENUES**

Operating revenues are to be reported in detail on this schedule with a breakdown for Unrestricted, Restricted, (with these two amounts summed in a column titled Total Educational Activities), and Auxiliary Enterprises funds. The unrestricted column should include all funds that are not considered restricted or auxiliary. Memorandum totals for the prior year should also be included on this schedule.

Tuition for credit classes should be broken down by residency for all state-funded classes. Tuition amounts for state-funded continuing education classes and all non-state funded classes whether through continuing education or for credit should also be given. Set asides from tuition for the TPEG for credit and continuing education should be shown as separate components of tuition. The amount of TPEG *awarded* for both credit and continuing education is included under the Scholarship Allowances and Discounts section as part of Total Net Tuition and Fees. Remissions and exemptions are to be broken down by those mandated by the state and those that are optional that have been adopted by the local governing board.

To provide consistent reporting of tuition and fee revenue as well as related exemptions and waivers, the following is required for financial reporting purposes: Tuition exemptions as defined by the CB are to be reported as part of the gross tuition and fee revenues for each institution. Since there is no cash collection from these exemptions, the revenue is to be offset by discounts and allowances and/or scholarship expense. Tuition waivers as defined by the CB are to be excluded from gross tuition and fee revenues of each institution and require no offset. Refer to the [Types of Financial Aid - Exemptions](#) and [Types of Financial Aid - Waivers](#) on the College for All Texans website for complete information. The 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 are reported with the implementation of GASB 34/35. GASB informed the Accounting Principles Council of NACUBO that the guidance provided by NACUBO in this advisory report is appropriate for public institutions.

Examples of tuition exemptions include: Education Aide Exemption, Concurrent Enrollment Waiver, Exemption for Peace Officer Disabled in line of Duty, and Firefighter taking Fire Science Courses.

Examples of Waivers include: Border County/State Waiver, Competitive Scholarship Waiver, and many Military waivers.

SCHEDULE B SCHEDULE  
OF OPERATING EXPENSES  
BY OBJECT

Auxiliary revenues should be shown at gross with related discounts as a reduction to revenue on a separate line just beneath the auxiliary revenue to which it relates. Any outsourced auxiliary operations should be explained in a footnote.

Total Operating Revenues must agree with Exhibit 2.

Report the natural expense classifications for salaries and wages, state and local benefits, and other expenses within functional classifications. Unrestricted and Restricted funds should be reported separately. Depreciation is broken down between depreciation for buildings and other real estate improvements and depreciation for equipment and furniture. Memorandum totals for the prior year should be included. Total operating expenses must agree with Exhibit 2.

Revenue Discounting – Tuition, fees and other college charges should be reported net of discounts. See Revenue Reporting Issues in section 5.3. Specifically scholarship amounts should be netted in restricted and not reported as negative amounts in unrestricted as offsets.

Benefits – State benefits should not be shown in functions that are not supported by state revenue.

SCHEDULE C SCHEDULE  
OF NON-OPERATING  
REVENUES AND EXPENSES

Non-operating revenues and expenses are to be reported in detail on this schedule with a breakdown between Unrestricted, Restricted, and Auxiliary Enterprises funds. Memorandum totals for the prior year should be included. The net non-operating revenues (expenses) total must agree with Exhibit 2. Texas public community colleges should report federal Title IV funds as non-operating revenues to comply with the current interpretations advocated by GASB Implementation Guide, Q&A 7.72.10, page 7-97.

SCHEDULE D  
SCHEDULE OF NET  
POSITION BY SOURCE  
AND AVAILABILITY

Schedule D serves a dual purpose of reconciling fund balances to net position as well as showing which funds are actually available for current operations. The Total Net Position for the current year should agree with Exhibit 1. Memorandum totals are included in a row labeled as Total Net Position for the prior year. The difference of the two should be the net increase (decrease) in net position for each source with the total agreeing with Exhibit 2.

The Available for Current Operations section shows which amounts may be spent for current operations without restriction. Amounts in the "Yes" column indicate that there are no restrictions or designations from the local governing board that would prevent the amount from being spent for current operations. An entry in the "No" column would indicate the amount is not available for current operations. It is possible that an amount in the total column for Detail by Source could be split between the "Yes" and "No" columns under the Available for Current Operations section.



## Sample Schedule A – Schedule of Operating Revenues

Sample Community College					Schedule A	
Schedule of Operating Revenues						
Year Ended August 31, FY2 (With Memorandum Totals for the Year Ended August 31, FY1)						
			Total Educational Activities	Auxiliary Enterprises	FY2 Total	FY1 Total
	Unrestricted	Restricted				
Tuition:						
State funded credit courses:						
In-district resident tuition	23,292,893	-	23,292,893	-	23,292,893	21,275,181
Out-of-district resident tuition	6,311,138	-	6,311,138	-	6,311,138	5,427,758
Non-resident tuition	6,359,451	-	6,359,451	-	6,359,451	7,346,044
TPEG - credit (set aside) *	1,911,061	-	1,911,061	-	1,911,061	1,757,331
State-funded continuing education	10,327,099	-	10,327,099	-	10,327,099	11,343,033
TPEG - non-credit (set aside) *	656,693	-	656,693	-	656,693	438,187
Non-state funded educational programs	2,148,483	-	2,148,483	-	2,148,483	1,943,992
Total Tuition	51,006,818	-	51,006,818	-	51,006,818	49,531,526
Fees:						
Distance learning fee	185,554	-	185,554	-	185,554	90,935
Installment plan fees	364,355	-	364,355	-	364,355	320,090
Non-instructional contract training fees	-	-	-	-	-	3,090
Prior year tuition and fees	3,200	-	3,200	-	3,200	51,379
Total fees	553,109	-	553,109	-	553,109	465,494
Allowances and Discounts:						
Bad debt allowance	(38,798)	-	(38,798)	-	(38,798)	(27,846)
Remissions and exemptions - state	(344,416)	-	(344,416)	-	(344,416)	(478,402)
Remissions and exemptions - local	(1,445,763)	-	(1,445,763)	-	(1,445,763)	(1,443,050)
Reduced tuition pilot	(1,847,951)	-	(1,847,951)	-	(1,847,951)	(722,542)
Title IV federal grants	(5,911,149)	-	(5,911,149)	-	(5,911,149)	(2,449,732)
Other federal grants	(789,889)	-	(789,889)	-	(789,889)	(1,150,025)
TPEG awards	(865,997)	-	(865,997)	-	(865,997)	(134,403)
Other state grants	(374,510)	-	(374,510)	-	(374,510)	209,814
Rising Star program	(157,181)	-	(157,181)	-	(157,181)	(182,174)
Other local grants	(13,084)	-	(13,084)	-	(13,084)	(10,600)
Total allowances and discounts	(11,749,940)	-	(11,749,940)	-	(11,788,738)	(6,388,960)
Total net tuition and fees	39,809,987	-	39,809,987	-	39,771,189	43,608,060
Additional operating revenues:						
Federal grants and contracts	1,099,347	21,719,576	22,818,923	-	22,818,923	29,414,331
State grants and contracts	11,406	4,646,035	4,657,441	-	4,657,441	3,494,612
Non-governmental grants and contracts	3,108	4,130,039	4,133,147	-	4,133,147	2,521,797
Sales and services of educational activities	446,968	-	446,968	-	446,968	497,918
General operating revenues	1,177,256	-	1,177,256	-	1,177,256	1,007,198
Total additional operating revenues	2,738,085	30,495,650	33,233,735	-	33,233,735	36,935,856
Auxiliary Enterprises:						
Bookstore	-	-	-	1,499,025	1,499,025	1,338,483
Less Discounts				(3,255)	(3,255)	
Food Service	-	-	-	620,341	620,341	547,340
Center for Educational Telecommunications	-	-	-	3,476,227	3,476,227	3,523,803
Business Incubation Center	-	-	-	211,551	211,551	242,804
Universities Center	-	-	-	450,617	450,617	459,733
Student Programs	-	-	-	720,922	720,922	857,870
Total net auxiliary enterprises	-	-	-	6,975,428	6,975,428	6,970,033
Total Operating Revenues	\$ 42,548,072	\$ 30,495,650	\$ 73,043,722	\$ 6,975,428	\$ 79,980,352	\$ 87,513,949
					(Exhibit 2)	(Exhibit 2)
* In accordance with Education Code 56.033, \$2,567,754 and \$2,195,518 for years August 31, FY02 and FY01, respectively, of tuition was set aside for Texas Public Education Grants (TPEG)						

Sample Community College					Schedule B	
Schedule of Operating Expenses by Object						
Year Ended August 31, FY2 (with Memorandum Totals for the Year Ended August 31, FY1)						
	Operating Expenses					
	Salaries and Wages	Benefits		Other Expenses	FY2 Total	FY1 Total
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 88,446,397	\$ -	\$ 5,142,783	\$ 11,132,291	\$ 104,721,471	\$ 102,167,049
Public Service	2,511,686	-	146,044	1,403,945	4,061,675	3,683,493
Academic Support	9,072,439	-	527,524	3,687,245	13,287,208	13,393,175
Student Services	15,741,028	-	915,274	3,033,212	19,689,514	18,401,080
Institutional Support	28,316,767	-	1,646,500	9,251,633	39,214,900	37,643,028
Operation and Maintenance of Plant	6,355,652	-	369,554	13,555,368	20,280,574	18,985,224
Scholarships and Fellowships	-	-	-	-	-	-
<b>Total Unrestricted Educational Activities</b>	150,443,969	-	8,747,679	42,063,694	201,255,342	194,273,049
Restricted - Educational Activities						
Instruction	\$ 1,383,181	\$ 11,094,349	\$ 127,256	\$ 4,123,903	\$ 16,728,689	\$ 16,055,327
Public Service	1,504,665	-	318,670	4,069,194	5,892,529	6,001,414
Academic Support	385,248	1,094,213	56,849	-	1,536,310	1,548,806
Student Services	2,533,313	1,924,678	72,459	2,415,386	6,945,836	6,592,128
Institutional Support	1,348,370	3,465,693	126,987	1,585,242	6,526,292	6,624,535
Operation and Maintenance of Plant	-	-	806,371	-	806,371	750,710
Scholarships and Fellowships	-	-	-	32,013,809	32,013,809	24,661,506
<b>Total Restricted Educational Activities</b>	7,154,777	17,578,933	1,508,592	44,207,534	70,449,836	62,234,426
<b>Total Educational Activities</b>	157,598,746	17,578,933	10,256,271	86,271,228	271,705,178	256,507,475
<b>Auxiliary Enterprises</b>	4,571,666	-	782,728	5,093,013	10,447,407	10,206,724
<b>Depreciation Expense - Buildings and other real es</b>	-	-	-	6,564,537	6,564,537	6,520,591
<b>Depreciation Expense - Equipment and furniture</b>	-	-	-	3,502,438	3,502,438	2,408,823
<b>Total Operating Expenses</b>	<b>\$ 162,170,412</b>	<b>\$ 17,578,933</b>	<b>\$ 11,038,999</b>	<b>\$ 101,431,216</b>	<b>\$ 292,219,560</b>	<b>\$ 275,643,613</b>
					(Exhibit 2)	(Exhibit 2)

## Sample of Schedule C – Schedule of Non-Operating Revenues and Expenses

Sample Community College					Schedule C
<b>Schedule of Non-Operating Revenues and Expenses</b>					
<b>Year Ended August 31, FY2 (with Memorandum Totals for the Year Ended August 31, FY1)</b>					
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Auxiliary Enterprises</b>	<b>FY2 Total</b>	<b>FY1 Total</b>
NON-OPERATING REVENUES:					
State appropriations:					
Education and General state support	\$ 79,974,186			\$ 79,974,186	\$ 85,993,747
State group insurance		\$ 12,206,226		\$ 12,206,226	\$ 11,377,997
State retirement matching		\$ 6,881,299		\$ 6,881,299	\$ 6,524,393
Remedial Education		\$ 380,677		\$ 380,677	\$ 362,354
Professional nursing shortage reduction		\$ 414,852		\$ 414,852	\$ 290,192
SBDC match		\$ 766,746		\$ 766,746	\$ 828,190
Total state appropriations	\$ 79,974,186	\$ 20,649,800		\$ 100,623,986	\$ 105,376,873
Ad valorem taxes (Net))	76,921,860	-	-	76,921,860	74,531,105
Federal Revenue, Non Operating	-	17,890,434	-	17,890,434	5,423,187
Gifts	723,092	-	-	723,092	279,721
Investment income	2,650,337	-	422,663	3,073,000	9,545,818
Gain on sale of investment	68,250	-	9,970	78,220	-
Contributions in aid of construction	495,952	-	-	495,952	-
Other non-operating revenue	52,225	-	-	52,225	70,771
Total non-operating revenues	160,885,902	38,540,234	432,633	199,858,769	195,227,475
NON-OPERATING EXPENSES:					
Interest on capital related debt	735,065	-	-	735,065	(1,966,747)
Loss on disposal of capital assets	264,687	-	(26,481)	238,206	(2,033,987)
Other non-operating expense	453,827	-	-	453,827	(38,162)
Total non-operating expenses	1,453,579	-	(26,481)	1,427,098	(4,038,896)
<b>Net non-operating revenues</b>	<b>159,432,323</b>	<b>38,540,234</b>	<b>459,114</b>	<b>198,431,671</b>	<b>191,188,579</b>
				<b>(Exhibit 2)</b>	<b>(Exhibit 2)</b>

## Sample of Schedule D – Schedule of Net Position by Source and Availability

Sample Community College						Schedule D	
Schedule of Net Position by Source and Availability							
Year Ended August 31, FY2 (with Memorandum Totals for the Year Ended August 31, FY1)							
	Detail by Source					Available for Current Operations	
		Restricted		Capital Assets			
	Unrestricted	Expendable	Non-Expendable	Net of Depreciation & Related Debt	Total	Yes	No
Current:							
Unrestricted	\$ 56,574,651	\$ -	\$ -	\$ -	\$ 56,574,651	\$ 56,584,651	
Board Designated	-	-	-	-	-		
Restricted	-	-	-	-	-		
Auxiliary enterprises	24,201,992	-	-	-	24,201,992	24,201,992	
Loan		-	-	-	-		
Endowment:							
Quasi:							
Unrestricted	5,343,722	-	-	-	5,343,722		5,343,722
Restricted	-	-	-	-	-		
Endowment							
True	-	-	-	-	-		
Term (per instructions at maturity)	-	-	-	-	-		
Life Income Contracts	-	-	-	-	-		
Annuities	-	-	-	-	-		
Plant:							
Unexpended	11,126,987	-	-	-	11,126,987		11,126,987
Renewals	-	-	-	-	-		
Debt Service	-	6,486,525	-	-	6,486,525		6,486,525
Investment in Plant	-	-	-	215,480,290	215,480,290		215,480,290
Total Net Position, August 31, FY2	\$ 97,247,352	\$ 6,486,525	\$ -	\$ 215,480,290	\$ 319,214,167 (Exhibit 1)	\$ 80,786,643	\$ 238,437,524
Total Net Position, August 31, FY1	134,796,682	10,043,554	-	188,181,468	333,021,704 (Exhibit 1)	88,676,997	244,344,707
Net Increase (Decrease) in Net Position	\$ (37,549,330)	\$ (3,557,029)	\$ -	\$ 27,298,822	\$ (13,807,537) (Exhibit 2)	\$ (7,890,354)	\$ (5,907,183)

**FREQUENTLY ASKED QUESTIONS**

## QUESTION 1

The State appropriates money for group health insurance and retirement matching for college employees. Do community colleges have to report this on their financial reports, as the funds do not come to the community colleges?

## ANSWER 1

Yes, the community colleges do need to report the appropriations paid on their behalf for group health insurance and retirement matching for college employees. Please see Schedule C in the manual for correct disclosure example.

## QUESTION 2

Where do we show "Depreciation" on Schedule B?

## ANSWER 2

Show "Depreciation" as an additional item of expense after Total Educational Activities and Auxiliary Enterprises on Schedule B. You'll notice that Equipment and Building Depreciation are now separately disclosed. Equipment Depreciation is an element of fundable operating expenses and should be reported on the RFOE in the amount shown in total on Schedule B

## QUESTION 3

Schedule A – Schedule of Detailed Operating Revenues, shows TPEG set aside as part of the tuition section, then shows TPEG allowances in the scholarships/discounts section. These amounts won't be the same if the first one is for the amount set aside, and the TPEG "allowances" are for amounts awarded or discounted. How do we show the difference?

## ANSWER 3

The difference (excess (or deficit) of TPEG set-aside over allowances) flows through and is included in "Total Net Tuition and Fees" on Schedule A – Schedule of Detailed Operating Revenues. This same amount, when combined with any ending balance from the previous year, is included on the Statement of Net Position under:

NET POSITION

Restricted for:

Expendable

Student Aid

## QUESTION 4

Is it correct to title Schedules A through D as unaudited?

## ANSWER 4

SAS No 118 addresses the auditor's responsibility to report on whether supplementary information is fairly stated. Because the schedules that you list are supplemental to the financial reports submitted to the CB, we believe that, much like the footnote section, the schedules are a part of the audited presentation and to label them as unaudited would not be appropriate. This level of review is required because the data on the schedules is pulled from data reported in the financial statements.

## QUESTION 5

Would I include TEXAS Grant I & II in "Other" under Scholarship allowances and discounts and also under "State Grants and

[Contracts" under Other Operating Revenue?](#)

ANSWER 5

Yes. On Schedule A, TEXAS Grants would be included as State Grants and Contracts under Other Operating Revenue. When those resources are then granted to students to pay for tuition and fees, they would be included as Scholarship Allowances and Discounts: Other State Grants.

## CHECKLIST

Please note that item numbers tie to complete checklist in Appendix C.

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
<b>SCHEDULE OF DETAILED OPERATING REVENUES (SCHEDULE A)</b>		
	105.	Are the totals for each line item combined for Unrestricted and Restricted and shown in a separate column titled Educational Activities?
	106.	Is a total column presented for the current year?
	107.	Is a memorandum total column presented for the prior year?
	108.	Is tuition broken down between state-funded courses and non-state-funded courses?
	109.	Is there a subtotal for tuition and fees?
	110.	Are the various fees shown separately with a subtotal?
	111.	Are scholarships allowance and discounts detailed enough as not to need a separate schedule? For example remission and exemptions, allowance for federal financial aid, allowance for state financial aid, etc. If not, a separate schedule needs to be prepared.
	112.	Is the TPEG set aside amount recorded at the bottom of the schedule?
	113.	Are auxiliary revenues and discounts shown in a separate column?
	114.	Are auxiliary revenues detailed enough so as not to need a separate schedule?
	115.	Do the totals tie with the Schedule of Revenues, Expenses, and Changes in Net Position (Exhibit 2)?
	116.	Is there a footnote explaining any out-sourced auxiliary operations?
	117.	Is this schedule audited?
<b>SCHEDULE OF OPERATING EXPENSES BY OBJECT (SCHEDULE B)</b>		
	118.	Are educational activity expenses broken down between Unrestricted and Restricted line items?
	119.	Are expenses classified according to NACUBO's elements of cost and further classified by natural classifications? Are scholarship amounts netted?
	120.	Are auxiliary expenses shown as a separate line item below Total Educational Activities?
	121.	Is depreciation shown as a separate line item? [APB 12 15]; and broken down between Buildings and Other Real Estate Improvements and equipment?
	122.	Do the totals tie with the Schedule of Revenues, Expenses, and Changes in Net Position (Exhibit 2)?

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	123.	Is a total column presented for the current year?
	124.	Is a Memorandum total column presented for the prior year?
	125.	Is this schedule audited?
<b>SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES (SCHEDULE C)</b>		
	126.	Are revenues and expenses for non-operating activities listed in separate columns for Unrestricted, Restricted and Auxiliary operations?
	127.	Is a total column presented for the current year?
	128.	Is a Memorandum total column presented for the prior year?
	129.	Are non-operating revenue and expenses broken down between revenue and expense categories?
	130.	Do the totals tie with the Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2)?
	131.	Is this schedule audited?
<b>SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY (SCHEDULE D)</b>		
	132.	Are net position broken out into Current, Loan, Endowment, and Plant line item categories?
	133.	Are net position also listed in columns as Unrestricted, Restricted (Expendable or Non-Expendable), and Capital Asset Net of Depreciation and Related Debt?
	134.	Is a total column presented for the current year?
	135.	Are amounts available for current operations indicated under "yes," or "no" columns?
	136.	Are Board designated reserves reflected in Board minutes?
	137.	Does the total column tie to Statement of Net Position, Exhibit 1?
	138.	Is a Memorandum total row for the prior year presented below the current year totals?
	139.	Is this schedule audited?



## **SECTION 9: REQUIRED SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE AWARDS**

### **Federal Awards**

- 9.1 Introduction
- 9.2 Federal grantor/Pass-Through Grantor/Program
- 9.3 Catalog of Federal Domestic Assistance (CFDA) Number
- 9.4 Pass-Through
- 9.5 Notes
- 9.6 Special Problem Areas
- 9.7 Partial List of Federal Grantor Numbers (Sorted by Federal Grantors)
- 9.8 Partial List of Federal Grantor Numbers (Sorted by Federal Grantor Numbers)
- 9.9 Report Content – Sample of Schedule E – Schedule of Expenditures of Federal Awards

### **State Awards**

- 9.10 Instructions
- 9.101 Report Format – Sample of Schedule F – Schedule of Expenditures of State Awards
- 9.11 Checklist – Schedules E and F

**INTRODUCTION**

## FEDERAL AWARDS

## INTRODUCTION

The Single Audit Act (PL 98-502) and the Single Audit Act Amendments of 1996 establishes the financial and compliance audit requirements for all state and local government entities which receive federal financial assistance. Any such entity receiving more than \$500,000 in federal financial assistance is required to have an audit in accordance with the act and regulations established by the Office of Management and Budget, as shown in the *OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations*. Those entities which receive funds under only one federal program may elect to have a program specific audit in accordance with the act and regulations.

Each college that receives federal funds must prepare a Schedule of Expenditures of Federal Awards (Schedule E). The schedule reports total expenditures, including accruals (accounts payable), for all federal financial assistance by federal program. It must also include any indirect and/or administrative costs received from a federal agency. These costs should be included with the program expenditures for each applicable program.

Federal financial assistance is any assistance provided by a federal agency in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. The term does not include direct federal cash assistance to individuals.

The direct student lending program is reported under the student financial aid (SFA) cluster as amounts expended. The June 2010 A-133 Compliance Supplement, part 5, page 5-3-48 requires the amounts be included as expended.

A sample Schedule E is located in Section 9.9, Report Format. Additional examples can be found in the *AICPA Audit & Accounting Guide – Government Auditing Standards and Circular A-133 Audits*.

**FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM**

**LIST FEDERAL PROGRAMS** 1. List all federal programs within separate headings for each federal grantor agency.

The federal programs should be grouped by cluster and identified by program name as listed in the Catalog of Federal Domestic Assistance (CFDA) *and should be in numerical sequence using the CFDA number*. Federal agencies, with the exception of the U.S. Department of Education, should also be in the numerical sequence of the first two digits of the CFDA number. A recent DOE/ Inspector General (IG) finding specifies individual programs need to be listed within clusters. They provide the following citation as guidance: OMB A-133.310(b) (1) and *AICPA Audit Guide* section 7.10 (2008 revision).

If the CFDA number is unknown, identify the federal agency only and add a period and 3 zeroes. For example, a grant from U.S. Department of Education with an unknown CFDA number would be 84.000.

**Programs from different federal agencies should not be commingled.**

**IDENTIFY ALL FEDERAL PROGRAM FUNDS**

2. For each federal agency, identify all federal program funds received under the heading "Direct Programs" or "Pass-Through From" as follows:

- a. Identify all federal program funds received directly from federal grantor agencies under the heading "Direct Programs."
- b. Identify program funds passed through to your college from another government agency as pass-through funds under the heading "Passed-Through From: Agency's Name".

**IDENTIFY THE APPLICATION OF FUNDS**

3. Under the heading "Direct Programs" or "Pass-Through From," identify the application of the funds as follows:

- a. Identify program funds that are expended by the college under the column heading "Expenditures."
- b. Identify program funds passed through to a sub-recipient under the heading "Pass-Through To," plus the entity's name. A single line may be used for each federal program which is passed through by the college. If this is done, a separate footnote must be prepared detailing which program is shown, the CFDA number, the sub-recipients involved, and the amount for each sub-recipient. Each entity which passes-through amounts to a sub-recipient must receive an audit package or a letter from the sub-recipient. (See Appendix A)
- c. If for some reason a single CFDA number is listed on more than one line, a subtotal for that CFDA number must be given.

**CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

## CFDA NUMBERS

1. All CFDA numbers consist of five digits separated by a period between the second and the third digit. The first two digits represent the federal grantor agency and the last three digits represent the specific grant.

For example, the CFDA number of the Carl Perkins Vocational Education program is 84.048, in which 84 stands for the U.S. Department of Education and 048 stands for the Vocational Education program. Ensure that the *most current* CFDA program title and number are used to identify all federal financial assistance.

All grants that come under one CFDA program name can be reported as one line item. (*The detailed information must be maintained by the agency.*) Pass-through awards of the same program from more than one agency must be reported on separate lines for each pass-through entity.

PROGRAM NAME AND  
NUMBER NOT LISTED

2. If the program name and number are not listed in the CFDA, and the grantor agency cannot provide the information, list the program within its grantor agency section of the schedule as explained in previous Section 9.2, List Federal Programs.

RESPONSIBILITY OF THE  
SUB-RECIPIENT.

3. It is the responsibility of the sub-recipient to request all information from the funding source if it has not been provided, and the sub-recipient is aware that the funds received are federal funds.

UNASSIGNED  
DEPARTMENT OF  
DEFENSE FUNDS

4. The Department of Defense (DOD) funds that are not assigned with a CFDA number must be identified with the contract number assigned by the DOD. See Section 9.4, EXPENDITURES for the reporting of DOD funds.

**PASS-THROUGH**DEFINITION OF  
PASS-THROUGHS

Pass-through are the federal funds "passed through" from one entity (recipient) to other entities (sub-recipients) that administer the federal program on behalf of the state. If a transaction is not a pass-through, it is an expenditure. There are no exceptions. Pass-through should also include accruals.

## INSTRUCTIONS

Be sure to include Pass-through grantor numbers. These are required by other pass-through entities. Audit reports may be rejected by these other pass-through entities for failure to include these numbers.

**An entity that is the recipient or sub-recipient of federal funds cannot pass-through funds to itself.** If the entity is a fiscal agent for other entities and expends funds itself, these are not pass-through to itself, but are reported as regular expenditures.

INSTRUCTIONS FOR  
RECIPIENTS

The recipient, which is the entity that passes the funds through to the sub-recipient, will report these transactions on the federal schedule as "Pass-Through To."

If, at year-end, recipient colleges are holding material amounts of funds to be passed-through to others, these should be reported as Funds Held for Others since they are not assets of the recipient. Immaterial amounts may be reported as assets and current liabilities in restricted Funds. **Funds passed through to others will not be reported as revenues or expenditures on Exhibit C. They also should not be reported on Exhibit 2.**

**Funds passed through to others will be a reconciling item on Schedule E, Schedule of Expenditures of Federal Awards, reconciliation in Note 1.**

The recipient must inform the sub-recipient that the funds they are receiving are federal funds and provide the correct CFDA name and number.

INSTRUCTIONS FOR SUB-  
RECIPIENTS

A sub-recipient is defined by OMB Circular A-133 as any person or government department, agency or establishment that receives federal financial assistance from a state entity or any other entity to administer a program.

The sub-recipient actually administers or controls the program as opposed to the subcontractor who contracts for a specific service on a per unit basis. A key factor in determining the sub-recipient is determining if the entity assumed the responsibility to administer the program.

Procurement contracts with the federal government or with a state entity or any other entity, in which goods or services are provided by a public community and junior college are not

considered to be federal financial assistance because, the college is performing a service, not administering the program.

Therefore, procurement contracts should not be included on the Schedule of Expenditures of Federal Awards by the performing college. While it would be included under Federal Contract and Grant revenue on the exhibits and schedules, it would generally be a reconciling item in Note 1 of the footnotes to the Schedule.

The sub-recipient should include its expenditures of the pass-through funds received from recipients as expenditures on the Schedule of Expenditures of Federal Awards and should include the same amount in federal revenue shown in the various exhibits and schedules of the annual financial report.

A reconciliation which ties the total federal revenues in Schedule C to total federal expenditures and pass-through funds on the Schedule of Expenditures of Federal Awards should be included in the "notes" to the Schedule of Expenditures of Federal Awards. Pass-through funds should not be reported as state revenues and expenditures, but as federal by a sub-recipient.

#### RECIPIENT vs. SUB-RECIPIENT

The following example illustrates the role of the recipient versus the sub-recipient:

- Entity X retains the ultimate authority and responsibility for operational results of federal program ABC. The objective of the program is to provide job training to people currently on welfare. Entity X establishes the man-hour budget and assigns the staff responsible for the work.
- Entity Y is responsible for the first line management of program ABC. Entity Y is in charge of coordinating, planning, assigning specific tasks to the staff, and monitoring the daily activities of the program based on established administrative controls.
- In this example, Entity X is the recipient and Entity Y is the sub-recipient. Although Entity X has the ultimate responsibility of assuring that the pass-through funds are spent according to the program guidelines, Entity Y administers and controls the day-to-day operations in accordance with the guidelines.

#### EXPENDITURES

Expenditures are the federal funds expended in administering federal programs. Payments to subcontractors are expenditures and should be distinguished from pass-through funds to sub-recipients.

#### SPECIAL CONDITIONS

The following items require special attention when determining expenditures for the federal schedule. These are also items that should be included in the reconciliation of the federal revenue (federal grant and contract revenue and federal appropriations revenues) in Schedule A to federal expenditures and pass-

through funds in the Schedule of Expenditures of Federal Awards.

- Expenditures from federal assistance that are not subject to an A-133 audit are not reported as expenditures on the federal schedule. Because these expenditures are included in the financial statements, include a note in the schedule explaining why the expenditures for *each* such program are not in the federal schedule.

Funds from the U.S. Department of Defense (DOD) are to be subject to OMB Circular A-133 and should be reported on the federal schedule just like other federal funds. Those DOD funds will not be a reconciling item for the reconciliation in Note 1. The DOD funds that are not assigned with a CFDA number must be identified with the contract number assigned by the DOD. You may disclose the DOD contract names, numbers, and amounts in a supplement to the annual financial report, if such disclosure requires extra pages in the Schedule of Expenditures of Federal Awards.

- Student Financial Assistance Programs provide low-interest loans or guaranteed loans to eligible needy students for educational purposes at Texas colleges and universities. The programs reported in the federal schedule include the Federal Family Education Loan Program; Federal Perkins Loan Program; Health Professions Student Loans; Health Professions Educational Initiatives; and Nursing Student Loans.

The amounts reported in the federal schedule should include, as separate line items, the dollar value of new loans processed during the fiscal year as well as any administrative costs recovered from the federal government.

The amount of the new loans processed from the federal government during the fiscal year is not reported on Schedule A. If the loans are included within the schedule, and not included as a footnote, they will be a reconciling item in the reconciliation. New loans processed are reported as an increase (loans receivable) and decrease (disbursement of cash) of the asset accounts on the Statement of Net Position. Consistent with this treatment, and in order to provide disclosure on this schedule, new loans processed and any administrative costs recovered should be reported in Note 4. If the loans are not included in the schedule, they will not be a reconciling item for the reconciliation in Note 1.

- Net difference between unrestricted current funds federal appropriations revenue and the expenditure of current funds federal appropriations

Certain institutions receive unrestricted federal appropriations

for current operations by federal legislative acts. These unrestricted federal appropriations are recognized as revenue on Exhibit 2 and Schedule A when received or made available to the institution. The federal schedule should only include the actual expenditure of these appropriations.

Therefore, there should be a reconciling item on the reconciliation in Note 1 for the net difference between unrestricted current funds federal appropriation revenue and the expenditure of current funds federal appropriations.

#### INDIRECT COSTS

Indirect costs are administrative costs and all other such costs related to the administration of a federal program that are not direct costs of the program.

Indirect cost recoveries on federal grants, contracts, and agreements should be reported on Schedule A rather than as expenditures, but must be included in amounts shown on the Schedule of Expenditures of Federal Awards.

Indirect costs which are reimbursed with federal funds are federal expenditures and should be included in total expenditures on the federal schedule for each federal program. Those Indirect costs which are related to a federal program but not reimbursed with federal funds are not federal expenditures and should not be reported on the federal schedule.

**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 that 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 are not federal expenditures and are not reflected on the federal schedule.



## NOTES

The following notes are required to follow the institution's federal schedule. These notes pertain only to the federal schedule and should not be included with the notes to the financial statements.

NOTE 1  
RECONCILIATION

**1. Note 1 Reconciliation** – A formal reconciliation tying the total Federal Grants and Contracts revenue and Federal Appropriations revenue on Schedule A/B to total expenditures and pass-through funds on the federal schedule is required. Even if the amounts between the two schedules agree, a reconciliation with no reconciling entries should be shown.

Total Federal Grants and Contracts revenue and Federal Appropriations revenue on Schedule A, plus/minus the reconciling items should tie to total expenditures and pass-through on the federal schedule.

The following reconciling item classifications *may* be necessary:

- Funds passed through to others
- Nonmonetary – food stamps and/or commodities
- Capital asset items received from the federal surplus property program
- Expenditures not included on the federal schedule because they are not subject to a federal single audit
- Net difference between funds federal appropriations revenue and the expenditure of federal appropriation (applicable only to institutions with federal appropriations revenue)
- Interest subsidy or construction grants

If these classifications do not match all the reconciling items, make sure all revenues and expenditures are reported correctly:

- Funds collected but not expended should be reported as deferred revenues
- Sub-recipients should include expenditures of pass-through funds as expenditures on the federal schedule
- Classifications of federal funds as prior year adjustments and/or changes in fund balance indicate errors were made in recording federal funds. Correct these items prior to preparing the federal schedule to ensure that federal revenues and expenditures are reported in the appropriate fiscal year
- Earned federal funds should not be a reconciling item

NOTE 2  
SIGNIFICANT  
ACCOUNTING POLICIES  
AND PROCEDURES

**2. Note 2 Significant Accounting Policies and Procedures** – This note is required by OMB Circular A-133 and should list the accounting policies and procedures the college uses in preparing the schedule. A cross-reference to the Notes to the Financial

## NOTE 3

EXPENDITURES NOT  
SUBJECT TO A FEDERAL  
SINGLE AUDIT

Statements is not sufficient for this note. (See Note 2 of the example in Section 9.9 Report Format)

**3. Note 3 Expenditures Not Subject to a Federal Single**

**Audit** – This note describes federal funds not subject to a federal single audit. These funds are reported on the financial statements but should not be reported on the federal schedule. Thus, they will be a reconciling item in Note 1.

Include the following information in the note:

- Name of federal grantor agency
- CFDA name and number
- (Dollar amount) of expenditures for the fiscal year
- Reason each program is not subject to a federal single audit

## NOTE 4

## STUDENT LOANS

**4. Note 4 Student Loans** – The total amount of loans disbursed to students under the various student loan programs should be reported in this note.

- Federal Family Education Loan Program
- Federal Perkins Loan Program
- Health Professions Student Loans
- Health Professions Educational Initiatives
- Nursing Student Loans

The following information must be included in the note:

- Name of granting federal agency
- CFDA program name
- CFDA number
- Total new loans processed for each program
- Total administrative costs recovered from program

## NOTE 5

NONMONETARY  
ASSISTANCE

**5. Nonmonetary Assistance** – Nonmonetary federal assistance received during the current fiscal year should be reported in this note.

Include the following:

- CFDA name and number
- (Dollar amount) of all nonmonetary federal assistance (federally assigned value)
- Federal agency from which the assistance was received
- If pass-through funds, include the name of the other entity from which the assistance was received

NOTE 6  
AMOUNTS  
PASSED-THROUGH  
TO OTHERS

**6. Note 6 Amounts Passed-Through to Others** – Amounts received by the college which are, in turn, passed-through to other governmental units or non-profit organizations, should be reported in this note.

The colleges who are fiscal agents for the Tech-Prep Consortia **MUST** have this note contained in their financial statements. It should list the entities and amounts which had funds passed through to them.

*Audits that do not contain this note **WILL BE** formally rejected.*

See Note 6 of the illustrative example in Section 9.9, Report Format for what is required in this note.

Note: An entity which is the recipient or sub-recipient of federal funds cannot pass-through funds to itself. If the entity is a fiscal agent for other entities and expends funds itself, these **are not** pass-through to itself, but are reported as regular expenditures

**SPECIAL PROBLEM AREAS**

UNEXPENDED vs. EXPENDED FEDERAL FUNDS	<p>Any federal funds received in a fiscal year in which they are not expended should not be reported as revenue until the funds are expended. The excess should be recorded in Funds Held for Others on the Statement of Net Position.</p> <p>Contracts and grants for which money has not been received but from which expenditures have been made should be reported as a receivable on Exhibit 1. These expenditures should be reported on the federal schedule.</p>
REFUNDS TO GRANTORS	Refunds to grantors are not federal revenues or federal expenditures and should not appear on the federal schedule or in the reconciliation.
DISALLOWED PRIOR YEAR COSTS	Sometimes prior year costs are determined to be 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 Schedule A and current year expenditures on the federal schedule. These costs will not be a reconciling item for the reconciliation Note 1.
CONTINGENT LIABILITIES	<p>Recipients of Federal Financial Assistance who pass-through funds to sub-recipients are required by OMB Circular A-133 to determine if the results of sub-recipient audits necessitate adjustment of the recipient's own records. To comply with this requirement, recipients should prepare a listing of its sub-recipient's questioned costs to determine if they may have a material impact on the recipient's financial statements on the fund level or federal program level. If the magnitude and nature of the sub-recipient's questioned costs indicate a possible material impact on the recipient's financial statements on the fund level or federal program level, this should be disclosed in the recipient's notes to the financial statements (not in the notes to the Schedule of Expenditures of Federal Awards).</p> <p>If ultimate resolution of questioned costs indicated that material refunds are owed to the federal government, appropriate adjustment of the financial statements should be made and fully disclosed in the notes to the financial statements.</p>

**PARTIAL LIST OF FEDERAL GRANTOR NUMBERS (SORTED BY FEDERAL GRANTORS)****PARTIAL LIST OF FEDERAL GRANTOR NUMBERS****(Sorted By Federal Grantors)**

<b>FEDERAL GRANTOR</b>	<b>FEDERAL GRANTOR NUMBER</b>
Agriculture, Department of	10
Commerce, Department of	11
Commission on Civil Rights	29
Corporation for National and Community Service	94
Defense, Department of	12
Education, Department of	84
Energy, Department of (DOE)	81
Environmental Protection Agency	66
Equal Employment Opportunity Commission (EEOC)	30
Federal Communication Commission (FCC)	32
Federal Emergency Management Agency	83
Federal Maritime Commission (FMC)	33
Federal Mediation and Conciliation Service (FMCS)	34
Federal Trade Commission (FTC)	36
General Services Administration (GSC)	39
Government Printing Office (GPO)	40
Harry S. Truman Scholarship Foundation	85
Health and Human Services, Department of (13 should be dormant)	93
Homeland Security, Depart of	97
Housing and Urban Development, Department of	14
Interior, Department of the	15
International Trade Commission (ITC)	61
Interstate Commerce Commission (ICC)	41
Justice, Department of	16
Labor, Department of	17
Library of Congress	42
National Aeronautics and Space Administration (NASA)	43
National Archives and Records Administration (NARA)	89
National Credit Union Administration (NCUA)	44
National Foundation on the Arts and the Humanities	45
National Gallery of Art (NGA)	68
National Labor Relations Board (NLRB)	46
National Science Foundation (NSF)	47
Nuclear Regulatory Commission (NRC)	77
Office of Personnel Management	27
President's Committee on Employment of People with Disabilities	53
Small Business Administration (SBA)	59
State, Department of	19
Tennessee Valley Authority (TVA)	62
Transportation, Department of	20
Treasury, Department of the	21
United States Agency for International Development	98
United States Information Agency (USIA)	82
Veterans Affairs, Department of	64

**PARTIAL LIST OF FEDERAL GRANTOR NUMBERS (SORTED BY FEDERAL GRANTOR NUMBER)****PARTIAL LIST OF FEDERAL GRANTOR NUMBERS  
(Sorted By Federal Grantor Numbers)****FEDERAL GRANTOR  
NUMBER****FEDERAL GRANTOR**

10	Agriculture, Department of
11	Commerce, Department of
12	Defense, Department of
14	Housing and Urban Development, Department of
15	Interior, Department of the
16	Justice, Department of
17	Labor, Department of
19	State, Department of
20	Transportation, Department of
21	Treasury, Department of the
27	Office of Personnel Management
29	Commission on Civil Rights
30	Equal Employment Opportunity Commission (EEOC)
32	Federal Communication Commission (FCC)
33	Federal Maritime Commission (FMC)
36	Federal Trade Commission (FTC)
39	General Services Administration (GSA)
40	Government Printing Office (GPO)
41	Interstate Commerce Commission (ICC)
42	Library of Congress
43	National Aeronautics and Space Administration (NASA)
45	National Foundation on the Arts and the Humanities
46	National Labor Relations Board (NLRB)
47	National Science Foundation (NSF)
53	President's Committee on Employment of People with Disabilities
59	Small Business Administration (SBA)
61	International Trade Commission (ITC)
62	Tennessee Valley Authority (TVA)
64	Veterans Affairs, Department of
66	Environmental Protection Agency
68	National Gallery of Art (NGA)
77	Nuclear Regulatory Commission (NRC)
78	Commodity Futures Trading Commission (CFTC)
81	Energy, Department of (DOE)
82	United State Information Agency (USIA)
83	Federal Emergency Management Agency
84	Education, Department of
85	Harry S. Truman Scholarship Foundation
89	National Archives and Records Administration (NARA)
90	Commission on the Bicentennial of the U.S. Constitution
93	Health and Human Services, Department of
94	Corporation of National and Community Service
97	Homeland Security, Department of
98	United States Agency for International Development

## Report Content – Sample of Schedule E – Schedule of Expenditures of Federal Awards

SAMPLE COMMUNITY COLLEGE					
				Schedule E	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS					
For the Year Ended August 31, FY2					
			Federal	Pass-Through	Expenditures
Federal Grantor/Pass Through Grantor/ Program Title			CFDA Number	Grantor's Number	and Pass Through Disbursements
U.S. Department of Education					
Direct Programs:					
Student Financial Aid Cluster					
		SEOG	84.007		\$ 4,397,703
		Federal College Workstudy Program	84.033		1,146,852
		Federal Pell Grant	84.063		12,345,879
		Direct Student Loans	84.268		5,678,913
TRIO Cluster					
		TRIO Student Support Services	84.042		141,331
		TRIO Upward Bound	84.047		20,337
Gear UP Program			84.334		15,811
Child Care Access			84.335		3,750
Pass-Through From:					
		Texas Education Agency			
		Adult Basic Education	84.002		308,936
		Texas Higher Education Coordinating Board			
		Carl Perkins Vocational Education - Basic	84.048	342LJ	247,687
		Carl Perkins Vocational Education - Leadership	84.048	34POI	651,898
		Leveraging Educational Assistance Partnerships	84.069A		61,897
		Carl Perkins Tech Prep Program	84.243	317ER	5,652,234
		Eisenhower Mathematics & Science Grants	84.281		5,689
		City Independent School District			
		Urban/Rural Opportunities Grant	84.278		59,878
Total Department of Education					\$ 30,738,795
U.S. Department of Housing and Urban Development					
Direct Programs:					
		Hispanic-Serving Institutions Assisting Communities	14.514		\$ 145,987
Pass-Through from:					
		City Housing Authority			
		Economic Development and Services Grant	14.864		789,523
Total U.S. Department of Housing and Urban Development					\$ 935,510
U.S. Department of Labor					
Pass-Through from:					
		Texas Workforce Commission			
		JTPA	17.250	123589	\$ 1,639,875
		Workforce Investment Act/Rapid Response	17.255	15789365	1,558,698
		Workforce Investment Act	17.258	15789366	255,874
Total Department of Labor					\$ 3,454,447
U.S. Department of Transportation					
Pass-Through from:					
		TX Department of Transportation			
		Mobile Video Instructor	20.600		45,877
National Science Foundation					
		Alliance for Minority III	47.076		755,698
U.S. Small Business Administration					
		Small Business Development Center	59.037		5,698,744
Department of Health and Human Services					
		Aid to Families with Dependent Children	93.021		1,659,784
		TANF	93.558		1,589,774
		Child Care Training	93.575		1,689,736
Total U.S. Department of Health and Human Services					4,939,294
Total Federal Financial Assistance					\$ 46,568,365
Notes to Schedule on Following Page.					

## Report Content – Sample of Schedule E – Schedule of Expenditures of Federal Awards

**SCHEDULE E (Continued)****Note 1: Federal Assistance Reconciliation**

Federal Grants and Contracts revenue - per Schedule A				\$	21,719,576
Add: Indirect/Administrative Cost Recoveries - per Schedule A				\$	1,099,347
Add: Non Operating Federal Revenue from Schedule C				\$	17,890,434
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets				\$	40,709,357
Reconciling item:					
Add: Funds passed through to others				\$	180,095
Add: Direct Student Loans					5,678,913
Total Federal Revenues per Schedule of Expenditures of Federal Awards				\$	46,568,365

**Note 2: Significant accounting policies used in preparing the schedule.**

The expenditures included in the schedule are reported for the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the college for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The college has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**Note 3: Expenditures not subject to federal single audit**

The following federal funds were not subject to federal single audit -

CFDA XXX Federal Program Title	\$
CFDA XXX Federal Program Title	\$

These were not subject to a federal single audit because (**list the specific reason for each program**).

**Note 4: Student Loans Processed and Administrative Costs Recovered - if not included in schedule**

Federal Grantor	New Loans Processed	Administrative Cost Recovered	Total Loans Processed & Admin Cost Recovered
CFDA Number /Program Name			
U.S. Department of Education			
84.XXX Health Professions Student Loans	\$ 15,802,633	\$ 85,468	\$ 15,888,101

**Note 5: Nonmonetary federal assistance received**

Insert note if the information on nonmonetary federal assistance was not included in the schedule - which is the preferred presentation.

**Note 6: Amounts passed through by the College**

The following amounts were passed-through to the listed subrecipients by the college. These amounts were from the Tech Prep Program CFDA 84.243 passed through the Texas Higher Education Coordinating Board.

Cheatum College	\$ 4,568
Podunk Independent School District	89,752
Ypsilanti Independent School District	85,775
Total amount passed-through	\$ 180,095



**STATE AWARDS INSTRUCTIONS****Funding sources to be included under the State of Texas  
Single Audit Circular**

In general, unless the state agency specifically excludes the program, all funds received from a Texas state agency should be considered subject to the State of Texas Single Audit Circular contained in the Governor's Office of Budget and Planning

**Uniform Grant Management Standards.****EXCLUDED PROGRAMS**

The following programs for the CB would be excluded:

- State funds for contact hours where the community college is directly identified in the General Appropriations Act (GAA)
- Other funding items directly appropriated to the institution in the General Appropriations Act or other legislation
- All Federal Grants - such as Perkins and Eisenhower

**INCLUDED PROGRAMS**

The following programs (by CB Division) are examples of programs that should be included:

- Student Services
  - Certified Education Aide Program
  - Childcare Worker Student Loan Assistance
  - College Work Study Program
  - Early High School Graduation (HB 1479)
  - Financial Aid - LVN Nursing
  - Financial Aid - Professional Nursing
  - Girl Scout License Plate Scholarships
  - License Plate Scholarships
  - National Guard ROTC Program
  - New Horizons
  - TANF/AFDC Program (HB1479)
  - Tax Reimbursement Grants
  - TEG
  - TEXAS Grants
  - Tuition Assistance Grants
  - Tuition Assistance - Military Forces
- Planning and Accountability
  - Dramatic Enrollment Growth
  - New Campus Funding
  - Developmental Education Performance Funding
  - Professional Nursing Shortage Reduction
  - Starlink

SAMPLE COMMUNITY COLLEGE						SCHEDULE F	
SCHEDULE OF EXPENDITURES OF STATE AWARDS							
FOR THE YEAR ENDED AUGUST 31, FY2							
Grantor Agency/Program Title					Grant Contract Number	Expenditures	
Texas Workforce Commission							
	Skills Development				POT - 70053	\$	56,542
	Skills Development				POT - 70335		89,876
	Total Skills Development					\$	146,418
	Smart Jobs				88172	\$	59,874
	State Adult Education				88010044-1	\$	1,658,978
Texas Department of Human Services							
	State Adult Education Jobs Program				88010044-1	\$	659,987
Texas Higher Education Coordinating Board							
	Texas College Work Study				9920050M	\$	1,125,698
Big State Regional University							
	Small Business Development Center					\$	1,006,486
Total State Financial Assistance						\$	4,657,441
Note 1: State Assistance Reconciliation							
	State Revenues - per Schedule A						
	State Financial Assistance						
		Per Schedule of expenditures of state awards				\$	4,657,441
	Total State Revenues per Schedule A					\$	4,657,441
Note 2: Significant Accounting Policies Used in Preparing the Schedule							
The accompanying schedule is presented using the accrual basis. See Notes to the financial statements for the Sample Community College's significant accounting policies. These expenditures are reported on Sample Community College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.							

**CHECKLIST**

Please note that item numbers tie to complete checklist in Appendix C.

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND FOOTNOTES (SCHEDULE E)</b>		
	142.	Are all federal funds received by the college included in the schedule? This includes non-cash assistance from the federal government.
	143.	Is each federal program listed by official name (not by the name of a sub-part of the agency) and CFDA number including all clusters listed in groups? If in doubt, did you check the official website for CFDA names and numbers?
	144.	Are the listed federal funds listed in numeric order of the first two digits of the CFDA numbers, with the exception of the U.S. Department of Education, which should be listed first?
	145.	Are the programs from each federal agency listed in numeric order of the last three digits of the CFDA numbers, divided by direct programs and pass-through programs?
	146.	If the CFDA number is not known and cannot be determined by calling the source agency – pass-through or direct – is the CFDA number listed with the first two digits representing the federal agency followed by 000?
	147.	Are all programs listed under sub-headings of direct programs listing or the pass-through programs listing?
	148.	Are pass-through programs properly identified with the pass-through entity and pass-through grantor's number?
	149.	Are the listed pass-through entities the <i>immediate</i> pass-through entity and not other entities which might have pass-through funds to the immediate pass-through entity?
	150.	Is the pass-through grantor's number correct? (Most pass-through grantors change the number every year.)
	151.	Is each pass-through entity listed only once within each federal agency?
	152.	If a federal program – i.e., same CFDA number – is listed on more than one line, is there a subtotal for that program?
	153.	Do amounts listed include any administrative costs or indirect costs received?
	154.	Are Leadership Education Advocacy Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP) funds received by students of the college included in the schedule?
	155.	Are all federal loan programs shown according to applicable guidance?
	156.	Are all amounts shown in the schedule shown in whole dollars – no cents shown?
	157.	Has the schedule been footed?
	158.	Is there a statement at the end of the schedule referring the reader to following footnotes?

	159.	Do the footnotes include a reconciliation of the total amount shown by the schedule to what is shown in the financial statements – even if the figures agree?
	160.	Is there a footnote to explain why each applicable federal fund is not required to be audited under OMB Circular A-133?
	161.	Is there a footnote showing non-monetary assistance received if such assistance is not included in the schedule?
	162.	Is there a footnote explaining the basis of accounting for the programs presented in the schedule?
	163.	Is there a footnote showing to which other entities the college has passed-through funds, including program name, CFDA number, sub-recipient names, and sub-recipient amounts?
<b>SCHEDULE OF EXPENDITURES OF STATE AWARDS AND FOOTNOTES (SCHEDULE F)</b>		
	164.	Is this schedule and footnotes included?

## **SECTION 10: STATISTICAL SUPPLEMENTS**

10.1	Financial Trend Information
10.2	Revenue Capacity Information
10.3	Debt Capacity Information
10.4	Demographic and Economic Information
10.5	Operating Information
10.6	Examples
10.7	Frequently Asked Questions (FAQ's) – Statistical Supplement
10.8	Checklist – Statistical Supplement

**FINANCIAL TREND INFORMATION****OVERVIEW**

According to the summary in GASB statement 44, "The statistical section is a required part of a comprehensive annual financial report (CAFR), although governments are not required to prepare a statistical section if they do not present their basic financial statements within a CAFR."

With that in mind, districts are highly encouraged but not required to include the statistical section if they do not present their basic financial statements within a CAFR. Districts that present a CAFR or that participate in Government Finance Officers Association (GFOA) will still want to include all the same statistical supplement schedules.

**NET POSITION BY COMPONENT****SS1 – Net Position by Component**

The three components of net position—invested in capital assets net of related debt, restricted, and unrestricted—should be shown separately for governmental activities, business-type activities, and the total primary government. (GASB 44, Paragraph 9, pg. 4). This supplemental schedule should tie to Exhibit 1 and Schedule D of the financial statements.

**REVENUES BY SOURCE****SS2 – Revenues by Source**

Governments should present the following information separately for governmental activities and business type activities: program revenues by category (charges for services, operating grants and contributions, and capital grants and contributions); total net revenue; and general revenues. Governments should also present individually their most significant charges for services revenue, categorized by function, program, or identifiable activity. Governments engaged only in business-type activities should present revenues by major source and distinguish between operating and non-operating revenues... in the statistical section of their separately issued financial reports. (GASB 44, paragraph 10 and 10a, pg. 4). This schedule should tie to Exhibit 2 and Schedules A and C. Please modify the categories on the template to match the financial statements for your college.

**PROGRAM EXPENSES****SS3 – Program Expenses by Function**

Governments should present the following information separately for governmental activities and business type activities: expenses by function, program, or identifiable activity... a. Governments engaged only in business-type activities... should distinguish between operating and non-operating revenues and expenses... in the statistical section of their separately issued financial reports. (GASB 44, paragraph 10 and 10a, pg. 4). This schedule should tie to Exhibit 2 and Schedule B. Please modify the categories on the template to match the financial statements for your college.

**NOTE**

Each of these schedules should show data for 10 years.

**REVENUE CAPACITY INFORMATION****TUITION AND FEES****SS4 – Tuition and Fees**

This schedule should include basic enrollment tuition and fees. Do not include course based fees such as laboratory fees, testing fees, and certification fees.

**ASSESSED VALUE AND  
TAXABLE ASSESSED  
VALUE OF PROPERTY****SS5 – Assessed Value and Taxable Assessed Value of Property**

This information can be obtained from your local taxing authority. Property tax rates should be shown per \$100 Taxable Assessed Value.

**STATE APPROPRIATION  
PER FTSE AND CONTACT  
HOUR****SS6 – State Appropriation per FTSE and Contact Hour**

FTSE is defined as the number of full time students plus total hours taken by part-time students divided by 12. These should only be certified hours. Total students, including those that are not fundable may be shown in a separate schedule, or footnoted at the bottom of this schedule. In addition to revenue capacity information, this schedule also provides information about demand and level of service as required by GASB 44, paragraph 37.

**PRINCIPAL TAXPAYERS****SS7 – Principal Taxpayers**

Information regarding principal revenue payers is required by paragraphs 13 and 19 of GASB 44. This schedule should show 10 periods. If the information is not available for 10 periods, the college may choose to implement prospectively, but should note that decision.

PROPERTY TAX LEVIES  
AND COLLECTIONS**SS8 – Property Tax Levies and Collections**

This schedule is required by paragraph 21 of GASB 44: "If a government presents revenue capacity information about a property tax, it should also present information about property tax levies and collections. For each of the last 10 periods for which a property tax is levied, a government should present: (a). The amount levied for that period; (b). The amount collected prior to the end of that period and the percentage of the total levy that amount represents; and (c). The amount of the levy collected in subsequent years, the total amount collected to date, and the percentage of the total levy that has been collected to date.

Colleges should report the levy amount listed in the financial statements of the year of the levy. Adjustments to the levy should be shown in order to bring the levy amount to the adjusted tax levy as of August 31 of the current reporting year. Collections should be reported in three segments: the collections in the year of the levy; the collections of the prior levy in the current year; and cumulative collections of prior levies not collected in the current year or the year of the tax levy.

## NOTE

SS4, SS5, and SS6 are required by the following GASB passage:

"GASB 44, 13. To meet the objectives of providing revenue capacity information, governments should present, at minimum, information about three aspects of their most significant own-source revenue in statistical section schedules - base, revenue rates and principal revenue payers. 14. Revenue base information should be shown by major component - for example, different classes of real and personal property, or different types of rate payers. In addition, governments should show the total direct rate applied to this revenue base."



**DEBT CAPACITY INFORMATION****RATIOS OF OUTSTANDING  
DEBT****SS9 – Ratios of Outstanding Debt**

Please note that the per capita number should only include the taxing district. The per student information is provided to demonstrate ability to provide service to students.

From GASB 44, "23. Governments should present each type of outstanding debt individually - for example, general obligation bonds, revenue-backed bonds, loans, certificates of participation, capital leases - and divided between debt related to governmental activities and business-type activities. A total for the primary government should also be shown.

24. Governments should present an outstanding debt ratio calculated by dividing total outstanding debt by total personal income. Total personal income amounts should be presented with this information or with the demographic and economic information. If total personal income amounts are not available for a government's jurisdiction, estimated actual value of taxable property or another relevant economic base should be used as the denominator in this ratio. A per capita ratio of outstanding debt should also be presented; if population is not an appropriate basis, a more relevant alternative may be used to calculate the ratio. For example, a public utility might prefer to divide outstanding debt by the number of customers or rate payers.

25. Governments that issue general obligation debt or other bonded debt financed with any general governmental resources should provide additional information about ratios of general bonded debt. Each type of general bonded debt - for example, general obligation bonds, tax backed bonds - should be shown individually and totaled. If a government has accumulated resources that are restricted to repaying the principal of outstanding general bonded debt, these resources should be subtracted and the resulting amount referred to as net general bonded debt.

26. Governments should present a general bonded debt ratio calculated by dividing total general bonded debt (or net general bonded debt, if applicable) by the total estimated actual value of taxable property. If a government's general bonded debt is not repaid with property taxes, an alternative revenue base may be used to calculate the ratio. A per capita ratio of total general bonded debt should also be presented; if population is not a meaningful basis for the ratio, a more relevant alternative may be used to calculate the ratio."

**LEGAL DEBT MARGIN  
INFORMATION****SS10 – Legal Debt Margin Information**

From GASB 44: "29. Governments with legal debt limitations should provide the information upon which their legal debt

margin is required to be calculated for the current year. A typical legal debt margin presentation would include the following information: a. Relevant revenue base (for example, property value); b. Debt limit amount; governments should also explain the nature of the limitation; c. Debt applicable to the limit, reserves to be deducted, if any, and total net debt applicable to the limit; d. legal debt margin amount. For the last 10 years, governments should present the debt limit amount, total net debt applicable to the limit, the legal debt margin amount, and a ratio calculated by dividing either the legal debt margin amount or total net debt applicable to the debt limit by the debt limit."

#### PLEDGED REVENUE COVERAGE

##### **SS11 – Pledged Revenue Coverage**

For non-general obligation debt that is secured by a pledge of a specific revenue stream, such as tuition, colleges should present the nature of the revenues, gross revenues, principal and interest requirements, and a coverage ratio. This is required by GASB 44, paragraph 30.

**DEMOGRAPHIC AND ECONOMIC INFORMATION****DEMOGRAPHIC AND  
ECONOMIC  
STATISTICS –  
TAXING DISTRICT****SS12 – Demographic and Economic Statistics - Taxing District**

The district population information should match the information used in SS9 – Ratios of Outstanding Debt. Information provided may be district estimates, but should be labeled as such, and the methodology used to determine the estimate should be disclosed.

**PRINCIPAL  
EMPLOYERS****SS13 – Principal Employers**

This schedule should show the current year and the period nine years prior. However, if information for prior years is unavailable, this schedule may be implemented prospectively. Please make a note if you choose this method.

The local workforce development board might have this information. Also, the Texas Workforce Commission might have information that can help, available at the following website: <http://socrates.cdr.state.tx.us/>.

**OPERATING INFORMATION****FACULTY, STAFF, AND  
ADMINISTRATOR  
STATISTICS****SS14 – Faculty, Staff, and Administrators Statistics**

This schedule is required by GASB 44, paragraph 36. Provide this information according to the Integrated Postsecondary Education Data System (IPEDS) definitions for faculty and staff.

**ENROLLMENT DETAILS****SS15 – Enrollment Details**

This schedule is required by GASB 44, paragraphs 33 & 37. Data should match the CBM01 and CBM0A reports. Fall enrollment should be matched to Quarter 1 enrollment.

**STUDENT PROFILE****SS16 – Student Profile**

This schedule is required by GASB 44, paragraphs 33 & 37. Data should match the CBM01 and CBM0A reports. Fall enrollment should be matched to Quarter 1 enrollment.

**TRANSFER STUDENTS****SS17 – Transfers to Senior Institutions**

This should come from the Automated Student & Adult Learner Follow-up Report from the Coordinating Board. The most recent information should be used, with the date noted. This report can be viewed at the following link:

<http://www.txhighereddata.org/reports/performance/ctcasalf/ctcaddl/>

**CAPITAL ASSETS****SS18 – Capital Asset Information**

GASB 44, paragraph 38 requires governments to provide information about the volume, usage or nature of capital assets.

**EXAMPLES**

**Sample Community College  
Statistical Supplement 1  
Net Position by Component  
Fiscal Years 2009 to 2013**  
(unaudited)  
(amounts expressed in thousands)

	For the Fiscal Year Ended August 31,				
	2013	2012	2011	2010	2009
Net investment in capital assets	\$286,915	\$268,145	\$249,604	\$257,258	\$253,576
Restricted - expendable	170,695	144,657	122,791	109,161	101,223
Restricted - nonexpendable	28,146	21,651	16,347	9,228	9,223
Unrestricted	83,835	75,527	68,091	52,570	43,670
<b>Total primary government net position</b>	<b>\$ 569,592</b>	<b>\$ 509,980</b>	<b>\$ 456,833</b>	<b>\$ 428,217</b>	<b>\$ 407,692</b>

**Sample Community College  
Statistical Supplement 2  
Revenues by Source  
Fiscal Years 2009 to 2013**  
(unaudited)

	For the Year Ended August 31, (amounts expressed in thousands)				
	2013	2012	2011	2010	2009
Tuition and Fees (Net of Discounts)	\$156,875	\$149,405	\$131,049	\$111,346	\$97,269
Governmental Grants and Contracts					
Federal Grants and Contracts	3,071	2,924	3,172	3,134	2,561
State Grants and Contracts	36,805	35,052	31,451	29,158	19,885
Local Grants and Contracts	1,762	1,678	1,136	1,319	1,103
Non-Governmental Grants and Contracts	10290	9800	9,742	10,140	8,656
Sales and services of educational activities	14,328	13,646	11,596	9,675	9,481
Auxiliary enterprises	68,715	65,443	63,585	60,049	58,158
Other Operating Revenues	15,221	14,496	14,263	13,204	12,156
<b>Total Operating Revenues</b>	<b>307,067</b>	<b>292,444</b>	<b>265,994</b>	<b>238,025</b>	<b>209,269</b>
State Appropriations	136,418	126,589	126,020	139,615	155,453
Ad Valorem Taxes	59,656	57,776	61,089	61,642	50,750
Federal Grant Revenue	9,212	8,774	9,516	9,403	7,683
Gifts	29,239	28,686	24,295	23,232	26,892
Investment income	5,985	5,102	4,916	7,587	7,405
Other non-operating revenues	1,196	5,686	991	1,490	15,439
<b>Total Non-Operating Revenues</b>	<b>241,706</b>	<b>232,613</b>	<b>226,827</b>	<b>242,969</b>	<b>263,622</b>
<b>Total Revenues</b>	<b>\$ 548,773</b>	<b>\$ 525,057</b>	<b>\$ 492,821</b>	<b>\$ 480,994</b>	<b>\$ 472,891</b>

**Sample Community College**  
**Statistical Supplement 3**  
**Program Expenses by Function**  
**Fiscal Years 2009 to 2013**  
(unaudited)

For the Year Ended August 31, (amounts expressed in thousands)					
	2013	2012	2011	2010	2009
Instruction	\$141,947	\$131,830	\$121,968	\$119,546	\$114,357
Research	104,759	104,580	104,510	101,788	93,953
Public service	53,408	52,772	51,496	57,502	56,508
Academic support	32,389	34,469	28,484	31,367	28,811
Student services	20,844	19,208	18,868	17,842	17,614
Institutional support	20,477	20,721	18,843	18,074	17,287
Operation and maintenance of plant	35,129	33,709	36,211	35,880	28,167
Scholarships and fellowships	8,264	7,727	9,626	9,871	8,682
Auxiliary enterprises	66,366	63,046	61,362	58,269	56,286
Depreciation	25,354	24,474	23,323	22,359	19,158
<b>Total Operating Expenses</b>	<b>508,937</b>	<b>492,536</b>	<b>474,691</b>	<b>472,498</b>	<b>440,823</b>
Interest on capital related debt	6,720	6,743	6,794	5,321	4,300
Loss on disposal of fixed assets	702	553	1,205	1,094	1,396
<b>Total Non-Operating Expenses</b>	<b>7,422</b>	<b>7,296</b>	<b>7,999</b>	<b>6,415</b>	<b>5,696</b>
<b>Total Expenses</b>	<b>\$ 516,359</b>	<b>\$ 499,832</b>	<b>\$ 482,690</b>	<b>\$ 478,913</b>	<b>\$ 446,519</b>

**Sample Community College**  
**Statistical Supplement 4**  
**Tuition and Fees**  
**Last Ten Academic Years**  
(unaudited)

Resident Fees per Semester Credit Hour (SCH)											
Academic Year (Fall)	Registration Fee (per student)	In-District Tuition	Out-of-District Tuition	Technology Fees	Student Activity Fees	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	from Prior Year In-District	Increase from Prior Year Out-of-District		
2013	\$ 20	\$ 36	36	\$ 6	\$ 5	\$ 584	584	9.98%	9.98%		
2012	15	32	32	6	5	531	531	7.93%	7.93%		
2011	12	30	30	5	5	492	492	24.24%	24.24%		
2010	12	27	27	3	2	396	396	7.03%	7.03%		
2009	10	25	25	3	2	370	370	-	-		
2008	10	25	25	3	2	370	370	14.91%	14.91%		
2007	10	23	23	2	1	322	322	8.05%	8.05%		
2006	10	21	21	2	1	298	298	4.56%	4.56%		
2005	9	20	20	2	1	285	285	-	-		
2004	9	20	20	2	1	285	285				

**Sample Community College**  
**Statistical Supplement 5**  
**Assessed Value and Taxable Assessed Value of Property**  
**Last Ten Fiscal Years**  
(unaudited)

(amounts expressed in thousands)					Direct Rate			
Fiscal Year	Assessed Valuation of Property	Less: Exempt Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2012-13	56,558,508	xxx,xxx	4,730,952	51,827,556	91.64%	\$ 0.070000	\$ 0.030000	\$ 0.100000
2011-12	53,865,246	xxx,xxx	4,593,157	49,272,088	91.47%	0.070000	0.030000	0.100000
2010-11	52,270,533	xxx,xxx	3,865,041	48,405,492	92.61%	0.070000	0.030000	0.100000
2009-10	55,100,463	xxx,xxx	5,472,323	49,628,141	90.07%	0.070000	0.030000	0.100000
2008-09	52,283,007	xxx,xxx	5,685,074	46,597,933	89.13%	0.070000	0.030000	0.100000
2007-08	45,105,978	xxx,xxx	4,233,520	40,872,458	90.61%	0.070000	0.030000	0.100000
2006-07	38,032,497	xxx,xxx	2,954,045	35,078,452	92.23%	0.070000	0.030000	0.100000
2005-06	33,343,008	xxx,xxx	2,636,782	30,706,226	92.09%	0.070000	0.029949	0.099949
2004-05	30,372,111	xxx,xxx	2,314,607	28,057,504	92.38%	0.070000	0.029210	0.099210
2003-04	28,846,711	xxx,xxx	2,795,815	26,050,897	90.31%	0.070000	0.030000	0.100000

**Sample Community College**  
**Statistical Supplement 6**  
**State Appropriation per FTSE and Contact Hour**  
**Last Ten Fiscal Years**  
(unaudited)  
(amounts expressed in thousands)

Appropriation per FTSE				Appropriation per Contact Hour			
Fiscal Year	State Appropriation	FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2012-13	\$ 100,624	24,946	\$ 4,034	6,591	3,863	10,455	\$ 9.62
2011-12	105,377	23,348	4,513	6,596	3,846	10,442	10.09
2010-11	104,323	22,114	4,718	6,207	3,738	9,944	10.49
2009-10	103,280	20,552	5,025	5,995	3,864	9,859	10.48
2008-09	102,247	18,706	5,466	5,464	3,819	9,283	11.01
2007-08	101,225	16,326	6,200	5,051	3,706	8,757	11.56
2006-07	100,212	14,810	6,767	4,761	3,610	8,371	11.97
2005-06	99,210	13,823	7,177	4,510	3,384	7,894	12.57
2004-05	98,218	12,471	7,876	4,654	3,354	8,009	12.26
2003-04	97,236	13,050	7,451	4,669	2,968	7,637	12.73

**Sample Community College**  
**Statistical Supplement 7**  
**Principal Taxpayers**  
**Last Ten Tax Years**  
(unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Talk Tools	Manufacturing	\$ 361,467	\$ 356,125	\$ 350,862	\$ 345,677	\$ 340,569	\$ 335,536	\$ 330,577	\$ 325,692	\$ 320,878	\$ 314,587
Fast Computing	Computers	335,042	330,091	325,212	320,406	315,671	311,006	306,410	301,882	297,420	291,589
Memory on Board	Computers	324,500	319,704	314,980	310,325	305,739	301,220	296,769	292,383	288,062	283,805
Gizmos	Manufacturing	260,863	256,376	251,967	247,633	243,374	239,198	235,075	231,032	227,058	223,152
Shocking Electric	Utility	242,771	238,011	233,344	228,769	224,283	219,885	215,574	211,347	207,203	203,140
Boards and Baud	Computers	196,585	192,542	188,582	184,703	180,904	177,183	173,539	169,969	166,473	163,209
Dot Com Again	Internet	163,657	159,666	155,771	-	-	-	-	-	-	-
Buy Our Lots	Real Estate	143,382	139,592	136,187	132,866	-	-	-	-	-	-
We Fly Cheap	Airline	140,553	-	-	-	-	-	-	-	-	-
Burgers Galore	Restaurant	136,688	133,335	-	-	-	-	-	-	-	-
Needles and Bandages	Medical	-	135,686	132,766	129,908	127,111	124,375	121,698	119,078	116,515	114,230
What You Need	Manufacturing	-	-	-	-	-	-	-	105,842	103,767	101,732
No Outage Cable	Utility	-	-	-	-	-	-	-	-	95,364	93,494
You Name It	Manufacturing	-	-	-	-	-	-	-	-	-	94,225
Big Machines	Manufacturing	-	-	-	-	-	-	101,435	99,009	36,642	-
Books	Conglomerate	-	-	-	-	-	104,552	102,002	100,494	-	-
Green Cars	Manufacturer	-	-	-	-	111,975	109,244	107,102	-	-	-
Home Sites	Real Estate	-	-	-	120,513	117,574	114,706	-	-	-	-
Office Builder	Construction	-	-	129,702	126,539	123,452	-	-	-	-	-
<b>Totals</b>		<b>\$ 2,305,508</b>	<b>\$ 2,261,128</b>	<b>\$ 2,219,373</b>	<b>\$ 2,147,339</b>	<b>\$ 2,090,652</b>	<b>\$ 2,036,905</b>	<b>\$ 1,990,181</b>	<b>\$ 1,956,728</b>	<b>\$ 1,859,382</b>	<b>\$ 1,883,163</b>
Total Taxable Assessed Value		\$ 51,827,556	\$ 49,272,088	\$ 48,405,492	\$ 49,628,141	\$ 46,597,933	\$ 40,872,458	\$ 35,078,452	\$ 30,706,226	\$ 28,057,504	\$ 26,050,897

**Sample Community College**  
**Statistical Supplement 8**  
**Property Tax Levies and Collections**  
**Last Ten Tax Years**  
(unaudited)  
(amounts expressed in thousands)

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Current Collections of Prior Levies (d)	Penalty and Interest Collections (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
2013	\$ 56,346	\$ -	\$ 56,346	\$ 55,664	98.79%	\$ -	\$ xx,xxx	55,664	98.79%
2012	51,009	819	51,828	50,916	98.24%	532	\$ xx,xxx	51,448	99.27%
2011	46,928	1,477	48,405	47,781	98.71%	299	\$ xx,xxx	48,080	99.33%
2010	45,051	4,577	49,628	48,690	98.11%	356	\$ xx,xxx	49,046	98.83%
2009	43,700	4,111	47,811	46,903	98.10%	247	\$ xx,xxx	47,150	98.62%
2008	42,826	3,772	46,598	45,428	97.49%	246	\$ xx,xxx	45,674	98.02%
2007	40,256	616	40,872	39,585	96.85%	257	\$ xx,xxx	39,842	97.48%
2006	37,036	(1,958)	35,078	34,408	98.09%	203	\$ xx,xxx	34,611	98.67%
2005	33,332	(2,782)	30,550	30,086	98.48%	160	\$ xx,xxx	30,246	99.00%
2004	29,332	(1,496)	27,836	27,402	98.44%	163	\$ xx,xxx	27,565	99.03%
2003	25,226	825	26,051	25,676	98.56%	191	\$ xx,xxx	25,867	99.29%



**Sample Community College  
Statistical Supplement 9  
Ratios of Outstanding Debt  
Last Ten Fiscal Years**  
(unaudited)

For the Year Ended August 31 (amounts expressed in thousands)										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General Bonded Debt</b>										
General obligation bonds	\$ 67,605	\$ 61,390	\$ 60,000	\$ 59,000	\$ 58,000	\$ 57,000	\$ 56,000	\$ 55,000	\$ 54,000	\$ 53,000
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt serv	(6,487)	(9,734)	(9,000)	(8,500)	(8,000)	(7,500)	(7,000)	(6,500)	(6,000)	(5,500)
Net general bonded debt	\$ 61,118	\$ 51,656	\$ 51,000	\$ 50,500	\$ 50,000	\$ 49,500	\$ 49,000	\$ 48,500	\$ 48,000	\$ 47,500
<b>Other Debt</b>	(The amounts for Other Debt are not from Exhibit 1 of Sample CC. They are for illustration only)									
Revenue bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes	975	1,138	1,000	900	800	700	600	500	400	300
Capital lease obligations	-	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 62,093	\$ 52,794	\$ 52,000	\$ 51,400	\$ 50,800	\$ 50,200	\$ 49,600	\$ 49,000	\$ 48,400	\$ 47,800

**General Bonded Debt Ratios**

Per Capita	\$ 43.46	\$ 36.73	\$ 36.27	\$ 35.91	\$ 35.56	\$ 35.20	\$ 34.84	\$ 34.49	\$ 34.13	\$ 33.78
Per <b>FTSE</b>	2,618	2,212	2,184	2,163	2,142	2,120	2,099	2,077	2,056	2,034
As a percentage of Taxable Assessm	0.08%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.06%	0.06%	0.06%

**Total Outstanding Debt Ratios**

Per Capita	\$ 44.16	\$ 37.54	\$ 36.98	\$ 36.55	\$ 36.12	\$ 35.70	\$ 35.27	\$ 34.84	\$ 34.42	\$ 33.99
Per <b>FTSE</b>	2,659	2,261	2,227	2,201	2,176	2,150	2,124	2,099	2,073	2,047
As a percentage of Taxable Assessm	0.08%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.06%	0.06%

**Sample Community College  
Statistical Supplement 10  
Legal Debt Margin Information  
Last Ten Fiscal Years**  
(unaudited)  
(amount expressed in thousands)

**General Obligation Bonds**

For the Year Ended August 31	Taxable Assessed Value	Statutory Tax Levy Limit for Debt Service	Less: Funds Restricted for Repayment	Total Net Debt	Current Year Debt Service Requirements	Excess of Statutory Limit for Debt Service over Current Requirements	Net Current Requirements as a % of Statutory Limit
2013	\$ 51,827,556	\$ 259,138	\$ (6,487)	\$ 252,651	\$ 10,000	\$ 242,651	1.36%
2012	49,272,088	246,360	(9,734)	236,626	10,000	226,626	0.11%
2011	48,405,492	242,027	(9,000)	233,027	10,000	223,027	0.41%
2010	49,628,141	248,141	(8,500)	239,641	10,000	229,641	0.60%
2009	46,597,933	232,990	(8,000)	224,990	10,000	214,990	0.86%
2008	40,872,458	204,362	(7,500)	196,862	10,000	186,862	1.22%
2007	35,078,452	175,392	(7,000)	168,392	10,000	158,392	1.71%
2006	30,706,226	153,531	(6,500)	147,031	10,000	137,031	2.28%
2005	28,057,504	140,288	(6,000)	134,288	10,000	124,288	2.85%
2004	26,050,897	130,254	(5,500)	124,754	10,000	114,754	3.45%

**Sample Community College**  
**Statistical Supplement 11**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
(unaudited)

**Revenue Bonds**

Fiscal Year Ended August	Pledged Revenues (\$000 omitted)						Debt Service Requirements (\$000 omitted)			
	Tuition	All Fees	Auxiliary Revenue	Other Pledged Revenue	Interest Income	Total	Principal	Interest	Total	Coverage Ratio
2013	\$6,697	\$2,424	\$ 547	\$ 350	\$ 689	\$10,707	\$1,450	\$ 709	2,159	4.96
2012	6,184	\$2,311	\$ 506	\$ 350	645	9,996	1,345	776	2,121	4.71
2011	3,796	\$2,166	\$ 563	\$ 350	570	7,445	1,400	8,944	10,344	0.72
2010	1,021	\$1,935	\$ 575	\$ 350	564	4,445	1,440	911	2,351	1.89
2009	929	\$1,689	\$ 544	\$ 350	507	4,019	1,435	974	2,409	1.67
2008	742	\$1,502	\$ 602	\$ 350	580	3,776	1,480	1,031	2,511	1.50
2007	743	\$1,568	\$ 634	\$ 350	591	3,886	1,545	1,085	2,630	1.48
2006	690	\$1,492	\$ 620	\$ 350	638	3,790	1,610	1,135	2,745	1.38
2005	680	\$1,339	\$ 547	\$ 350	665	3,581	1,485	1,179	2,664	1.34
2004	644	\$1,229	\$ 614	\$ 350	590	3,427	1,555	1,222	2,777	1.23

**Sample Community College**  
**Statistical Supplement 12**  
**Demographic and Economic Statistics - Taxing District**  
**Last Ten Fiscal Years**  
(unaudited)

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2013	4,177,230	\$ 113,988,229	\$ 27,288	b
2012	4,147,152	107,660,339	25,960	6.1%
2011	4,103,770	104,045,129	25,354	6.2%
2010	4,059,818	101,468,025	24,993	5.9%
2009	4,023,725	98,270,171	24,423	4.1%
2008	3,974,682	91,715,570	23,075	4.4%
2007	3,919,235	86,854,395	22,161	4.2%
2006	2,859,696	81,004,483	28,326	3.6%
2005	3,796,200	76,143,713	20,058	5.8%
2004	3,748,582	71,687,649	19,124	5.5%

**Sources:**

Population from U.S. Bureau of the Census

Personal income from U.S. Bureau of Economic Analysis

Unemployment rate from Texas Workforce Commission

**Sample Community College  
Statistical Supplement 13  
Principal Employers**  
(unaudited)

**Current Fiscal Year**

Employer	Number of Employees	Percentage of Total Employment
State Government	25,126	1.21%
Military	20,000-24,999	1.09%
Boeing Corp.	15,000-19,999	0.84%
Federal Government	15,000-19,999	0.84%
Guzzler Motor Corp	12,500-14,999	0.66%
St. Elsewhere Regional Hos	7,500-9,999	0.42%
Borgnine County Governme	7,915	0.38%
University of Bartok	5,000-7,499	0.30%
DeForest-Kelley Inc.	5,000-7,499	0.30%
Midsouthwest Telephone	5,000-7,499	0.30%
Total	<u>118,041-145,533</u>	<u>6.34%</u>

**Nine Years Prior**

Employer	Number of Employees	Percentage of Total Employment
State Government	15,348	8.70%
Military	15,000-19,999	3.00%
Boeing Corp.	15,000-19,999	0.84%
GM	15,000-19,999	0.79%
Guzzler Motor Corp.	5,000-7,499	0.58%
St. Elsewhere Regional Hos	7,500-9,999	0.38%
Borgnine County Governme	4,487	0.45%
University of Bartok	5,000-7,499	0.30%
Midsouthwest Telephone	5,000-7,499	0.30%
Alliance Corp.	2,156	0.30%
Total	<u>89,491-114,484</u>	<u>15.64%</u>

**Source:**

Texas Workforce Commission  
Texas Metropolitan Statistical Area Data

**Sample Community College  
Statistical Supplement 14  
Faculty, Staff, and Administrators Statistics  
Last Ten Fiscal Years**  
(unaudited)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Faculty</b>										
Full-Time	1,099	1,095	1,088	1,087	1,057	1,055	1,026	1,038	1,061	1,073
Part-Time	159	156	178	161	184	147	230	181	174	148
Total	1,258	1,251	1,266	1,248	1,241	1,202	1,256	1,219	1,235	1,221
<b>Percent</b>										
Full-Time	87.4%	87.5%	85.9%	87.1%	85.2%	87.8%	81.7%	85.2%	85.9%	87.9%
Part-Time	12.6%	12.5%	14.1%	12.9%	14.8%	12.2%	18.3%	14.8%	14.1%	12.1%
<b>Staff and Administrators</b>										
Full-Time	2,843	2,817	1,916	1,954	1,944	2,832	2,889	2,837	2,800	2,792
Part-Time	227	201	210	206	224	242	260	232	242	263
Total	3,070	3,018	2,126	2,160	2,168	3,074	3,149	3,069	3,042	3,055
<b>Percent</b>										
Full-Time	92.6%	93.3%	90.1%	90.5%	89.7%	92.1%	91.7%	92.4%	92.0%	91.4%
Part-Time	7.4%	6.7%	9.9%	9.5%	10.3%	7.9%	8.3%	7.6%	8.0%	8.6%
<b>Total</b>										
Full-Time	3,942	3,912	3,004	3,041	3,001	3,887	3,915	3,875	3,861	3,865
Part-Time	386	357	388	367	408	389	490	413	416	411
Total	4,328	4,269	3,392	3,408	3,409	4,276	4,405	4,288	4,277	4,276
<b>Percent</b>										
Full-Time	91.1%	91.6%	88.6%	89.2%	88.0%	90.9%	88.9%	90.4%	90.3%	90.4%
Part-Time	8.9%	8.4%	11.4%	10.8%	12.0%	9.1%	11.1%	9.6%	9.7%	9.6%
FTSE per Full-time Faculty	15.6	15.5	15.5	15.7	16.5	16.1	16.3	15.8	15.6	15.2
FTSE per Full-Time Staff Member	6.0	6.0	5.8	5.8	5.9	6.0	5.8	5.8	5.9	5.8
Average Annual Faculty Salary	\$71,652	\$67,446	\$66,262	\$64,118	\$60,048	\$60,282	\$56,188	\$54,595	\$53,075	\$51,272

**Sample Community College**  
**Statistical Supplement 15**  
**Enrollment Details**  
**Last Five Fiscal Years**  
(unaudited)

Student Classification	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	8,857	61.68%	11,326	80.74%	10,469	74.48%	11,227	81.32%	9,639	76.57%
31-60 hours	5,502	38.31%	2,495	17.79%	2,936	20.89%	2,577	18.67%	2,549	20.25%
> 60 hours	1	0.01%	206	1.47%	652	4.64%	2	0.01%	400	3.18%
Total	14,360	100.00%	14,027	100.00%	14,057	100.00%	13,806	100.00%	12,588	100.00%

Semester Hour Load	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	51	0.36%	54	0.38%	26	0.18%	33	0.24%	25	0.20%
3-5 semester hours	2,719	18.93%	2,900	20.67%	2,739	19.48%	2,556	18.51%	2,219	17.63%
6-8 semester hours	2,010	14.00%	1,930	13.76%	1,950	13.87%	1,901	13.77%	1,641	13.04%
9-11 semester hours	2,119	14.76%	2,032	14.49%	1,913	13.61%	1,921	13.91%	1,668	13.25%
12-14 semester hours	5,971	41.58%	5,750	40.99%	5,927	42.16%	5,924	42.91%	5,709	45.35%
15-17 semester hours	1,344	9.36%	1,203	8.58%	1,282	9.12%	1,322	9.58%	1,170	9.29%
18 & over	146	1.02%	158	1.13%	220	1.57%	149	1.08%	156	1.24%
Total	14,360	100.00%	14,027	100.00%	14,057	100.00%	13,806	100.00%	12,588	100.00%

Average course load	9.7	9.7	9.9	9.9	10.2
---------------------	-----	-----	-----	-----	------

Tuition Status	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	835	5.81%	766	5.46%	789	5.61%	755	5.47%	708	5.62%
Texas Resident (out-of-District)	13,525	91.86%	12,926	92.15%	12,931	91.99%	12,676	91.82%	11,560	91.83%
Non-Resident Tuition	334	2.33%	335	2.39%	337	2.40%	375	2.72%	320	2.54%
Total	14,360	100.00%	14,027	100.00%	14,057	100.00%	13,806	100.00%	12,588	100.00%

**Sample Community College**  
**Statistical Supplement 15**  
**Enrollment Details**  
**Last Five Fiscal Years**  
(unaudited)

Student Classification	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	8,857	61.68%	11,326	80.74%	10,469	74.48%	11,227	81.32%	9,639	76.57%
31-60 hours	5,502	38.31%	2,495	17.79%	2,936	20.89%	2,577	18.67%	2,549	20.25%
> 60 hours	1	0.01%	206	1.47%	652	4.64%	2	0.01%	400	3.18%
Total	14,360	100.00%	14,027	100.00%	14,057	100.00%	13,806	100.00%	12,588	100.00%

Semester Hour Load	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	51	0.36%	54	0.38%	26	0.18%	33	0.24%	25	0.20%
3-5 semester hours	2,719	18.93%	2,900	20.67%	2,739	19.48%	2,556	18.51%	2,219	17.63%
6-8 semester hours	2,010	14.00%	1,930	13.76%	1,950	13.87%	1,901	13.77%	1,641	13.04%
9-11 semester hours	2,119	14.76%	2,032	14.49%	1,913	13.61%	1,921	13.91%	1,668	13.25%
12-14 semester hours	5,971	41.58%	5,750	40.99%	5,927	42.16%	5,924	42.91%	5,709	45.35%
15-17 semester hours	1,344	9.36%	1,203	8.58%	1,282	9.12%	1,322	9.58%	1,170	9.29%
18 & over	146	1.02%	158	1.13%	220	1.57%	149	1.08%	156	1.24%
Total	14,360	100.00%	14,027	100.00%	14,057	100.00%	13,806	100.00%	12,588	100.00%

Average course load	9.7	9.7	9.9	9.9	10.2
---------------------	-----	-----	-----	-----	------

Tuition Status	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	835	5.81%	766	5.46%	789	5.61%	755	5.47%	708	5.62%
Texas Resident (out-of-District)	13,525	91.86%	12,926	92.15%	12,931	91.99%	12,676	91.82%	11,560	91.83%
Non-Resident Tuition	334	2.33%	335	2.39%	337	2.40%	375	2.72%	320	2.54%
Total	14,360	100.00%	14,027	100.00%	14,057	100.00%	13,806	100.00%	12,588	100.00%

**Sample Community College  
Statistical Supplement 17  
Transfers to Senior Institutions  
Academic Year 2011-12 Students as of fall 2012  
(Includes only public senior colleges in Texas)**

	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
1 Texas A&M University - College Station	4,753	213	27	4,993	74.40%
2 Sam Houston State University	419	19	34	472	7.03%
3 Southwest Texas State University	256	23	4	283	4.22%
4 University of Houston - University Park	123	10	2	135	2.01%
5 University of Texas - Austin	121	3	0	124	1.85%
6 Texas Tech University	104	7	0	111	1.65%
7 University of North Texas	86	3	1	90	1.34%
8 Stephen F. Austin State University	49	1	1	51	0.76%
9 University of Texas - San Antonio	47	2	0	49	0.73%
10 University of Texas - Arlington	43	0	1	44	0.66%
11 Prairie View A&M University	34	4	2	40	0.60%
12 Texas A&M University - Corpus Christi	29	7	0	36	0.54%
13 Tarleton State University	28	2	0	30	0.45%
14 University of Houston - Downtown	25	2	0	27	0.40%
15 Lamar University Institute of Technology	21	2	0	23	0.34%
16 Texas A&M University - Galveston	22	0	0	22	0.33%
17 University of Texas - Dallas	17	0	0	17	0.25%
18 Angelo State University	13	1	1	15	0.22%
19 Texas A&M University - Kingsville	14	1	0	15	0.22%
20 University of Houston - Victoria	15	0	0	15	0.22%
21 Texas Women's University	11	1	0	12	0.18%
22 University of Texas Health Science Center - Houston	11	1	0	12	0.18%
23 Texas A&M University - Commerce	11	0	0	11	0.16%
24 West Texas A&M University	10	1	0	11	0.16%
25 Texas Southern University	8	1	1	10	0.15%
26 University of Texas - Tyler	8	1	0	9	0.13%
27 University of Houston - Clear Lake	7	1	0	8	0.12%
28 University of Texas Health Science Center - San Antonio	6	2	0	8	0.12%
29 Midwestern State University	7	0	0	7	0.10%
30 University of Texas Medial Branch Galveston	4	2	0	6	0.09%
31 University of Texas - Pan American	4	0	0	4	0.06%
32 Sul Ross State University	2	1	0	3	0.04%
33 Texas Tech University Health Science Center	3	0	0	3	0.04%
34 University of Texas - El Paso	2	1	0	3	0.04%
35 Baylor College of Medicine - Academics	2	0	0	2	0.03%
36 Texas A&M University System Health Science Center	2	0	0	2	0.03%
37 University of Texas - Permian Basin	2	0	0	2	0.03%
38 University of North Texas Health Science Center - Fort Worth	2	0	0	2	0.03%
39 Sul Ross State University - Rio Grande College	1	0	0	1	0.01%
40 Texas A&M International University	1	0	0	1	0.01%
41 University of Texas - Brownsville	1	0	0	1	0.01%
42 University of Texas Southwestern Medical Center - Dallas	1	0	0	1	0.01%
<b>Totals</b>	<b>6,325</b>	<b>312</b>	<b>74</b>	<b>6,711</b>	<b>100.00%</b>

**Sample Community College  
Statistical Supplement 18  
Capital Asset Information  
Fiscal Years 2013 to 2009**

	<b>Fiscal Year</b>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Academic buildings	17	17	15	15	14
Square footage (in thousands)	2,285	2,285	1,875	1,875	1,500
Libraries	2	2	2	2	1
Square footage (in thousands)	7,140	7,140	7,140	7,140	5,500
Number of Volumes (in thousands)	17,300	17,300	17,100	17,000	15,000
Administrative and support buildings	5	5	5	4	4
Square footage (in thousands)	8,990	8,990	8,990	7,500	7,500
Dormitories	14	14	14	14	13
Square footage (in thousands)	10,500	10,500	10,500	10,500	9,000
Number of Beds	765	765	765	765	660
Apartments	8	8	8	8	4
Square footage (in thousands)	10,900	10,900	9,000	9,000	4,000
Number of beds	338	338	300	300	200
Dining Facilities	1	1	1	1	1
Square footage (in thousands)	5,900	5,900	5,900	5,900	5,900
Average daily customers	3,000	3,000	3,000	3,000	3,000
Athletic Facilities	6	6	6	6	6
Square footage (in thousands)	109,909	109,909	109,909	109,909	109,909
Stadiums	2	2	2	2	2
Gymnasiums	2	2	2	2	2
Fitness Centers	1	1	1	1	1
Tennis Court	1	1	1	1	1
Plant facilities	2	2	2	2	2
Square footage (in thousands)	32,259	32,259	32,259	32,259	32,259
Transportation					
Cars	14	14	14	11	11
Light Trucks/Vans	20	20	18	15	15
Buses	2	2	2	2	2



**FREQUENTLY ASKED QUESTIONS**

- QUESTION 1** I understand that GASB does not require a statistical section if an institution does not prepare a CAFR. Does that mean we don't have to do these schedules?
- ANSWER 1** Yes. The CB is not requiring the GASB 44 compliant schedules from each of the districts unless you prepare a CAFR.
- QUESTION 2** What if I can't get the information for prior periods?
- ANSWER 2** If you can't find information for all 10 required periods, you may choose to implement prospectively. Note that on the schedule.
- QUESTION 3** What if the required information specific to my district isn't available, but county or other information is available?
- ANSWER 3** If your district information is not available, you may use county information, or other relevant information. Another option is to create an estimate for your district. In either case, note the methodology on the schedule.
- QUESTION 4** What if the categories that are relevant to my school aren't on the templates for financial information?
- ANSWER 4** You may modify the categories on the financial schedules to match your financial statements.

**CHECKLIST**

Please note that item numbers tie to complete checklist in Appendix C.

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
<b>STATISTICAL SUPPLEMENT</b>		
	172.	Does the report include a statistical section if applicable? (NCGAS1)
	173.	Is the word Unaudited included in the title of each schedule?
	174.	Does the statistical section include all eighteen required schedules?
	175.	Do the amounts reported in the statistical table agree with related amounts reported in the financial section?
	176.	Is any deviation from the template or any estimate disclosed in the notes?

## **SECTION 11: APPENDICES**

- 11.1 Appendix A – Glossary
- 11.2 Appendix B – Asset Groups and Classifications
- 11.3 Appendix C – Annual Financial Reporting Requirements Checklist
- 11.4 Appendix D – GFOA CAFR Program

**APPENDIX A – GLOSSARY**

TERM	DESCRIPTION
A1/P1 Commercial Paper	Commercial paper rated A1, P1, or F1 (or higher). Lower rated commercial paper should be listed under "other" short-term investments.
AAA	American Accounting Association
AACSB	American Assembly of Collegiate Schools of Business
ABA	American Bar Association
Academic Support Function	<u>Academic Support</u> This function should include funds expended primarily to provide support services for the institution's primary mission – instruction, research, and public service. It includes: (1) the retention, preservation, and display of educational materials such as libraries, museums, and galleries; (2) academic administration such as dean's salaries and office expenses; (3) technical support such as computer services and audio-visual information; and (4) separately budgeted support for course and curriculum development and related items.
Accountability	Accountability is the obligation to explain the institution's action, to justify what the institution does, to justify to the citizenry and other interested parties the rationale for raising resources, and an explanation for the expenditure of those resources.
Accounts Payable	Payables are amounts owed for goods or services actually rendered or provided to the institution, but for which the agency has not yet made payment.
Accounts Receivable	Receivables are amounts owed to the institution from private persons or organizations for goods and services furnished.
Accrual Basis	Basis of accounting under which revenues are recognized and recorded when earned and expenses are recognized and recorded when they become a legal obligation or liability.
Accrued Expenses	An expense incurred during the accounting period but not paid or recorded.
Accrued Revenue	Revenue that has been earned during the fiscal year but not received or recorded.
Accumulated Depreciation	The amount of depreciation expense that has been recognized for capital assets, or class of assets, to date.
ACNO	Audits of Certain Nonprofit Organizations
ASEC	Accounting Standards Executive Committee
<i>Ad valorem</i>	In proportion to value - basis for property tax levy
Adjusting Entry	An entry made to apply accrual accounting to transactions that span more than one accounting period.

TERM	DESCRIPTION
Affiliated Organization	Affiliated organization, also referred to as component units, are organization that provide either a financial benefit or burden to the institution. These organizations may raise funds and hold the funds on behalf of the institution.
AGA	Association of Government Accountants
Agency Fund	Resources received and held for others. May also be referred to as a fiduciary fund.
AICPA	American Institute of Certified Public Accountants
AMA	American Management Association
Amortization Schedule	Table of prospective payments or write-downs to an obligation or debt. Split between principal and interest displayed for each payment.
Annuities	A type of investment sold by insurance companies. Includes fixed and variable annuities; referred to as a split interest agreement.
Annuity Fund	Assets held for others
APB	Accounting Principles Board
ARB	Accounting Research Bulletin
Art or Artifacts	Collectables that may or may not be capitalized
ASB	Auditing Standards Board
Assessed Valuation	Valuation set on real estate or other property as the basis of levying taxes
Assets Held in Trust	Assets held by an institution on behalf of another party (such as student organization resources) and that are under the temporary control of the institution.
Audit	Examination of documents, records, reports, internal control systems, accounting and financial procedures, other evidence, and the issuance of a report relating to the examination.
Auditor's Report	The report relating to the audit examination.
Auxiliary Enterprise	Category of expenses that includes all expenses related to the operation of auxiliary enterprises including expenses for operation and maintenance of plant and institutional support.
Auxiliary Enterprise Function	<u>Auxiliary Enterprise</u> An activity that exists to provide a service to students, faculty or staff and charges a fee directly related to, although not necessarily equal to, the cost of the service. The activity is managed as essentially self-supporting.
Balance Sheet	Financial statement where assets equal liabilities plus net position. Another name for the statement of net position or

TERM	DESCRIPTION
	statement of financial position.
Bank Deposits	Money held in bank, savings bank, or credit union accounts.
Basic Financial Statements	Includes statement of net position, statement of revenues, expenses and change in net position, statement of cash flows, and notes to the financial statements.
Bond Discount	Excess of the face value of a bond over the price for which the bond is acquired or sold.
Bond Indenture	Contract between an entity (institution) and the bondholder/purchaser.
Bond Mutual Funds	Funds that invest in debt securities with a variable net asset value per share.
Bond Premium	Excess amount over the face value of a bond when it is sold or acquired.
Bond Resolution	An agreement between bondholders and the issuer, representing the board action that issued the bonds and setting forth related terms and conditions. Also referred to as an indenture agreement.
Book-value Method	Distribution of income among net asset classes in an investment pool by book value of the funds or participants.
Budget	A financial plan that sets forth the estimated expenses for a financial period and the proposed means to finance them.
Building	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.
Building Improvement	Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold, or the expenditure increases the life or value of the building by 25 percent of the original life period or cost.
Business-Type Activity (BTA)	Those activities financed in whole or in part by fees charged to external parties for goods or services.
CA	Chartered Accountant
Capital Assets	Includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have

TERM	DESCRIPTION
	initial useful lives extending beyond a single reporting period.
Capital Lease Asset	Lease that substantially transfers the benefits and risk of ownership of property to the lessee and meets certain specified recognition criteria.
Capital Lease Obligation	Obligation or liability for the capital lease asset that met the specified recognition criteria and was capitalized.
Capital Outlay	The purchase or construction of a capital asset that represents an exchange of an asset that may be spent (cash) for an asset that cannot be spent, thus resulting in a net decrease in current financial resources.
Capitalization	Capitalization records the value of a capital item or the costs incurred to build or acquire the item as a capital asset. Capital assets that have a cost of \$5,000 or more and have an estimated life greater than one year are capitalized. Repairs and maintenance of \$100,000 or that extend the building life also are capitalized.
Capitalization Policy	A statement of criteria to determine which asset will be expended or recorded as capital assets. Also, a statement of criteria used to determine if an expense will increase the value of a fixed asset to benefit a future period.
Cash Equivalent	Short term investments that will become cash within 90 days providing the original maturity was 90 days or less.
Cash Held at State Treasury	All balances held in the State Treasury or the Texas Treasury Safekeeping Trust Company.
CCH	Commerce Clearing House
CDs/BAs	Certificates of deposit with a maturity under one year and banker's acceptances.
CEA	Certificate of Educational Achievement
CMA	Certified Management Accountant
CMO (Collateralized Mortgage Obligations)	Prohibited CMOs listed as noncompliant. (Institutions may hold noncompliant CMOs that were purchased prior to September 1, 1995.)
Collectibles	Items such as art, stamps, coins, historic documents, and memorabilia.
Collection Costs	Costs associated when past due accounts receivable are traced and collected. These costs may be incurred by a third party employed solely to perform the collection function.
Collective Endowment Funds	Long-term endowment funds managed by a third party that combines investments from multiple investors (the Common Fund

TERM	DESCRIPTION
	and the Permanent Higher Education Fund are examples).
Commercial Paper A1 and P1	Commercial paper rated A1, P1, or F1 (or higher) is considered a short-term asset depending upon maturity date. Lower rated commercial paper should be listed under “other” Short-term Investments.
Commodities	Includes things such as oil and gas, timber land, and precious metals.
Commodities Investments	Includes things such as oil and gas, timber land, and precious metals.
Compensable Absence	Employee absences such as vacation, holiday, and sick time for which it is expected the employee will be paid.
Component Unit	Legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, a component unit may be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's Annual Financial Report to be misleading or incomplete.
Condition	An event that must take place in order for a donation to be recognized. For example, the requirement for a matching pledge.
Construction-in-Progress	Construction in Progress reflects the economic construction activity status of buildings and other structures, infrastructure (roads, energy distribution systems, pipelines, etc.), additions, alterations, reconstruction, installation, and maintenance and repairs that are substantially incomplete. Construction in Progress should be included with capital assets in the statement of net position. However, it should be reported with other assets not being depreciated, such as land, and land improvements.
Consumable Inventory	Supplies and commodities that are to be used in the operating activities of the entity rather than sold.
Contracts	A negotiated transaction in which both parties to the agreement specify their actions to be performed.
Contribution	An unconditional transfer of cash or other asset to an institution or a settlement or cancellation of its liability in a voluntary nonreciprocal transfer by another entity acting other than as an owner.
Corporate Obligations	All non-governmental debt issues classified by rating. For issues with split ratings, lower ratings are reported. Equivalent ratings from other rating agencies such as Fitch may be used.
CPE	Continuing Professional Education
Current	Designated that the activity related to the current fiscal period



TERM	DESCRIPTION
	rather than future or past period.
Debt Service	Interest and matured principal related to outstanding debt obligations – may be either the cash outlay needed or the amount accrued for meeting such payment during any accounting period.
Debt Service Requirements	The amount of the current period's principal and interest related to long-term debt obligations.
Defeasance	Advance refunding of long-term debt where debt proceeds are placed in an escrow or irrevocable trust in an amount necessary to pay all subsequent principal and interest costs. The liability for the debt is removed from the accounts of the entity even though the debt has not been repaid.
Deferred Inflows	A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Recognition of deferred inflows of resources should be limited to those instances identified by the GASB in authoritative pronouncements, which are established after applicable due process procedures.
Deferred Outflows	A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. Recognition of deferred outflows of resources should be limited to those instances identified by the GASB in authoritative pronouncements, which are established after applicable due process procedures.
Departmental Sales and Services	Sale of goods and services produced by a specific department within the entity.
Deposits Payable	Deposits for future services or a contingency against future damages. Refunded if services or damages do not occur.
Depreciation	Allocating, in a systematic manner, the cost of a capital asset over its useful life.
Designation	Conditions placed on resources made at the discretion of the governing board or management rather than by an external party. No legal restriction to use these resources exist thus, the designation may be rescinded at any time.
Direct Method	Method for preparing the statement of cash flows operating activities that presents the direct receipts from students, contracts or other customers, and payments to suppliers and employees.
DM	Discussion Memorandum issued by either GASB or FASB prior to the issuance of an accounting standard for the purpose of gathering information regarding the topic.

TERM	DESCRIPTION
Donated Services	Services of volunteer workers who are unpaid or who are paid less than the fair market value for their services. When the services meet certain criteria, the value of the donated services is recognized as both a revenue and an expense.
Due From Others	Another term for accounts receivable. Typically used when the two parties to the transaction are within the organization.
Due To Others	Another term for accounts payable. Typically used when the two parties to the transaction are within the organization.
ED	Exposure Draft issued by either GASB or FASB prior to the issuance of an accounting standard for the purpose of gathering comments regarding the proposed accounting standard.
Elements of Functional Costs	A function is group of related expense activities that accomplish a major service or regulatory responsibility for which the institution is responsible. The following are the functional categories together with a description of the expenses included in each: Instruction, Research, Public Service, Academic Support, Student (Support) Services, Institutional Support, Scholarship and Fellowship, Operation and Maintenance of Plant, and Auxiliary (Services) Enterprises.
Eligibility	A term established by GASB that describes the conditions or characteristics that must be met in order to recognize gift revenue.
Encumbrance	An estimated amount that represent a commitment, contract, or purchase order that will be paid from resources within the current fiscal period.
Endowment	Gifts that have a donor stipulation that the gift must be held in perpetuity and only the interest earned on the investment of the gift be expended.
Enterprise Fund	Charges a fee for the services performed. Also known as a proprietary fund.
Equipment Held in Trust	Value of equipment that the institution does not own and holds for another party.
Equity Mutual Funds	Mutual funds that invest in stocks. Includes balanced funds (which include a mix of stocks and bonds).
Equity Securities	Stocks
Exchange Transaction	A transaction in which items of comparable value are exchanged or traded in an unforced situation or arm's length transaction.
Expenses	
Extraordinary Items	Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of

TERM	DESCRIPTION
	their occurrence.
Face Value	The amount stated in the document. Typically applied to securities or debt instruments (documents).
Facilities	Assets (other than general use buildings) built, installed, or established to enhance the quality or facilitate the use of land for a particular purpose.
FAF	Financial Accounting Foundation
Fair Market Value	The value based on Governmental Accounting Standards Board Statement 31 (GASB 31).
Fair Value	The amount for which an asset may be exchanged in a current transaction between willing parties.
FAS	Financial Accounting Standards
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Appropriations	Authorizations granted by the federal government to incur liabilities for specified purposes.
Foreign Issued Obligations	Securities that are issued outside of the U.S. by non-U.S. issuers (in U.S. dollars or foreign currency). Includes U.S. issued securities that are in foreign currencies.
FTE	Full time equivalent
Full Accrual Basis Accounting	Accounting method that recognizes the financial effect of transactions, events and interfund activities when they occur, regardless of the timing of related cash flows. Full accrual-basis accounting recognizes expenses, not expenditures. Expenses and revenues resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Expenses and revenues resulting from nonexchange type transactions should be recognized in accordance with requirements of GASB Statement No. 33.
Function	A group of related activities aimed at accomplishing a service or activity for which the institution is responsible.
Funds Held in Trust	Resources held by the institution acting as a custodian. These resources may also be referred to as agency funds.
Furniture and Equipment	A specific category of capital assets
FY1	Prior year information
FY2	Current year information
GAAP	Generally Accepted Accounting Principles that is the body or accounting and financial reporting standards, conventions and

TERM	DESCRIPTION
	practices that have authoritative support or for which a degree of consensus exists among accounting professionals.
GAAS	Generally Accepted Auditing Standards
GAAFR	General Accounting and Financial Reporting
Gains	Increases in net position from peripheral or investment transactions of the entity.
GAO	General Accounting Office
GASB	Governmental Accounting Standards Board
GASBTB	Governmental Accounting Standards Board Technical Bulletin
General Fees	Fees collected that may be used for any purpose deemed appropriate by the governing body.
GFOA	Government Finance Officers Association
GICs	Guaranteed investment contracts issued by insurance companies.
Gifts-In-Kind	Gifts of goods or service rather than resources or other assets received by the institution.
Governing Board	A group of persons, elected or selected, whose posers are described in the charter or some legal document that establishes the legal identity of the institutions. May also be referred to as the board of trustees or board of regents.
Grants	Transactions that may or may not involve an exchange. If no exchange is part of the transaction, it would be more correct to record as a gift. If a performance criteria is part of the transaction, it would be more correct to record as a contract.
Highly Rated Corporate Issues	Issues rated AAA or AA by Standard & Poor's or Aaa or Aa by Moody's.
IG	Inspector Generals
IIA	Institute of Internal Auditors
IMA	Institute of Management Accountants
Improvements Other Than Buildings	Enhancement to capital asset. Examples include drainage work, creation of hiking trails, creation of parking spaces or removal of unusable structures.
Indirect Costs	Resources available for unrestricted purposes provided by contractual agreements to cover costs not directly allocable to the accomplishment of the specific purpose of the project or program such as the use of space, equipment, and utilities.
Infrastructure Assets	Long-lived capital assets that normally are stationary in nature and may be preserved for a significantly greater number of years

TERM	DESCRIPTION
	than most capital assets.
Institutional support function	<u>Institutional Support</u> The function of expenses should include expenses for (central executive level management and long-range planning of the entire institution; (2) fiscal operations; (3) administrative data processing; (4) space management; (5) employee personnel and records; (6) logistical activities that provide procurement, storeroom, safety, security, printing and transportation services to the institution; (7) support services for faculty and staff that do not operate as auxiliary enterprises; (8) activities concerned with community and alumni relations, including development and fundraising; and (9) bad debt expense related to tuition and fee revenue.
Instruction Function	<u>Instruction.</u> Includes expenses for all activities that are part of an institution's instruction program. This function includes expenses for credit and non-credit courses, for academic, vocational, and technical instruction, for development and tutorial instruction, and for regular, special, and extension session.
Investment Grade Corporate Issues	Issues rated A or BBB by Standard & Poor's or A or Baa by Moody's.
Investment Pool	Resources commingled for asset management and accounting purposes.
Investments	The acquisition of interest earning items such as security instruments, equities, debt, U. S. Government items, property, and other items.
IRS	Internal Revenue Service
JTPA	Job Training Partnership Act
Land	Land is the surface or crust of the earth, which may be used to support structures, and may be used to grow crops, grass, shrubs, and trees. Land is characterized as having an unlimited (indefinite) life.
Land Improvement	Land improvements consist of betterments, site preparation, and site improvements (other than buildings) that ready the land for its intended use. The costs associated with improvements to land are added to the cost of the land.
Leasehold Improvements	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.
Levy	To impose taxes, assessments or service charges.
Liability	Probable future sacrifices of resources arising from obligations to transfer assets or provide services in the future as a result of a

<b>TERM</b>	<b>DESCRIPTION</b>
	transaction or event.
Library Books and 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: i.e., journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items that provide information essential to the learning process or that enhance the quality of academic, professional, or research libraries.
Life Income Fund	Accounts for resources given to the institution subject to an agreement to pay to the donor or designee the income earned by the assets over a specified period of time.
Livestock	Animals acquired to be used for instruction purposes that have a fair value and estimated life that meets the capitalization criteria.
Loan Net Position	Equity in resources restricted or designated to be used for loans.
Loans Payable	Obligations of the institution backed by a negotiated promissory investment instrument.
Loans Receivable	Obligations payable to the institution supported by a negotiated promissory note.
Maintenance Costs	The costs that allow an asset to continue to be used during its originally established useful life. These costs are expensed in the period incurred.
Management Discussion and Analysis (MD&A)	Discusses the current-year results in comparison with the prior year, with emphasis on the current year. This should be a fact-based analysis discussing the positive and negative aspects of the comparison with the prior year.
Merchandise	Inventory held for resale
Mortgage Pass-Through	Residential mortgage securities pooled together and marketed by governmental agency issuers such as GNMA, FNMA, and FHLMC. (Does not include private issues, which should be included with CMOs, and pooled commercial real estate mortgages, which should be included with other asset-backed bonds.)
Municipal Obligations	State, county, municipality, or public authority issues.
Natural Classification of Expenses	Describes the expense incurred such as salary, benefits, or office supplies.
NCGAS	National Council on Governmental Accounting Standards
Net Position	In the statement of net position, assets minus liabilities equal net position. Net position should be displayed in three components: (a) net investment in capital assets, (b) restricted, and (c)

TERM	DESCRIPTION
	unrestricted.
Net Book Value	Net book value is an asset's historical cost less accumulated depreciation.
Network of Assets	Composed of all assets that provide a particular type of service for an institution. For example, a network of infrastructure assets such as a water containment system composed of a concrete dam, a concrete spillway, and a series of locks.
Non-operating	Revenues or expenses for activities not directly related to the basic service performed by the entity. For an educational institution that would be activities not related to instruction, research or public service, or the administration of the activities.
Nonreciprocal Interfund Activity	Includes transfers, previously referred to as operating transfers, and reimbursements. Reimbursements will be eliminated in the annual financial report and therefore, will not be reported as interfund activity in the financial statements.
Notes Payable	Obligations of the institution backed by a negotiated promissory investment instrument.
Notes Receivable	Obligations payable to the institution supported by a negotiated promissory note.
NR/High Yield	Non-Rated (NR rated) issues and issues rated BB or lower by Standard & Poor's and Ba or lower by Moody's.
Obligations	A commitment to pay resources to another party
Official Census Date	Date that the tuition and fee revenue is earned by the institution.
OMB	Office of Management and Budget
Operating Expense	These are expenditures that are incurred as a direct result of the nature of the activity being reported. These costs are necessary to the maintenance of the institution. An example would be salary and wages.
Operating Revenue	These are revenues that are derived from the nature of the activity being reported and directly related to the nature of the activity performed by the entity. An example would be tuition and course fees.
Operation and Maintenance of Plant Function	<u>Operations and Maintenance of Plant</u> This category should include all expenses for operation and maintenance of physical plant, net of amounts charged to auxiliary services.
Other Asset-Backed Bonds	Securities backed by pools of assets such as credit card loans, commercial real estate loans, and auto loans.
Other Assets	Assets displayed in the statement of net position for which a recognized classification does not exist. Typically these are

<b>TERM</b>	<b>DESCRIPTION</b>
	miscellaneous assets of either short- or long-term in nature.
Other Deductions	Expenses displayed in the statement of revenues, expenses and change in net position for which a recognized classification does not exist.
Other Equity Securities	Preferred stocks, foreign stocks, and non-publicly traded stocks.
Other Expenses	Expenses displayed in the statement of revenues, expenses and change in net position for which a recognized classification does not exist.
Other Fees	Revenues displayed in the statement of revenues, expenses and change in net position for which a recognized classification does not exist.
Other Fixed Assets	Assets displayed in the statement of net position for which a recognized capital asset classification does not exist.
Other Money Market Funds and Pools	Money funds and pools with a constant \$1.00 per share net asset value objective.
Pass-through	Resources received by the institution that are due to another party in accordance with stipulations of a third party or the U. S. Government.
Personal Property	Fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service. Improvements or additions to existing personal property that constitute a capital outlay or increase the value or life of the asset by 25 percent of the original cost or life should be capitalized as a betterment and recorded as an addition of value to the existing asset.
Plant Assets	Another term used for capital assets
Prepaid Fees	May be either an asset or a liability. If the prepaid fees are resources paid by the institution prior to their being due, they are reported as assets. If the prepaid fees were received by the institution in advance of their being earned, they are reported as a liability.
Preservation Costs	These costs are costs that extend the useful life of an asset beyond its previously established useful life.
Primary Government	Primary government is a state government or general-purpose local government. Also, a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments, such as a public community or junior college.
Prior Period	Any period of time prior to the current fiscal year.



TERM	DESCRIPTION
Private Equity	Includes venture capital, hedge funds, leveraged buyout, mezzanine, and strategically traded securities held directly or through investment vehicles such as limited partnerships.
Private Gifts, Grants or Contracts	Resources received from a nongovernment party external to the organization.
Proceeds	Typically are the net amount received or paid in a given transaction.
Program Revenue	Revenue provided by those who purchase, use, or directly benefit from the goods or services of a program. The Statement of Revenues, Expenses, and Changes in Net Position should separately report the major categories of revenues such as tuition and course fees, grants and contracts, auxiliary service revenues, and so on.
Public service function	<u>Public Service</u> This function of expenses includes funds expended for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the institution.
Quasi-Endowments	Funds functioning as an endowment. May be either unrestricted or restricted.
Real Estate	Includes real estate held for investment directly or through investment vehicles such as limited partnerships.
Receipts	Typically are the amount received in a given transaction.
Reciprocal Interfund Activity	Includes loans and interfund services provided and used as sales and purchases of goods and services between cost centers for a price approximating their external exchange value. Interfund services provided and used should be reported as revenues in seller funds and expenditures or expenses in purchaser funds.
Reporting Entity	A reporting entity is an organizational unit whose information is presented in the financial statement as defined by GASB Statement No. 14. They are legal entities that have elected governing board, and may issue tax-exempt debt.
Repurchase Agreements	Short-term investments secured by marketable securities.
Required Supplementary Information (RSI)	Information that is required under GASB to support the basic financial statements. The information includes the Management Discussion and Analysis, and other information required by THECB.
Research function	<u>Research</u> Includes all expenses for activities specifically organized to produce research outcomes. Expenses included in this function may be either internally or externally sponsored but must be separately budgeted.

TERM	DESCRIPTION
Reserved	Constraint on resources stipulated by the governing board.
Residual Value	The estimated fair value of a capital asset, infrastructure or otherwise, remaining at the conclusion of its estimated useful life.
Restricted	Constraints stipulated by an external party to the institution. They may be based either on a specific time or purpose.
Restricted Net Position	Net position are considered restricted when constraints placed on the asset are either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. Intended to identify resources that were received or earned by the government with an explicit understanding between the government and the resource providers that the funds would be used for a specific purpose.
Restricted Net Position Components	Two additional components - expendable and nonexpendable- may be displayed when permanent endowments or permanent fund principal amounts are included in restricted net position. Nonexpendable net position are those that are required to be retained in perpetuity. NOTE: Does not include restricted "capital assets." Instead, restricted capital assets are included in the component of net position called "Net investment in Capital Assets."
Revenues	Those resources for which the appropriate services have been performed so as to be earned.
RIA	Registered Investment Adviser
Sales and Service	Activities performed by the institution for which resources have been earned.
Scholarship and Fellowships Function	<u>Scholarships and Fellowships</u> This function of expenses includes only those disbursements of resources to students for scholarships and fellowships. This category should not include any allocation of resources that were credited to a student's account for tuition and fee or auxiliary receivable.
SEC	Securities and Exchange Commission
Segment	An identifiable activity within the institution that have revenue pledged to retire debt for which the activity's revenue, expenses, assets, and liabilities are separately accounted for and reported.
SEOG	Supplemental Education Opportunity Grant
SFAS	Statements of Financial Accounting Standards
Short-Term Investments	Includes all debt investments with a maturity (as of purchase date) of less than one year and all cash and bank deposits.

TERM	DESCRIPTION
Special Items	Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.
SSAP	Summary of significant accounting policies.
Student Service Fees	Fees charged for the performance of activities related to students' activities not related to instruction, research or public service.
Student Services	Also referred to as student support function.
Student Services Function	<u>Student Services</u> This function of expenses should include resources expended for offices of admissions and the registrar and activities that primarily contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instruction program.
Taxes	Nonexchange transactions levied or imposed by the institution
Term Endowment	Funds for which the donor or other external parties have stipulated as a condition of the gift that the principal is to be maintained intact for a stated period of time (term)
TexPool Investments	Investments in TexPool. Includes other Texas pool investments with other money market funds.
THECB	Texas Higher Education Coordinating Board
TPEG	Texas Public Education Grant
Tuition	Fees charged to students (consumer) for the delivery of instruction credit hour.
Tuition Discount	Tuition not expected to be paid by the student - may be either an internal scholarship/fellowship or grant resources.
Tuition Remission	Reduction of tuition by the institution that the student is not expected to pay.
U. S. Government Advances	Perkins Loan funds provided by the U. S. Government that must be returned to the Government should the loan program be discontinued.
U.S. Common Stocks	Includes only publicly traded stocks.
U.S. Government	Includes Treasuries and any other investment with an affirmative full-faith and credit guarantee of the U.S. Government.
U.S. Government Investment	Includes Treasuries and any other investment with an affirmative full-faith and credit guarantee of the U.S. Government.
U.S. Government Agency Securities	Securities issued by U.S. Government-sponsored agencies or corporations such as FNMA, FHLMC, or FHLB that do not have

<b>TERM</b>	<b>DESCRIPTION</b>
	full-faith and credit guarantees from the U.S.
Unconditional Contribution	A nonexchange transaction recognized as revenue at its fair value upon receipt.
Unconditional Pledge	An unconditional promise to give that depends only on the passage of time or the demand of the recipient.
Unearned Revenue	Revenue received prior to being earned that must be refunded should the agreed upon service not be rendered.
Unrealized Gains or Losses	The difference between the fair (market) value of an investment assets and its book (cost) value.
Unrestricted	Resources that have not stipulation as to their use.
Useful Life	The amount of time an asset is expected to be in service. This will vary and should be based on the government's own experience and the plans for the assets.
Voluntary Nonexchange Transactions	Contributions and gifts for which the provider expects nothing in exchange for the resources provided.
Works of Art and Historical Treasures	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 and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

**APPENDIX B – ASSET GROUPS AND CLASSIFICATIONS**

Asset Groups and Classifications		Useful Life	Residual Value
<b>Asset Groups Summary</b>			
I.	Buildings and Real Estate Improvements		
	Buildings and Building Improvements	50 Years	10%
	Other Real Estate Improvements	20 Years	10%
	Leasehold Improvements	Lease Term	None
II.	Infrastructure (if reported separately)	See GASB 34	None
III.	Library Books	15 Years	None
IV.	Equipment	Lease Term	None
	Furniture, Machinery, Vehicles, and Other Equipment	10 Years	None
	Telecommunications and Peripheral Equipment	5 Years	None

<b>Asset Groups Subject to Depreciation Classifications</b>	<b>Useful Life</b>	<b>Residual Value</b>
<b>I. Buildings and Real Estate Improvements</b>		
<b>Building and Building Improvements</b>		
Building Exterior: Residential	50 Years	10%
Building Exterior: Office	50 Years	10%
Building Exterior: Correctional Facilities	50 Years	10%
Building Exterior: Farm	50 Years	10%
Building Exterior: Storage or Warehouse	50 Years	10%
Building Exterior: Garage or hangar	50 Years	10%
Building Exterior: Hospital	50 Years	10%
Building Exterior: Education	50 Years	10%
Building Exterior: Research	50 Years	10%
Building Exterior: Museum	50 Years	10%
Building Exterior: Chilling station/Boiler	50 Years	10%
Building Exterior: Clinics	50 Years	10%
Building Interior: Elevator	50 Years	10%
Building Interior: Carpet	50 Years	10%
Building Interior: Modular/Fixed furniture	50 Years	10%
Building Interior: Sprinkler system	50 Years	10%
Building Interior: Electrical	50 Years	10%
Building Interior: Ceiling	50 Years	10%
Building Interior: Curtains and drapes	50 Years	10%
Building Interior: Water system	50 Years	10%
Building Interior: Heating/Cooling system/Air circulation	50 Years	10%
Building Interior: Security	50 Years	10%
Building Interior: Cabling	50 Years	10%
Building Interior: Fire alarm system	50 Years	10%
<b>Other Real Estate Improvements</b>		
Fencing and Gates	20 Years	10%
Landscaping	20 Years	10%
Parking Lots/Driveways/Parking Barriers	20 Years	10%
Outside Sprinkler Systems	20 Years	10%
Recreation Areas & Athletic Fields (including bleachers)	20 Years	10%
Golf Course Facilities	20 Years	10%
Paths and Trails	20 Years	10%
Septic and Sewer Systems	20 Years	10%
Stadiums	20 Years	10%
Swimming Pools, Tennis Courts	20 Years	10%
Fountains	20 Years	10%
Plazas and Pavilions	20 Years	10%
Retaining Walls	20 Years	10%

#### **IV. Equipment**

##### **Furniture, Machinery, Vehicles, and Other Equipment**

<b>Asset Groups Subject to Depreciation Classifications</b>	<b>Useful Life</b>	<b>Residual Value</b>
<b>Furniture</b>		
Desks	10 Years	None
Tables	10 Years	None
Chairs	10 Years	None
Cases, Cabinets & Credenzas	10 Years	None
Personal Furniture: Bed, Dresser, Rocker	10 Years	None
Modular Furniture	10 Years	None
<b>Instructional</b>		
Musical Instruments	10 Years	None
Isolator	10 Years	None
Instructional Equipment	10 Years	None
Industrial/Manufacturing Machinery	10 Years	None
Cosmetology Equipment	10 Years	None
Kitchen Appliances & Equipment	10 Years	None
Laundry Equipment	10 Years	None
Misc. Lab & Scientific Equipment	10 Years	None
Patient Care Miscellaneous	10 Years	None
Ovens and Ranges (lab)	10 Years	None
Clinical Diagnostic Instruments	10 Years	None
Analyzer (all types)	10 Years	None
Freezer (lab)	10 Years	None
Autoclaves and Sterilizers	10 Years	None
Densitometer	10 Years	None
Electrophoresis Apparatus	10 Years	None
Optical Equipment	10 Years	None
Spectrofluorometer	10 Years	None
Spectrometer	10 Years	None
Tanks, Containers, Chambers (all types)	10 Years	None
Table (exam)	10 Years	None
Wheelchairs	10 Years	None
Miscellaneous Surgical Instruments	10 Years	None
Amplifiers (all types)	10 Years	None
Baths, Water and Shakers	10 Years	None
Centrifuge	10 Years	None
Cryostat	10 Years	None
Counter Laboratory Assembly	10 Years	None
X-Ray Equipment	10 Years	None
Dental Equipment	10 Years	None
Chromatograph	10 Years	None
Evaporators	10 Years	None
Homogenizer	10 Years	None
Micromanipulator	10 Years	None
Meters, Gauges, Indicators	10 Years	None

<b>Asset Groups Subject to Depreciation Classifications</b>	<b>Useful Life</b>	<b>Residual Value</b>
Refrigerators (lab)	10 Years	None
Ultrasound Equipment	10 Years	None
Stereotaxic Instrument & Accessories	10 Years	None
Stimulator	10 Years	None
Patient Monitoring Systems	10 Years	None
Defibrillator	10 Years	None
Electronic Module	10 Years	None
Water Purification	10 Years	None
Balance	10 Years	None
Animal Cages & Accessories	10 Years	None
Fraction Collector	10 Years	None
Hood (all types)	10 Years	None
Incubators & Accessories	10 Years	None
Micro tomes, Diamond Knives, Sharpeners	10 Years	None
Spectrophotometer	10 Years	None
Freeze Dryers & Accessories	10 Years	None
Microscopes & Accessories	10 Years	None
Oscilloscope	10 Years	None
Recording Systems	10 Years	None
Scintillation Systems	10 Years	None
Tables, Dissecting, Operating, Balancing	10 Years	None
Breathing Apparatus, Respirator	10 Years	None
EKG/ECG/EEG Apparatus	10 Years	None
Dialysis Equipment	10 Years	None
<b>Livestock</b>	10 Years	None
<b>Maintenance</b>		
Uninterruptible Power Supply	10 Years	None
Marine Equipment	10 Years	None
Tools	10 Years	None
Agricultural Equipment	10 Years	None
Weather Equipment	10 Years	None
Building Maintenance & Safety Equipment	10 Years	None
Power Supply, Battery, Generator	10 Years	None
Portable Building	10 Years	None
Ice machines (lab)	10 Years	None
Pumps	10 Years	None
Boat (20 ft. and longer)	10 Years	None
Boat (shorter than 20 ft.)	10 Years	None
Boat (accessories, motors)	10 Years	None
Boat (other, canoe, rowboat)	10 Years	None
Warehouse Equipment: Forklift	10 Years	None
Rotors and Heads	10 Years	None
Conveyer Systems	10 Years	None
Drills, Stationary	10 Years	None



<b>Asset Groups Subject to Depreciation Classifications</b>	<b>Useful Life</b>	<b>Residual Value</b>
Gin Machinery	10 Years	None
Grinders, Stationary	10 Years	None
Lathes, Stationary	10 Years	None
Metal Working Machines, Other, Stationary	10 Years	None
Milling Machines	10 Years	None
Pallet Trucks, Lifts, jacks, hydraulic	10 Years	None
Saws, Stationary	10 Years	None
Scales	10 Years	None
Shapers, Joiners, Planers, Stationary	10 Years	None
Sharpeners, Stationary	10 Years	None
Shears	10 Years	None
Textile Machinery	10 Years	None
Wood Working Machines, Other, Stationary	10 Years	None
Ferries	10 Years	None
<b>Office Machines / Other</b>		
GPS Equipment	10 Years	None
Photocopying Equipment	10 Years	None
Fax Machines, Telecopier	10 Years	None
Office Machines	10 Years	None
Other Office Furniture	10 Years	None
Recreational Equipment: Bicycle, Pool Table	10 Years	None
Other Equipment	10 Years	None
<b>Services</b>		
Printing Machines & Bookbinding Equipment	10 Years	None
Security System - Card Reader, Camera and Monitor	10 Years	None
Mailroom Equipment: Folder, Inserter, Labeler, Band Tier	10 Years	None
<b>Vehicles</b>		
Passenger Cars	10 Years	None
Motorcycles	10 Years	None
Vehicle Inventory Components/ Life	10 Years	None
Light/Medium Trucks (8600 - 14999 lbs. GVW)	10 Years	None
Medium Trucks (15000 - 26000 lbs. GVW)	10 Years	None
Vehicle Maintenance Equipment	10 Years	None
Utility Vehicles (carryalls, cargo vans, 2&4 wheel utility, SUV)	10 Years	None
Vans (up to 15 passenger)	10 Years	None
Light Trucks (under 8600 lbs. GVW)	10 Years	None
Buses (up to 28 passenger)	10 Years	None
Mounted Equipment with Truck Chassis	10 Years	None
Heavy Trucks (26001 lbs. and over)	10 Years	None
Self-propelled Roadway Equipment	10 Years	None
Trailers	10 Years	None
Towed Roadway Equipment	10 Years	None
Buses (29 passengers and over)	10 Years	None

<b>Asset Groups Subject to Depreciation Classifications</b>	<b>Useful Life</b>	<b>Residual Value</b>
Vehicle (other)	10 Years	None
<b>Telecommunications and Peripheral Equipment</b>		
Docking Station	5 Years	None
Image Scanner	5 Years	None
Supercomputer	5 Years	None
Peripheral Devices Microcomputer: Disk, Tape, Optical	5 Years	None
Other Computer Hardware	5 Years	None
Modem & Related Devices	5 Years	None
Digital and Channel Service Units	5 Years	None
Multiplexor	5 Years	None
Communication Controllers	5 Years	None
Protocol Converters	5 Years	None
VSAT S	5 Years	None
Data Communications Diagnostic Systems	5 Years	None
Other Communications Hardware	5 Years	None
LAN/WAN Switching - Hubs, Switches & Routers	5 Years	None
Purchased Software	5 Years	None
Internally Developed Software	5 Years	None
Customized Software (such as ISAS)	5 Years	None
Servers, Minicomputers	5 Years	None
Desktop CPU	5 Years	None
Terminal, Monitor	5 Years	None
Controllers: Tape, Disk, Terminal	5 Years	None
Data Projectors: 'Proxima' or Dataviewers w/o Projector	5 Years	None
Barcode Scanner	5 Years	None
Portable CPU	5 Years	None
Enterprise Software	5 Years	None
Printer	5 Years	None
Portable Printer	5 Years	None
Mainframe Computer Equipment & Channel Extenders	5 Years	None
Scan Systems	5 Years	None
Computer Equipment Racks, Shelving, Chassis	5 Years	None
PBX, KSU, Voice Mail, Phone System	5 Years	None
Automatic Call Distributors	5 Years	None
Phone Equipment (other than systems)	5 Years	None
Video Conference Equipment	5 Years	None

**APPENDIX C – ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST**

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
<b>GENERAL</b>		
	1.	Due date for the audited annual financial report recipients listed in 2.1 is January 1.
	2.	Is a table of contents included that encompasses the entire report? (NCGAS 1:139)
	3.	Does the table of contents identify each statement and schedule by its full name in accordance with the CB reporting manual?
	4.	The financial statements must be arranged in numeric order. All pages must be numbered consecutively and agree with the table of contents.
	5.	The names and terms of the Board of Trustees and key administrative officers must be included in the financial report. [See Section 2.23]
	6.	Report should be proofread for typographical and grammatical errors.
<b>REPORT OF THE INDEPENDENT AUDITOR</b>		
	7.	Are the basic financial statements accompanied by the report of the independent auditor?
	8.	Is the report of the independent auditor presented as the first item in the financial section of the report?
	9.	Does the auditor's report on financial include reference to generally accepted auditing standards and generally accepted government auditing standards issued by the Comptroller General of the United States?
	10.	Did the independent auditor express an unqualified opinion on the fair presentation of the basic financial statements?
	11.	Did the Independent auditor sign and date the report?
	12.	Did the auditor include all paragraphs and wording as required by the AICPA in the Statement of Position 98-3?
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&amp;A)</b>		
	13.	Is MD&A presented and does it follow the report of the independent auditors and precede the basic financial statements? [GASB 34 11b]
	14.	Does MD&A present condensed financial data for three comparative years? Does condensed financial data include: [GASB 34 11b]
	15.	Total assets (distinguishing between capital and other assets)? [GASB 34 11b]

## Appendix C – Annual Financial Reporting Requirements Checklist

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	16.	Total liabilities (distinguishing between long-term liabilities and other liabilities)? [GASB 34 11b]
	17.	Total net position/equity (distinguishing net investment in capital assets; restricted net position; and unrestricted net position)? [GASB 34 11b]
	18.	Operating revenues (by major source)? [GASB 34 11b(4)]
	19.	Non-operating revenues (by major sources)? [GASB 34 11b (5)]
	20.	Program expenses by function?
	21.	Change in net position?[GASB 34 11b(13)]
	22.	Ending net position? [GASB 34 11b 14)]
	23.	Contributions (including capital, contributions to endowments, and other)? [GASB 34 11b(10)]
	24.	Does MD&A provide an overall analysis of the entity's financial position and results of operations to assess whether financial position has improved or deteriorated during the year, including reasons for significant changes? [GASB 34 11c]
	25.	Does MD&A describe significant capital asset and long-term debt activity during the year, including a change in credit rating, commitments made for capital expenses? [GASB 34 11f]
	26.	Does the MD&A include a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position (net position) or results of operation? [GASB 34 11]
	27.	Do the amounts reported in MD&A agree with related amounts in the basic financial statements?
	28.	Has the college refrained from addressing in MD&A topics not specifically prescribed by GASB 34? [GASB 37]
<b>BASIC FINANCIAL STATEMENTS</b>		
	29.	Is a full set of basic financial statements presented i.e., a statement of net position, a statement of revenues, expenses, and changes in net position/equity, and a statement of cash flows? [GASB 34 91]
	30.	Are all of the basic financial statements referred to by their appropriate title? [GASB 34 91; THECB]
	31.	Do all of the basic financial statements include a reference to the notes?

## Appendix C – Annual Financial Reporting Requirements Checklist

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	32.	Do all of the basic financial statements foot and tie? (Adding a footnote that indicates your statements do not tie is not acceptable)
	33.	Is the difference between assets and liabilities reported as net position? [GASB 34: 30]
	34.	Ensure that amounts reported in the notes are correct and that they agree with applicable amounts in the financial statements.
<b>STATEMENT OF NET POSITION (EXHIBIT 1)</b>		
	35.	Are assets and liabilities classified as current and noncurrent?[GASB 34 97]
	36.	Are restrictions on cash or investments properly disclosed (SFAS No 5) and are restricted amounts appropriately segregated from other cash items? Show as noncurrent assets. [ARB 43]
	37.	Are bank overdrafts reported as liabilities?
	38.	Are investment in TexPool, Lone Star, and other investments with original maturities of three month or less considered to be cash equivalents?
	39.	Is there a subtotal for "total liabilities?" [NCGAS I, appendix A. example 1; G-94, p. 443]
	40.	Has the College refrained from reporting changes in the fair value of investments as a contra-equity account (instead of including the change as part of investment income)? [GASBS 31 13]
	41.	Is the balance of net position subdivided into the following categories, as appropriate a) net position net investment in capital assets, b) restricted net position, and c)? Nonrestricted net position? [GASB 34 98]
	42.	Has the College refrained from reporting designations of unrestricted net position on the face of the statement of net position? [GASB 34 37]
	43.	Net position reported on Statement of Net Position (Exhibit 1) must tie to amount reported on the Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2)
	44.	Do the amounts per the Statement of Net Position tie to the appropriate footnotes?
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (EXHIBIT 2)</b>		
	45.	Does the statement distinguish between operating and non-operating revenues and expenses?  [GASB 34 100]

## Appendix C – Annual Financial Reporting Requirements Checklist

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	46.	Has the college refrained from including taxes and gifts within the operating category? [GASB 34 102]
	47.	Is operating income/loss reported as a separate line item? [GASB 34 100]
	48.	Are state funds shown as operating revenue?
	49.	Total operating revenues must tie to Schedule of Operating Revenues (Schedule A).
	50.	Are expenses shown by functional classification on face of statement? Reported amounts must tie to Schedule of Operating Expenses by Object (Schedule B)?
	51.	Is depreciation expense reported separately from other expense? [APB 12 5]
	52.	Has bad debt expense been netted out of the appropriate functional category?
	53.	Is change in net position reported as a separate line item?
<b>STATEMENT OF CASH FLOWS (EXHIBIT 3)</b>		
	54.	Does the statement categorize cash flows as follows: cash flows from operating activities; cash flows from non-capital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities? [GASB 9 31]
	55.	Are cash flows from operating activities reported by major classes of receipts and disbursements (i.e., the direct method)? [GASB 9 31]
	56.	Has the college refrained from combining cash flows for non-capital financing activities and cash flows from capital and related financing activities into single cash flows from financing activities category? [GASB 9 53-54]
	57.	Has the college reported disbursement for the acquisition of capital assets as cash flows from capital and related financing activities? [GASB 9 57a;]
	58.	Are cash receipts and cash payments generally reported gross rather than net? [GASBS9: 12-14]
	59.	Does the figure reported as cash and cash equivalents at the end of the period trace to a similar account or accounts on the Statement of Net Position (Exhibit 1)? [GASB 9: 8;]
	60.	Is the statement accompanied by a schedule that reconciles operating income and cash flows from operating activities? [GASB 9 7]

## Appendix C – Annual Financial Reporting Requirements Checklist

THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST		
Yes or N/A	#	Criteria
<b>FOOTNOTES TO THE FINANCIAL STATEMENTS</b>		
	61.	Footnotes must be numbered.
	62.	Does the Reporting Entity footnote state: the year the college was established the college was established in accordance with the laws of the State of Texas the college is considered to be a special purpose, primary government according to GASB 14 and while the college receives funding from local, state and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any governmental entity?
	63.	Does the college present the summary of significant accounting policies (SSAP) as the second footnote? [NCGAS I 158; APB No 22]
	64.	Does the SSAP Reporting Entity footnote disclose the significant policies followed by the college in preparing their financial statements – including in accordance with Texas Higher Education Coordinating Board (THECB)'s Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges, in accordance with generally accepted accounting policies and that the college applies all applicable GASB pronouncements.
	65.	Does the SSAP Reporting Entity footnote include a statement stating the college is reported as a special-purpose government engaged in business type activities? [GASB 35]
	66.	Does the SSAP disclose tuition that is discounted?
	67.	Does the SSAP disclose basis of accounting?
	68.	Does the footnote regarding budgetary data address: that each community college is required by law to prepare an annual operating budget; that it is prepared on the accrual basis of accounting; that it has been adopted by the Board of Trustees; and that the copies are filed with the CB, LBB, Legislative Reference Library, and Governor's Office of Budget and Planning?
	69.	Does the SSAP define both cash and cash equivalents? [APB 22 12]
	70.	Does the SSAP indicate how investments are valued and definition of short-term and long-term investments? [APB 22 12]

## Appendix C – Annual Financial Reporting Requirements Checklist

THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST		
Yes or N/A	#	Criteria
	71.	Does the SSAP disclose how inventories are valued? [APB 22 12]
	72.	Does the SSAP disclose the capitalization threshold(s) for capital assets, the method of depreciation and the estimated useful lives? [GASB 34 115e; APB 12]
	73.	Does the SSAP disclose what revenues are deferred revenues?
	74.	Has the fact that preparation of financial statements in conformity with GAAP requires the use of management's estimates been disclosed? [SOP 94-6]
	75.	Does the SSAP disclose the college's policy for defining operating and non-operating revenues? [GASB34 115g].
	76.	If applicable, is there a footnote regarding a Restatement of Net Position present? If applicable, does the footnote include a chart which details the amounts restated and an explanation why these net position were restated?
	77.	Is the footnote on deposits and investment in compliance with GASB 40 and include:  The type of investments the college is allowed to invest in;  List of the types of investments (securities) held by the college categorized by maturities; Include the college's policy on the four types of risk?
	78.	If the college invests in derivatives during the fiscal year the footnote must disclose the nature of the transactions, the reasons for entering into them and the college's exposure to credit risk, market risk, and legal risk. [GASBTB 94-1]
	79.	Do the notes furnish information on the college's capital assets? [GASB 34 116]  Does the note present each major class of capital assets;  Does the note report nondepreciable capital assets;  Does the note present accumulated depreciation; and  Does the note disclose changes in capital asset balances?



## Appendix C – Annual Financial Reporting Requirements Checklist

THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST		
Yes or N/A	#	Criteria
	80.	Do the disclosures on major classes of capital assets include the following: [GASB 34 117]  Beginning and ending balances with accumulated depreciation presented separately from historical cost;  Capital additions;  Sales or other dispositions; and  Current depreciation expense?
	81.	Is a description of collections of works of art and historical treasures that are not being capitalized presented and the reason for not capitalizing them? [GASB 34 118]
	82.	Do the notes provide all required information separately for each major class of long-term liabilities? [GASB 34}
	83.	Does long-term liability footnote include: [GASB 34 119]  Beginning and ending balance;  Increase and decreases shown separately; and  Portion due within one year?
	84.	Do the notes disclose debt service to maturity of all outstanding debt? [GASB 38, GAAFR 196]  Does the disclosure present debt service payments separately for each of the next five years? Are the principal and interest components of debt service shown separately; and are debt service payments shown for subsequent years reported in five year increments?
	85.	For capital leases, has the gross amount of assets purchased on capital leases and the accumulated depreciation been presented separately and the lease obligation classified current and long-term? Has disclosure been made for future minimum lease payments as of the August 31 date in the aggregate and for each of the next five subsequent years, and in five year increments thereafter?  [SFAS 13 16b; GASB 38 11]
	86.	Have the following disclosures been made for operating leases having initial or remaining non-cancelable lease term in excess of one year:  Future minimum rental payments for each of the next five years and in five-year increments Thereafter? [GASB 38 11]  Total amount of minimum rentals to be received in the future under non-cancelable subleases as the latest balance sheet date? [SFAS 13 16b]

## Appendix C – Annual Financial Reporting Requirements Checklist

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	87.	<p>Does the bonds payable footnote address the detail of individual long-term debt as follows:</p> <p>Bond issue name and series;</p> <p>Purpose for which the debt was issued;</p> <p>Type of debt (general obligation bonds, revenue bonds, etc.);</p> <p>Disclose original amount of the debt;</p> <p>Disclose the interest rate and range of maturities; and</p> <p>The source of revenue to repay the debt?</p>
	88.	<p>If the college undertook a refunding during the year that either defeased or redeemed the refunded debt does the note disclose: [GASB 7]</p> <p>A brief description of the refunding transaction;</p> <p>The aggregate difference;</p> <p>In debt service between the refunding and the refunded debt; and</p> <p>The economic gain or loss on the transaction.</p>
	89.	<p>Does the footnote on employees' retirement plan include:</p> <p>the name of the plan and a brief description of the type of benefits provided;</p> <p>the percentage of participant salaries currently contributed by the State and by each participant;</p> <p>A paragraph describing the Optional Retirement Program (ORP);</p> <p>Participation in lieu of TRS;</p> <p>Provides for purchase annuity contracts;</p> <p>The State has no additional unfunded liability for the program;</p> <p>Total payroll of the college and total payroll of employees covered by each plan; and</p> <p>The percentage of participant's salaries currently contributed by the State and by each participant?</p>
	90.	<p>Does the footnote on the deferred compensation program address that the authority is granted by Government Code 609.001?</p>

## Appendix C – Annual Financial Reporting Requirements Checklist

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	91.	A footnote on compensable absences must disclose the college's policy on annual and sick leave for all employees upon termination or death and the amount that should be reported as a current and non-current liability. The footnote needs to include number of hours that may be accumulated, the rate it is earned and when it is paid. The short and long-term liability portions of the compensable absences should agree with the entries for "Compensable Absences" in the "Long-term Liability" footnote.
	92.	If applicable, are there any lawsuits pending against the college and what are the potential significance for these lawsuits?
	93.	When balances of receivables and payables reported on the statement of net position are aggregations of different components, is the significant component disclosed in the footnotes? [GASB 38]
	94.	Does the footnote regarding contract and grant awards address: when revenue is recognized; how funds expended but not yet collected are reported (grant receivables); how funds received but not yet expended are reported (unearned revenue); how awards that are not yet funded and for which the college has not yet performed services are reported; and report the amounts of awards already committed but which monies have not been received nor expended?
	95.	If the college pays for other post-employment benefits for employees (for example health-care benefits), either in whole or in part, do the notes discuss these benefits? [GASB 12]

## Appendix C – Annual Financial Reporting Requirements Checklist

THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST		
Yes or N/A	#	Criteria
	96.	<p>Does the footnote regarding <i>ad valorem</i> tax address: (The <i>ad valorem</i> tax information must be a footnote, not supplementary schedules. Supplementary schedules are not required.) [NGCA 13]</p> <p>When taxes are levied;</p> <p>The gross assessed valuation of the college, the exemption and abatements, and the net assessed valuation;</p> <p>Tax rate per \$100 valuation authorized and assessed for both current operations and debt services;</p> <p>The amount of taxes levied for the year ended August 31, FY2 which includes penalty and interest if applicable;</p> <p>The amount of taxes collected. Specifically current taxes, delinquent taxes, penalty and interest; collected for current operations and debt service including totals;</p> <p>when taxes are due; and</p> <p>Tax collection as a percentage of the current tax levy?</p>
	97.	Does footnote on income tax disclose that the college is exempt from income tax under IRC Section 115 and whether the college has any unrelated business income tax liability?
	98.	<p>If the college has a component unit in accordance with GASB 39, is there a footnote that includes:</p> <p>A brief description of the component unit;</p> <p>The criteria for including as a component unit;</p> <p>How the component unit is reported - (remember to place component unit financial Statements; directly behind the college's financial statements for example college's Statement of Net Position; followed the component unit balance sheet, etc.?)</p>
	99.	<p>Does the disclosure of material related party transactions include [SFAS 57]</p> <p>The nature of the relationship;</p> <p>A description of the transaction;</p> <p>Dollar amounts of the transaction; and</p> <p>Amounts due and from the related parties?</p>
	100.	If applicable, if any subsequent events exist they must be disclosed in paragraph form. [SFAS 5]

## Appendix C – Annual Financial Reporting Requirements Checklist

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	101.	Does the footnote regarding postemployment benefits include the current and most previous two years of required contributions for the ERS?
	102.	If applicable, is the method of accounting and reporting for non-exchange transactions disclosed? [GASB 33]
	103.	If the college has any significant commitments (e.g. construction), do the notes disclose them? [NCGA I6]
	104.	Other disclosures as appropriate (such as segments, pledges, etc.).
<b>SCHEDULE OF DETAILED OPERATING REVENUES (SCHEDULE A)</b>		
	105.	Are the totals for each line item combined for Unrestricted and Restricted and shown in a separate column titled Educational Activities?
	106.	Is a total column presented for the current year?
	107.	Is a memorandum total column presented for the prior year?
	108.	Is tuition broken down between state-funded courses and non-state-funded courses?
	109.	Is there a subtotal for tuition and fees?
	110.	Are the various fees shown separately with a subtotal?
	111.	Are scholarships allowance and discounts detailed enough as not to need a separate schedule? For example remission and exemptions, allowance for federal financial aid, allowance for state financial aid, etc. If not, a separate schedule needs to be prepared.
	112.	Is the TPEG set aside amount recorded at the bottom of the schedule?
	113.	Are auxiliary revenues and discounts shown in a separate column?
	114.	Are auxiliary revenues detailed enough so as not to need a separate schedule?
	115.	Do the totals tie with the Schedule of Revenues, Expenses, and Changes in Net Position (Exhibit 2)?
	116.	Is there a footnote explaining any out-sourced auxiliary operations?
	117.	Is this schedule audited?
<b>SCHEDULE OF OPERATING EXPENSES BY OBJECT (SCHEDULE B)</b>		

## Appendix C – Annual Financial Reporting Requirements Checklist

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	118.	Are educational activity expenses broken down between Unrestricted and Restricted line items?
	119.	Are expenses classified according to NACUBO's elements of cost and further classified by natural classifications? Are scholarship amounts netted?
	120.	Are auxiliary expenses shown as a separate line item below Total Educational Activities?
	121.	Is depreciation shown as a separate line item? [APB 12 15]; and broken down between Buildings and Other Real Estate Improvements and equipment.
	122.	Do the totals tie with the Schedule of Revenues, Expenses, and Changes in Net Position (Exhibit 2)?
	123.	Is a total column presented for the current year?
	124.	Is a Memorandum total column presented for the prior year?
	125.	Is this schedule audited?
<b>SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES (SCHEDULE C)</b>		
	126.	Are revenues and expenses for non-operating activities listed in separate columns for Unrestricted, Restricted, and Auxiliary operations?
	127.	Is a total column presented for the current year?
	128.	Is a Memorandum total column presented for the prior year?
	129.	Are non-operating revenue and expenses broken down between revenue and expense categories?
	130.	Do the totals tie with the Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2)?
	131.	Is this schedule audited?
<b>SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY (SCHEDULE D)</b>		
	132.	Are net position broken out into Current, Loan, Endowment, and Plant line item categories?
	133.	Are net position also listed in columns as Unrestricted, Restricted (Expendable or Non-Expendable), and Capital Asset Net of Depreciation and Related Debt?
	134.	Is a total column presented for the current year?
	135.	Are amounts available for current operations indicated under "yes," or "no" columns?

## Appendix C – Annual Financial Reporting Requirements Checklist

<b>THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST</b>		
<b>Yes or N/A</b>	<b>#</b>	<b>Criteria</b>
	136.	Are Board designated reserves reflected in Board minutes?
	137.	Does the total column tie to Statement of Net Position, Exhibit 1?
	138.	Is a Memorandum total row for the prior year presented below the current year totals?
	139.	Is this schedule audited?
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>		
	140.	Does the report contain all the required elements? [AICPA Audit & Accounting Guide]
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>		
	141.	Does the report contain all the required elements? [AICPA Audit & Accounting Guide]
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND FOOTNOTES (SCHEDULE E)</b>		
	142.	Are all federal funds received by the college included in the Schedule? This includes non-cash assistance from the federal government.
	143.	Is each federal program listed by official name (not by the name of a sub-part of the agency) and CFDA number including all clusters listed in groups? If in doubt, did you check the official website for CFDA names and numbers? ( <a href="http://12.46.245.173/cfda/cfda.html">http://12.46.245.173/cfda/cfda.html</a> )
	144.	Are the listed federal funds listed in numeric order of the first two digits of the CFDA numbers, with the exception of the U.S. Department of Education, which should be listed first?
	145.	Are the programs from each federal agency listed in numeric order of the last three digits of the CFDA numbers, divided by direct programs and pass-through programs?
	146.	If the CFDA number is not known and cannot be determined by calling the source agency – pass-through or direct – is the CFDA number listed with the first two digits representing the federal agency followed by 000?

## Appendix C – Annual Financial Reporting Requirements Checklist

THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST		
Yes or N/A	#	Criteria
	147.	Are all programs listed under sub-headings of direct programs listing or the pass-through programs listing?
	148.	Are pass-through programs properly identified with the pass-through entity and pass-through grantor's number?
	149.	Are the listed pass-through entities the <i>immediate</i> pass-through entity and not other entities which might have pass-through funds to the immediate pass-through entity?
	150.	Is the pass-through grantor's number correct? (Most pass-through grantors change the number every year.)
	151.	Is each pass-through entity listed only once within each federal agency?
	152.	If a federal program – i.e., same CFDA number – is listed on more than one line, is there a subtotal for that program?
	153.	Do amounts listed include any administrative costs or indirect costs received?
	154.	Are LEAP and SLEAP funds received by students of the college included in the Schedule?
	155.	Are all federal loan programs shown according to applicable guidance?
	156.	Are all amounts shown in the schedule shown in whole dollars – no cents shown?
	157.	Has the schedule been footed?
	158.	Is there a statement at the end of the schedule referring the reader to following footnotes?
	159.	Do the footnotes include a reconciliation of the total amount shown by the schedule to what is shown in the financial statements, even if the figures agree?
	160.	Is there a footnote to explain why each applicable federal fund is not required to be audited under OMB Circular A-133?
	161.	Is there a footnote showing non-monetary assistance received if such assistance is not included in the schedule?
	162.	Is there a footnote explaining the basis of accounting for the programs presented in the schedule?
	163.	Is there a footnote showing to which other entities the college has passed-through funds, including program name, CFDA number, sub-recipient names, and sub-recipient amounts?



## Appendix C – Annual Financial Reporting Requirements Checklist

THE ANNUAL FINANCIAL REPORTING REQUIREMENTS CHECKLIST		
Yes or N/A	#	Criteria
<b>SCHEDULE OF EXPENDITURES OF STATE AWARDS AND FOOTNOTES (SCHEDULE F)</b>		
	164.	Is the schedule and footnotes included?
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>		
	165.	Is the schedule prepared in accordance with OMB A-133 and the <i>AICPA Audit &amp; Accounting Guide – Government Auditing Standards and Circular A-133 Audits</i> ?
	166.	Are the proper federal programs which have been designated as a cluster in Part 5 – Clusters of Programs, <i>A-133 Compliance Supplement</i> be audited as a single program if one has been selected as a Type A major program?
	167.	Are Sections II and III included, even if there are no findings?
	168.	Is all required information given for any findings? See OMB Circular A-133, Sec.____.510 Audit Findings, (b) (1) through (8).
	169.	If there are any findings reported, is there also presented a Corrective Action Plan which must list the employee responsible for the needed corrective action and the anticipated date of completion of the corrective action for each listed finding?
	170.	Type A program not audited as a major program in one of the last two years must be audited as a major program this year. [OMB Circular A-133]
	171.	Title IV funding may be audited as a cluster of programs dependent on A-133 guidance.
<b>STATISTICAL SECTION</b>		
	172.	Does the report include a statistical section? (NCGAS1)
	173.	Is the word Unaudited included in the title of each schedule?
	174.	Does the statistical section include all 18 required schedules?
	175.	Do the amounts reported in the statistical table agree with related amounts reported in the financial section?
	176.	Is any deviation from the template or any estimate disclosed in the notes?

**APPENDIX D – GFOA CAFR PROGRAM****Government Finance Officers Association (GFOA)****Certificate of Achievement for Excellence in Financial Reporting (CAFR Program)**

The Certificate Program, established in 1945, is designed to recognize and encourage excellence in financial reporting by state and local governments and is recognized as the highest award in governmental financial reporting. Those choosing to participate in the program submit copies of their CAFRs for review by an impartial Special Review Committee (SRC) of qualified judges. Reports meeting program standards are awarded Certificates of Achievement. The CAFR generally should demonstrate a constructive "spirit of full disclosure" effort to clearly communicate its financial picture, to enhance understanding of the logic underlying the traditional governmental financial reporting model, and to address CAFR user needs.

The CAFR will be graded on the following categories, when applicable to the government:

- Cover, table of contents, and formatting
- Introductory section
- Report of the independent auditor
- Management's discussion and analysis (MD&A)
- Basic financial statements (preliminary considerations)
- Government-wide financial statements
- Fund financial statements (general considerations)
- Governmental fund financial statements
- Proprietary fund financial statements
- Fiduciary fund financial statements
- Summary of significant accounting policies (SSAP)
- Note disclosure (other than the SSAP and pension-related disclosures)
- Pension-related note disclosures
- Required supplementary information (RSI)
- Combining and individual fund information and other supplementary information
- Statistical section
- Other considerations

Further information about the Certificate Program can be obtained by sending e-mail to [CAFRProgram@gfoa.org](mailto:CAFRProgram@gfoa.org). Please visit the GFOA Forms section of GFOA.org to obtain checklists for use in reviewing CAFRs for suitability in meeting program requirements.

**Significant differences from THECB requirements**

Most of the requirements for the CAFR program are similar to the CB requirements. Although others may exist, one noticeable difference is the inclusion of a transmittal letter as required in the CAFR program.



This document is available on the Texas Higher Education Coordinating Board Website: <http://www.thecb.state.tx.us>.

**For more information, contact:**

**FY 2014 Community College Financial Reporting Requirements Committee**

Mike Abel	Jaynes, Reitmeier, Boyd and Therrell, P.C.
Pamela Ansboury	Alamo Colleges
John Johnson	Del Mar College
Diane Novak	Lone Star College System
John Robertson	Dallas County Community College District

**Coordinating Board Staff:**

Susan E. Brown, Assistant Commissioner, Planning and Accountability  
Gary W. Johnstone, Deputy Assistant Commissioner, Planning and Accountability  
Thomas E. Keaton, Director, Finance and Resource Planning  
Ed Buchanan, Program Director  
Roland Gilmore, Program Director

**Planning & Accountability**

PO Box 12788  
Austin, TX 78752  
512/427-6139