



# Annual Comprehensive Financial Report (ACFR) Guidance

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# Annual Comprehensive Financial Report (ACFR) Guidance

If there are questions on any of these items, please contact the Statewide Financial Statement Section at 850-413-5511 or [sfrs@myfloridacfo.com](mailto:sfrs@myfloridacfo.com).

## **Checklist Item 1 - Funds in Balance**

The trial balance for *every* fund within the agency is in balance.

Debit and Credit balances for General Ledger (GL) codes 1XXXX through 7XXXX must equal zero. Debit and Credit balances for GLs 8XXXX and 9XXXX must equal zero.

**To verify accuracy run the report *Checklist Item 01 - Balance Report in the Working Trial Balance (WTB) database* that is located on the Division of Accounting and Auditing website <https://www.myfloridacfo.com/division/aa/state-agencies>.**

## **Checklist Item 2 - Intra-Fund Balances**

Intra-**agency** balances are amounts in due to/from, transfer and advance GLs that have offsetting amounts in other fund(s) *within the same agency*. Intra-**fund** balances are amounts in due to/from, transfer, and advance GLs that have offsetting amounts within the same fund **at the Fund Identifier (FID) level**. Intra-agency & intra-fund amounts **must** be balanced by the specified due date.

- Intra-agency amounts must be supported by Form 03-INTRA data indicating in the fund2 field the other fund(s) within the agency with related amounts. To verify accuracy, refer to Fund1 and Fund2 Agreement Report provided by SFRS after the first agency submission of Form 03-INTRA.
- Intra-fund amounts must be supported by Form 03-INTRA data indicating in the fund2 field the same fund as contained in the fund1 field. To verify accuracy, refer to Fund1 and Fund2 Agreement Report provided by SFRS after the first agency submission of Form 03-INTRA.
- Intra-agency and Intra-fund amounts reported in the agency's trial balances must agree with amounts reported in Form 03-INTRA. To verify accuracy, refer to Trial Balance Comparison Report provided by SFRS after the first agency submission of Form 03-INTRA.

**Additional Information:** In order to balance, go to *Working with Form 3-INTRA and Form 3-INTER* document on the website located at (<https://www.myfloridacfo.com/division/aa/state-agencies> select "Financial Reporting". Then select Form 3 Completeness).

## **Checklist Item 3 - Inter-Fund Balances**

Inter-agency balances are amounts in due to/from, transfer and advance GLs that have offsetting amounts in fund(s) at *another state agency*.

- Inter-agency amounts should be balanced by the specified due date.
- Inter-agency amounts must be supported by Form 03-INTER data indicating in the fund2 field the funds at other agencies with related balances. To verify accuracy, refer to Fund1 and Fund2 Agreement Report provided by SFRS after the first agency submission of Form 03-INTER.
- Inter-agency amounts reported in the agency's trial balances must agree with amounts reported in Form 03-INTER. To verify accuracy, refer to Trial Balance Comparison Report provided by SFRS after the first agency submission of Form 03-INTER.

## What is a transfer?

A transfer is the movement of cash from one fund to another that is not payment for goods and services. Transactions using a transfer category code may or may not be a transfer for financial reporting. Similarly, transactions without a transfer category code may be transfers for purposes of financial reporting. Furthermore, if a transaction is classified as a Transfer at year-end and the balance remains outstanding, the transaction should be classified as a Due To/From, otherwise it will be classified as a regular receivable/payable.

Examples of transactions that **must** be accounted for as transfers:

- Payment of the General Revenue Service Charge (GL 758XX).
- Payment of overhead earnings sent to General Revenue (GL 758XX).
- Administrative Assessments.
- Payments to internal service funds that are not based on services provided but are in effect a subsidy to the internal service fund.
- Fixed assets or capital assets purchased by a governmental fund but recorded as an asset of a proprietary fund at the time it is purchased. This is an operating subsidy.
- Movement of fund equity between funds.
- Money received from Department of Management Services (DMS) from the sale of surplus property/auctions. Proceeds from the sale of surplus property, as defined in section 273.055, Florida Statute (F.S.) shall be recorded as a transfer-in from DMS and not as expenditure refunds, in accordance with Generally Accepted Accounting Principles (GAAP) and section 273.055(5), F.S. was amended in 2006 removing the spending authority provision for these proceeds. Budget authority to expend the proceeds received from the sale must be obtained through the appropriations process. The appropriate revenue source code for transfers-in from DMS is 001500 Transfers, or 001520 Transfers – Subject to Service Charge.
- Movement of capital assets (GL 652XX/752XX) between General Capital Asset funds (Statewide Government Fund (SWGf 80), Proprietary funds (SWGf 50 & 60) and Fiduciary funds (SWGf 71, 73, 74 & 76). Governmental funds (SWGf 10, 20, 30, 40 & 72) do not use GL 652/752 because these funds are not used to record capital assets. Governmental funds account for the non-business activities of the government and its **current, expendable**, general resources.
- Cash payment to General Revenue for the Statewide Cost Allocation Plan.
- Cash payment for tobacco settlement.
- Payment to the State Board of Administration for debt service.
- Funds sent to the unclaimed property fund at the Department of Financial Services (DFS).
- Funds sent to the Division of Administrative Hearings:
  - 729700-10-1-000227
  - 729700-20-2-510150
- Payments to the State Personnel System Trust Fund at DMS for personnel assessments:
  - 720000-20-2-678001
- Payments to the DFS for Workers Compensation.
- Payments to the Department of Economic Opportunity for Re-employment Assistance.
- Return of funds that were accounted for as a transfer-in/transfer-out when they were received/sent (e.g., unused grant funds returned to the grantor)
- Insurance claims received from DFS.
- Insurance recoveries received from the Division of Risk Management.

Examples of transactions that **must not** be accounted for as transfers:

- Payments to DMS for services provided such as SUNCOM, building rent, use of automobiles, etc.
- Refunds of expenditures paid to Internal Service Funds for goods or services provided.
- Payment to the State Risk Management Trust Fund at DFS for property insurance and casualty insurance: 430000-10-2-078001
- Payments to the Florida Retirement System.
- Payments to the Department of State for the Administrative Weekly, copies of statute books, administrative rules or archives.
- Payments of tolls to Department of Transportation.
- Payments to internal service funds that are based on actual services provided not just a Departmental assessment.
- Payment to or from state universities and state colleges.
- Payment of administrative fee to the State Treasury for investments.
- Payment of fire marshal fees to DFS for building inspections.
- Payment to agencies of state owed debt collected by the Lottery from Lottery winners.
- Payment to the Department of Legal Affairs for legal services.
- Repayment of loans from another fund.
- Payment to Justice Administrative Commission for legal fees.
- Corrections of disbursement made from the incorrect fund or expense redistribution to other funds (JT-1).

**Additional Information:** In order to balance, go to *Working with Form 03-INTRA and Form 03-INTER* document on the website located at <https://www.myfloridacfo.com/division/aa/state-agencies> (Select “Financial Reporting”. Then select Form 3 Completeness.).

#### **Checklist Item 4 - Cash Balances**

Cash balances for all funds in GL codes 121XX, 122XX, and 224XX must equal the State Treasury.

**To verify accuracy, run the report** *Checklist Item 04 – Cash Balance Check Report* in the WTB database.

Any deposits made in the State Treasury, but not verified, should be recorded as *Cash in State Treasury Unverified* (GL124XX).

**To verify accuracy, run the report** *Checklist Item 04 – Cash in State Treasury Unverified Report* in the WTB database

Use Treasury’s report, “unverified deposits” to confirm deposits made, but not verified. [CFO Memo No. 07 - Accounting for Cash Receipts at Year End](#)

The link below provides entry examples.

<http://www.myfloridacfo.com/Division/AA/Training/UnverifiedDepositsatYear-Endv6.pdf>  
[https://www.myfloridacfo.com/docs-sf/accounting-and-auditing-libraries/training/yearendrecieptsprocessing.pdf?sfvrsn=2c5bef68\\_2](https://www.myfloridacfo.com/docs-sf/accounting-and-auditing-libraries/training/yearendrecieptsprocessing.pdf?sfvrsn=2c5bef68_2)

## **Checklist Item 5 – Investments in State Treasury**

GL 141XX, Pooled Investments w/State Treasury  
+ GL 225XX, Restricted Investments w/State Treasury  
+ GL 241XX, Long Term Investments w/State Treasury  
Pool 1 Investments (Trust Fund) reported by the State Treasury

GL 143XX, Special Investments with State Treasury = Pool 2 Investments reported by the State Treasury

Amounts recorded in these GLs **must not include** the interest accrued for June.

**To verify accuracy run the report** *Checklist Item 05 – Cash Investments with State Treasury Report* in the WTB database

## **Checklist Item 6 - Beginning Equity**

After the ACFR is completed each year, Statewide Financial Reporting Section (SFRS) provides the AGNCYBS FLAIR Report that has the final post audit balance sheets for each fund. These are the beginning balances for the current year. Agencies must adjust beginning equity to the balances shown on this year-end report. Therefore, your agency's beginning fund balances and net positions must reconcile (excluding GL's 518XX, 519XX, 532XX, 542XX, 543XX, 545XX, 553XX and 555XX).

Governmental Funds (SWGF = 10, 20, 30, 40, 72 or 74)

5XXXX  
Less 542XX  
Less 543XX  
Less 545XX  
Less 518XX  
Less 519XX  
Ending Equity on AGNCYBS

Proprietary Funds (SWGF = 50 and 60)

53XXX  
Less 532XX  
Less 553XX  
Less 555XX  
Less 518XX  
Less 519XX  
Ending Equity on year end AGNCYBS

**To verify accuracy run the report** *Checklist Item 06 – Equity Check Report* in the WTB database.

**Note:** Review the information below regarding correction of an error, change in accounting principle, change in estimate or changes to/within the reporting entity adjustments for an explanation of why GLs 532XX, 542XX, 553XX, 543XX, 555XX, or 545XX are **excluded** from the **beginning equity** requirements above.

What is a change in accounting principle?

A change in accounting principle results from either:

- A **change** from one generally accepted accounting principle to another that is justified on the basis that the newly adopted accounting principle is preferable.
- Preferability based on the qualitative characteristics of financial reporting.

- Implementation of new pronouncements.

What is a change in accounting estimate?

A change in accounting estimate occurs when the inputs change. Inputs include data, assumptions, and measurement methodologies.

Changes in inputs result from a change in circumstance, new information and more experience.

Change in measurement methodology should be justified on the basis that new methodology is preferable based on qualitative characteristics of financial reporting.

What is a change to or within the financial reporting entity?

A change to or within the financial reporting entity results from:

- Addition/removal of a fund that results from movement of continuing operations within the primary government, including its blended component units.
- A change in the fund presentation as major or nonmajor.
- Addition/removal of a component unit (except for acquisitions, mergers, and transfers of operations, and Statement 90 component units).
- Change in presentation (blended or discrete) of a component unit.

What is a correction of an error?

An error results from:

- Mathematical mistakes.
- Misapplication of accounting principles.
- Oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date.  
     Facts that could reasonably be expected to have been obtained and taken into account at that time about conditions that existed as of the financial statement date.

Corrections not considered correction of an error adjustments:

- Change in accounting principles.
- Changes in estimates.
- Change to or within the financial reporting entity.
- Immaterial correction of an error adjustments.
- Adjustments made by SFRS to an agency's funds during the financial statement preparation process.

For ACFR, the **materiality level** to use is **\$1 million**. Accounting changes and error correction adjustments under this threshold should be run through current year operations. Balances in an accounting changes or error correction adjustment GL must be **supported by Form 28** to explain the adjustment.

**Checklist Item 7 - Collections, General Revenue (GL 546XX)**

When preparing your little generals (State Fund 1) for year-end close out, GL 546XX Collections - General Revenue **must** be closed out against the revenue account(s) that were used to accumulate the balance. The balance of GL 546XX **must** be zero after this process.

Revenue is received:	<u>Debit</u>	<u>Credit</u>
546XX Collections, General Revenue	XXX	
6XXXX Revenue Account		XXX

Year-end close out of GL 546XX:

6XXXX Revenue Account  
546XX Collections, General Revenue

XXX

XXX

**To verify accuracy run the report** *Checklist Item 07 – General Revenue Report* in the WTB database.

#### Recording Receivables in General Revenue Funds

Any General Revenue receivable or due from other Agency that is collected by August 31, must be recorded in an agency's "little general" even though the receivable was not certified forward. Unless the receivable was certified forward as a current year expenditure refund, a "Due to General Revenue" G/L 356XX will be recorded and **Form 4** completed.

If a trust fund within the same agency owes General Revenue a "Due to General Revenue" G/L 356XX should be recorded in the trust fund and a Form 4 completed. This is not a due to/due from within the same agency.

### **Checklist Item 8 - Depreciation**

Your Property Custodian must run depreciation for **all** depreciable capital assets before your agency closes. Prior to running depreciation in FLAIR, verify all items in the Property Pending file have been appropriately addressed.

Utilize the report "Checklist Item 14 – No Change in GL Balance Report" in WTB to analyze accumulated depreciation GLs (265XX, 268XX, 273XX, 275XX, 277XX, 283XX, 285XX, and 289XX) to determine if there were changes in amounts from prior year to current year. Instances where there is no change from prior year to current year may require additional research for justification.

**Additional Information:** Refer to the following for information to assist in this process:

- 1) CFO Memorandum No. 13 (2023-2024) ***CAPITAL ASSET GUIDANCE AND RULES FOR TANGIBLE PERSONAL PROPERTY*** on the website.
- 2) [\*Capital Assets and Long-Term Debt Accounting Entries\*](#) document located on the website under "Assets and Property."
- 3) ***Florida Department of Financial Services FLAIR Procedures Manual***, Asset Management, Chapter 500, *Chapters 517-519* on the website at <http://www.myfloridacfo.com/Division/AA/Manuals/default.htm>.

### **Checklist Item 9 - Fund Balance Reporting**

Ensure your fund balance classifications are reported properly. Refer to CFO Memorandum No. 12 (2023-2024) ***FUND BALANCE REPORTING*** located on the website.

**To verify accuracy** run the following reports in the WTB database:

- *Checklist Item 09 - Fund Balancing Reporting – Nonspendables*
- *Checklist Item 09 - Fund Balancing Reporting – Nonspendables (LT)*

### **Checklist Item 10 – Net Investment in Capital Assets (GL 536XX)**

All Net Investment in Capital Assets (GL 536XX) for proprietary funds [Statewide GAAFR Funds (SWGFS) 50 and 60] are properly recorded in the trial balance.



Refer to information on **Form 24 – Net Invested in Capital Assets** and **CFO Memorandum No. 13 (2023-2024) – CAPITAL ASSET GUIDANCE AND RULES FOR TANGIBLE PERSONAL PROPERTY** on the website.

Net Investment in Capital Assets is calculated as follows:

	Net Capital Assets (Capital Assets less Accumulated Depreciation)
Add	Related Deferred Outflows of Resources
Less	Net Debt Related to Capital Assets (Total Debt less unspent bond proceeds)
Less	<u>Related Deferred Inflows of Resources</u>
	<b>Net Investment in Capital Assets</b>

To verify accuracy, run the report *Checklist Item 10 – Net Investment in Capital Assets* in the WTB database.

### **Checklist Item 11 - Compensated Absences**

All compensated absences, short-term (GL 386XX) and long-term (486XX) for applicable funds should be calculated by completing **Form 49 - Compensated Absences** (DFS-A1-1883) and reported in your agency trial balance. People First Report 3: *Agency Leave Liability by Leave Type*, provided by the Department of Management Services, should be used to complete Form 49.

Compensated absences must be recorded as follows:

#### **Governmental Funds**

##### Short-term portion:

- 60 day leave payout (between 7/1 and 8/31) – recorded in GL 386XX in the governmental fund (SWGF 10, 20, 30, 40, or 72)
- 305 day leave usage and payout - (9/1 – 6/30) – recorded in GL 386XX in Long-term Debt Fund (SWGF 90)

##### Long-term portion:

- >365 days – recorded in GL 486XX in the Long-term Debt Fund (SWGF 90)

*Note:* SWGF 90 is calculated by the accumulation of all Form 49’s long-term debts.

#### **Proprietary and Fiduciary Funds**

The short-term portion must be recorded in 386XX and the long-term portion must be recorded in GL 486XX in the Proprietary/Fiduciary Fund.

### **Checklist Item 12 - Capital Assets**

For all revenues and expenditures in GL codes (only use for items capitalized) GLs 622XX, 721XX, 722XX and 723XX that are recorded in governmental fund (SWGF 10, 20, 30, 40, 72 or 74) **must** have an exact offsetting balance within the Capital Asset Fund/**SWGF 80**.

In governmental funds (SWGF 10, 20, 30, 40, 72 or 74), do **not** use GL codes 721XX, 722XX and 723XX to record disbursements for property items that are not going to be capitalized and reported as capital assets by the state of Florida, even if the state may be using the item. Amounts recorded in these GL codes during the fiscal year that are not capitalized should be reclassified (by category) to GL code 711XX “Expenditures, Current”. Amounts recorded in GL codes 721XX, 722XX and 723XX should comprise the increases column of the Changes in Capital Assets request received from the Statewide Financial Reporting Section.

All disbursements from category 14XXXX “Grants and Aid to Local Governments/Nonprofit Organizations – Fixed Capital Outlay” are to be coded using GL 711XX. These are not fixed capital outlay disbursements; they are grant and aid to local governments.

All disbursements to or for local government projects that will be owned by or turned over to a local government, no matter what category is used, are to be recorded using GL 711XX “Current Expenditures”.

Property acquired by the state, but will not be owned by the state, should not be capitalized.

**Additional Information:** Refer to CFO Memorandum No. 13 (2023-2024) – **CAPITAL ASSET GUIDANCE AND RULES FOR TANGIBLE PERSONAL PROPERTY** and **CAPITAL ASSETS AND LONG TERM DEBT ACCOUNTING ENTRIES** document located on the website.

**To verify accuracy run the report *Checklist Item 12 – Capital Asset Accounts Report*** in the WTB database.

### **Checklist Item 13 - Long-Term Debt**

For all revenues and expenditures in GL codes 691XX, 692XX, 693XX, 694XX, 695XX, 696XX, 724XX, 727XX, 731XX, 733XX, 734XX, 736XX, 795XX, 797XX, and that are recorded in governmental fund (SWGf 10, 20, 30, 40, 72, or 74) **must** have an exact offsetting balance within the Long-Term Debt Account/**SWGf 90**.

Long-term liabilities must be recorded required payments extending beyond one fiscal year.

**Additional Information:** Refer to *Capital Assets and Long Term Debt Accounting Entries* document located on the website at [https://myfloridacfo.com/docs-sf/accounting-and-auditing-libraries/state-agencies/capitalasset-longtermdebtactgentries.pdf?sfvrsn=99fb7bcb\\_2](https://myfloridacfo.com/docs-sf/accounting-and-auditing-libraries/state-agencies/capitalasset-longtermdebtactgentries.pdf?sfvrsn=99fb7bcb_2) under “Reference” in Quick Links.

**To verify accuracy run the report *Checklist Item 13 – Long-term Debt Accounts Report*** in the WTB database.

### **Checklist Item 14 - Analytical Procedures**

Analytical procedures are to be performed for all funds to identify **invalid GL’s**, **atypical GL balances**, over-constraint of equity, and **inconsistent GL usage from prior year**. The analytical process involves establishing expectations for financial information, determining reasons why financial information may differ from expectations, and taking appropriate actions to correct it.

**Use the following reports in WTB for each of these analytical processes.** These **must** be run prior to closing and in conjunction with your post-closing adjustments. The reports are as follows:

- ***Checklist Item 14 - Atypical GL Report***
- ***Checklist Item 14 – Equity Constraints vs Total Ending Equity (Equity Analysis)***
- ***Checklist Item 14 - Invalid GL Report***

Please use these two reports throughout the closing process to assist with the analytics as well.

- ***Checklist Item 14 - GL Balance Analytics-CY vs. PY***  
GL’s used this year, but not prior year-Analytical-tool for agency and not for grading purpose
- ***Checklist Item 14 – No Change in GL Balance Report***

Identifies GL balances, by fund, that have not changed from the prior year. This is an analytical tool for the agency and not for grading purpose.

## **Checklist Item 15 - Other Guidance**

### **Late Payment Interest**

When recording "late payment interest", it **must** not be recorded as an interest expenditure/expense.

- Late payment interest paid from governmental funds should be charged to GL 711XX - Current Expenditures.
- Late payment interest paid by proprietary funds should be recorded using the same GL as the late payment used unless it was for an item that was capitalized. If the interest was paid on an item that was capitalized, the interest should be recorded using GL 762XX Fiscal Charges Expense.

### **Residual Equity Transfers**

Residual Equity Transfer is a nonrecurring or non-routine transfer of equity between funds.

For financial statement reporting purposes Residual Equity Transfers should be used in the following instances:

- When transferring a fund or funds to a different agency.
- When transferring funds between different GAAFR fund types.

*Residual Equity Transfer should not be used when combining funds within the same agency and the same GAAFR fund type.* When an agency is combining funds within the same statewide fund type, they should record this as a transfer within agency or division or contact the SFRS for further advice.

### **Special Topics**

#### **A. Escheat Property**

##### What is Escheat Property?

Escheat means the reversion of property to a governmental entity in the absence of legal claimants or heirs. This property can usually be reclaimed by the rightful owner or heir provided the claimant can establish his or her right to the property. The term escheat property also includes abandoned and unclaimed property.

Private Purpose Trust Fund - Where the revenue from *Escheat Property* should be recorded.

(430000-71-2-007001 Unclaimed Property Trust Fund)

Ultimate Fund - The fund where the escheat property (monies) or the monies received after the non-monetary escheat property is auctioned off/cashed, ultimately is sent from the Expendable Trust Fund.

(480000-20-2-543001 State School Trust Fund)

##### When to Record Revenue?

Revenue from escheat property in the Expendable Trust Fund is only recognized for cash items.

Any items (i.e., autographed baseballs, jewelry, collectibles etc.) or investment instruments received should not be recorded as revenue until they are converted to cash.

Cash sent by other state funds to the Expendable Trust Fund as escheat property should be recorded as a "Transfer between Funds". (See page 4 & 5)

### Liability for Estimated Returns to Claimants

A liability representing the best estimate of the amount ultimately expected to be reclaimed and paid to claimants or their heirs should be established in the Expendable Trust Fund. To record this liability, revenue should be reduced and a liability "Deposits Payable" G/L 331XX should be increased. Subsequent payments to claimants are to be used to reduce the liability. *This liability may differ from an amount specified by law to be held for payment to claimants.*

### Funds sent to the Ultimate Fund

Amounts sent from the *Private Purpose Trust Fund* to the *Ultimate Fund* should be recorded as a "Transfer Between Funds".

### Year End Reporting

At year-end if the assets in the *Private Purpose Trust Fund* are less than the liabilities, the difference should be shown as "Advances To Other Funds" (G/L 251XX) in the *Private Purpose Trust Fund* and "Advances From Other Funds" (G/L 451XX) in the *Ultimate Fund*.

### **Year-end Entries**

Record Liability for amounts expected to be returned to claimants

### **Example Entries to record the advance**

<u>Private Purpose Trust Fund</u>		<u>DR</u>	<u>CR</u>
251XX	Advances to Other Funds	XXX	
759XX	Transfers to Other Dept. (Reduce the amount of the Transfers Out)		XXX
<u>Ultimate Fund</u>			
659XX	Transfer in from Other Dept.	XXX	
451XX	Advances from Other Funds (Reduce the amount of the Transfers In)		XXX

### **B. Accounting for Risk Financing**

The State must consider the following kinds of risk:

- a) Torts
- b) Theft of, damage to, or destruction of assets.
- c) Business Interruption.
- d) Errors or omissions.
- e) Job-related illnesses or injuries to employees.
- f) Acts of God
- g) Other risks of loss.
- h) Losses from providing accident and health, dental, and other medical benefits to employees, retirees, their dependents and beneficiaries, based on covered events that have already occurred.

Risk financing does not include post-employment benefits that the state expects to provide for current and future retirees.

Risk financing activities can be accounted for using a governmental fund (i.e. general or special revenue fund) or an internal service fund

Estimated losses from a claim should be reported as an expense (GL 777XX) and a liability (GL 314XX) for any claim that meets the following conditions:

- a) Information available before the financial statements are issued indicates that it is probable that an asset has been impaired or a liability has been incurred at June 30.
- b) The amount of loss can be reasonably estimated.
  1. If the amount of loss is a range, the amount that appears as the best estimate at the time is what should be reported. The areas in the range should be:
    - a. *Probable* - The future event(s) are likely to occur or
    - b. *Reasonably Possible* - The chance of the future event(s) occurring is more remote but less than likely or
    - c. *Remote* - The chance of the future event(s) occurring is slight.
  2. If no amount within a range appears to be the best estimate, then the minimum amount should be accrued.

If an incurred, but not reported (IBNR) loss can be reasonably estimated and it is probable that a claim will be asserted, the expense and liability should be recognized. IBNR includes:

- a) Known loss events that are expected to later be presented as claims.
- b) Unknown loss events that are expected to become claims.
- c) Expected future development on claims already reported.

IBNR is largely an estimate of loss and claim adjustment expenses associated with future likely claims activity based on historical actual results that establish a reliable pattern. For example, after reviewing historical claims experience, one might find that only 40 percent of all claims are normally reported during the year of occurrence, an additional 50 percent the next year, and the remainder in the third year. This pattern could be used to estimate IBNR amounts and the timing of those amounts for financial statement purposes.

The claims liability including IBNR, should be based on the estimated ultimate cost of settling claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends and any other factors that would modify past experience.

If annuity contracts have been purchased in a claimant's name to satisfy a claim liability and the likelihood is that additional payments on the claim are remote, these claims need not be included in the outstanding liability.

Claims expense and the related liability should be reduced by amounts expected to be recovered through insurance.

#### Insurance funds - Casualty Type

Payments from other funds should be recorded as "Sales of Goods and Services-State" (GL 671XX).

The paying fund should charge "Current Expenditure" (GL 711XX) or "Contractual Services" (GL 772XX) as appropriate.

Payments for claims processed by a claims servicing company should be charged to "Insurance Claims Expense" (GL 777XX) the fee paid to a servicing company should be charged to "Contractual Services" (GL 772XX).

#### Health Insurance

The employee portion of the health insurance premium should be recorded in the Health Insurance Fund as "Sale of Goods and Services -Non-State" (GL 672XX). Only the State's portion should be classified "Sale of Goods and Services - State" (GL 671XX).

Payments made to Health Maintenance Organizations (HMO) etc. must be charged to "Benefit Payments" (GL 779XX). Payments for claims processed by a claims servicing company must be charged to "Insurance Claims Expense" (GL 777XX). The fee paid to a servicing company must be charged to "Contractual Services" (GL 772XX).

### C. Accrual of Taxes Receivable

Taxes are recorded in the period they become both measurable and available.

Taxes that were collected on behalf of the state or were payable to the state on or before June 30 and were received by July 31 are to be recorded as Taxes Receivable (G/L 152XX) and Taxes (G/L 611XX) net of estimated refunds.

### D. Proprietary Fund Type Revenue and Expense

The following Statewide GAAFR Funds (SWGF) are Proprietary Fund Types:

50	Enterprise Funds
55	Component Unit Proprietary Funds
60	Internal Service Funds

**Note:** GAAFR Funds 71, 73, 75 and 76 also use proprietary general ledger codes, although the financial statements for these GAAFR fund types do not distinguish between operating and non-operating revenues and expenses.

In proprietary fund types operating activities generally result from providing goods or services, and include all transactions involved in delivering those goods or services. In the state of Florida, the goods or services include such things as:

- Licensing
- Permitting
- Testing
- Regulating
- Loan programs
- The Florida Lottery
- The Florida Turnpike and other toll facilities
- Reemployment Assistance
- Training
- Sale of surplus property
- Motor pool
- Facilities rental
- Telephone/Suncom
- Aircraft

Licensing, regulating and permitting are considered providing a service. By licensing, permitting or regulating businesses or individuals, you are providing them a service by allowing them to conduct their business in Florida.

In general, any revenues or expenses directly involved in providing these goods or services must be considered operating revenues/expenses.

Late payment interest is not interest expense. It must be charged to the same GL as the payment that caused the late interest to be assessed was charged.

The following items are generally not considered operating revenues or expenses:

- Interest payments on bonds, right to use leases or installment purchases
- Amortization of bond premium or discount
- Interest earnings
- Transfers
- Grants to others
- Proceeds from the sale of fixed assets
- Operating or capital grants or donations
- Loans made to others (Non-loan program)
- Advances

Refer to the GL list for general ledger codes and related information to be used for proprietary funds.

### **E. Capital Grants and Contributions - Governmental and Proprietary**

Capital grants and contributions include revenues or capital assets received from other governments, organizations, or individuals that are restricted for state capital purposes (i.e., to purchase, construct, or renovate state capital assets associated with a specific program). Capital assets are defined as 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 initial useful lives extending beyond a single reporting period. Capital grants and contributions also include donated materials and services used in the construction of state capital assets.

Capital grants and contributions should be reported in the following general ledger codes:

<u>Governmental Funds</u>	<u>Proprietary Funds</u>
GL Code 621XX -Capital Grants and Contributions	GL Code 687XX – Capital Grants and Contributions

Grants and contributions that may be used for *either* operating expenses *or* for capital expenditures of a program are not considered capital grants and contributions and should continue to be reported in the following general ledger codes:

<u>Governmental Funds</u>	<u>Proprietary Funds</u>
GL Code 614XX – Non-capital (operating) Grants and Contributions	GL Code 683XX – Non-capital (operating) Grants and Contributions

Moneys received by the state and passed through to other entities for capital purposes should be reported by the state as operating grants and contributions.

## F. Revenue and Expense/Expenditure Recognition

To properly account for revenues that are received in advance or unearned and disbursements that should not be recorded as an expense or expenditure at the time they are made, the following GL codes are available:

<u>GL</u>	<u>Title</u>
193XX	Prepaid Charges – Current
252XX	Prepaid Charges – Non-current
255XX	Advances to Other Governments/Entities
388XX	Unearned Revenues – Current
389XX	Revenues Received in Advance– Current
488XX	Unearned Revenues – Non-current
489XX	Revenues Received in Advance– Non-current

### Receivables and revenue recognition

The following is a guide on when a receivable should be recorded:

- Exchange and exchange like transactions – A receivable should be recognized as soon as the underlying exchange occurs.
  - Nonexchange transactions
    - Derived tax revenues - A receivable should be recorded when the underlying transaction takes place. (i.e., sales tax – when the sale takes place)
    - Imposed nonexchange revenues - As soon as an enforceable legal claim is obtained. (i.e., Fines and forfeits)
    - Government mandated and voluntary exchange transactions - As soon as all eligibility requirements have been met.
- Note:* In some instances, you may not know you have a receivable/revenue for nonexchange transactions until you actually receive the cash. In other cases, there may be historical records that could be used to prepare an estimate.)

The modified accrual method of accounting used by governmental funds (SWGF 10, 20, 30, 40, 72 or 74) relates to when revenue is recognized, not when receivables should be recorded. **Deferred Inflows-Unavailable Revenue** exists when you have a receivable and are unable to recognize/accrue revenue in a governmental fund because of time constraints in the collection process. The modified accrual method used in governmental funds requires that amounts be earned **and** available to finance current expenditures. The availability requirement is met only if collection occurs within 60 days of fiscal year-end. If this criterion is not met, the amount is recorded in the governmental funds as GL 473XX Deferred Inflows –Unavailable Revenues. However, since the entity-wide perspective is based on full accrual, the deferred amounts would be recognized as revenue in the government-wide statements.

For Proprietary and some Fiduciary type funds (SWGF 50, 60, 71, 73 or 76) any receivable expected to be collected within the next fiscal year should be recognized as revenue. If it is not expected to be collected within 1 year it should be considered a Deferred Inflow.

See section - “Deferred Outflows of Resources and Deferred Inflows of Revenues” for additional guidance.

### Expenditure/Expense recognition vs. Advances to outside entities

A prepaid charge is when an agency has disbursed funds that the recipients of the cash have not earned at the end of the fiscal year. Essentially an advance has been made to someone outside the reporting entity. For example, moneys have been provided to a local government to build a building. Once the building is completed, they must account for the money provided and return any that was not used or not used properly.



These advances should not be recorded as an expenditure/expense. They should appropriately be recorded as an “advance to” GL 255XX or “prepaid charges” [GL’s 193XX (current) or 252XX (noncurrent)]. When your agency receives documentation supporting use of the funds by the outside party, then an expenditure/expense should be recognized.

For instances where monies have been advanced and all eligibility requirements have been met except for timing, a deferred outflow of resources would be recorded (*See Deferred Outflows of resources and Deferred Inflows of Resources for additional guidance.*)

If your agency provides a grant to an outside party that voluntarily makes drawdowns as it needs the funds, the amount they have not drawn down at year end should be recorded as a liability and an expense/expenditure.

#### Expenditure/Refunds

If an outside party refunds a payment or portion of a payment and the repayment is received in the same fiscal year as the original payment was made, a reduction of an expense/expenditure (credit an expense/expenditure GL – 7XXXX) is appropriate, *not a refund*. If the repayment is received in a subsequent fiscal year relative to original payment, the repayment should be recorded as revenue (credit a revenue GL, e.g., 618XX for governmental fund or 679XX/689XX for proprietary).

### **G. Deferred Outflows of Resources and Deferred Inflows of Resources**

#### **Definitions:**

Deferred outflow of resources –

- A consumption of net assets by the government that is applicable to a future reporting period
- Has a positive effect on net position, similar to assets

Deferred inflow of resources –

- An acquisition of net assets by the government that is applicable to a future reporting period
- Has a negative effect on net position, similar to liabilities

Net position –

- The residual of all other financial statement elements presented in the Statement of Net Position

#### **Financial Statement appear as follows:**

Statement of **Net Position** includes:

Assets

**Deferred outflows of resources**

Liabilities

**Deferred inflows of resources**

Net position:

Net investment in capital assets

Restricted

Unrestricted

## H. Accounting and Financial Reporting for Derivative Instruments

Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. Hedging is one method that governments employ to reduce identified financial risks (for example to counter increases in interest costs, to offset price increases in the acquisition of commodities, or to protect against fair value losses). Following are criteria for determining if an instrument is a hedging derivative:

- The derivative instrument is associated with a hedgeable item. Association is established by consideration of the facts and circumstances of the derivative instrument, including whether:
  - 1) The notional amount of the derivative instrument is consistent with the principal amount or quantity of the hedgeable item.
  - 2) The derivative instrument will be reported in the same fund, if applicable, as the hedgeable item.
  - 3) The term or time period of the derivative instrument is consistent with the term or time period of the hedgeable item.

Hedgeable items are further described in paragraphs 28–30. A derivative instrument that is associated with a hedgeable item but has yet to be determined effective in significantly reducing the identified financial risk (paragraph 27b) is referred to in this Statement as a potential hedging derivative instrument.

- The potential hedging derivative instrument is effective in significantly reducing the identified financial risk. Effectiveness is established if the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item

Changes in fair values of hedging derivative instruments should be recognized through the application of hedge accounting. Under hedge accounting, the changes in fair values of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the statement of net positions.

GL Code - 23100 Deferred Outflows – Decrease in Fair Value – Hedging Derivatives

GL Code - 47200 Deferred Inflows – Increase in Fair Value – Hedging Derivatives

## I. Accounting and Financial Reporting for Service Concession Arrangements

### Definitions:

- **Availability Payment Arrangements** are arrangements in which a government compensates an operator for services including designing, constructing, financing, maintaining, or operating a non-financial asset for a period of time in an exchange or exchange-like transaction. Could result in a transfer of asset or just an outflow of resources.
- **Public-private OR Public-public partnerships (P3's)** are arrangement in which a government (the transferor) contracts with an operator (a nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset (such as infrastructure) or other capital asset (the underlying PPP asset) for a period of time in an exchange or exchange-like transaction.
- **Service Concession Arrangement** is a P3 where an operator collects and is compensated from fees from third parties, the government transferor, determines or has the ability to modify or approve

services provided, who the services are provided to and finally, the government has a significant residual interest in the underlying PPP asset at the end of the arrangement.

### Examples:

#### **Availability Payment Arrangements**

Design – build – finance – operate a transit system. Corporation collects all fares for the period and remit to government. Government pays fixed payments based on the physical condition of the asset or achievement of certain performance measures.

#### **Public-private OR Public-public partnerships (P3's)**

Tollway operating agreement between a state and a bank (that may or may not meet the definition of a service concession arrangement)

Tollway operating agreement between a state and a government authority (that may or may not meet the definition of a service concession arrangement)

#### **Service Concession Arrangement**

Municipal golf course and pool solely open to citizens of the municipality operated by a private operator, but with oversight by the municipality.

### **Financial Reporting:**

#### Service Concession Arrangements

- Existing facility – The transferor continues to report the capital asset.
- New facility – If a new facility is purchased or constructed by the operator, the transferor reports:
  - (a) The capital asset at fair value when placed in operation,
  - (b) Any contractual obligations as liabilities, and
  - (c) A corresponding deferred inflow of resources equal to the difference between (a) and (b).
- Liabilities – Obligations should be recorded at present value if contractual obligations are significant and the obligation relates to a commitment made by the transferor to maintain a level of service to operate (e.g. police, fire or other emergency services or a requirement for a minimum maintenance to the surrounding area).
- Capital Asset Rules Apply – Depreciation and impairment rules should continue to be followed *unless* the asset is required to be returned to the government in its original or better condition.
- Improvements – These would follow existing capitalization and depreciation rules.
- Deferred Inflows of Resources – The difference between the consideration received and the liabilities should be reported as a deferred inflow of resources. Deferrals that are recognized initially would be reduced with revenue recognition systematically over the life of the arrangement.
  - If a liability is set up for future services that need to be provided, it would be reduced as services are provided.
- Up-front or installment payments - Transferor records:
  - Asset at present value.
  - Contractual obligations as liabilities.
  - Deferred inflow of resources as difference between asset and liability. (Revenue recognized as deferred inflow reduced.)

#### **Governmental Operators**

- Report an intangible asset for the right to access the facility.
- Improvements increase the intangible asset's value.

- Amortization is over the life of the agreement.
- If specified condition is required upon return and the requirement is not met:
  - If the amount is estimable, a liability and expense would be recorded.

**Accounting for Revenue Sharing Agreements**

- Transferor government only reports revenue that accrues to them when earned according to the agreement.
- If the revenue sharing amount is fixed, then the amount should be reported at present value by the transferor government and governmental operator.

**GL Code - 47100 Deferred Inflows – Service Concession Arrangements**

**J. Items Previously Reported as Assets and Liabilities**

Certain items that were previously reported as assets or liabilities have been reclassified to deferred outflows of resources, deferred inflows of resources, outflows of resources (expense/expenditure), or inflows of resources (revenue).

The table below presents financial statement items that are required to be re-classified:

<i>Financial Statement Item</i>	<i>Previous Classification</i>	<i>Current Classification</i>
Deferred debit/(credit) amounts from the refunding of debt <sup>1</sup>	Asset/(Liability)	Deferred Outflow/ (Deferred Inflow)
Grants paid/(received) in advance of meeting the timing requirement <sup>2</sup>	Asset/(Liability)	Deferred Outflow/ (Deferred Inflow)
Deferred loss/(gain) from sale-leaseback transactions	Asset/(Liability)	Deferred Outflow/ (Deferred Inflow)
Fees relating to loans held for sale prior to the point of sale	Asset	Deferred Outflow
Debt issuance costs other than prepaid insurance costs	Asset	Expense
Initial direct costs incurred by the lessor for operating leases	Asset	Expense/ Expenditure
Acquisition costs for risk pools	Asset	Expense
Direct loan origination costs from lending activities	Asset	Expense
Proceeds from the sale of future revenues	Liability	Deferred Inflow
Intra-entity transfers of future revenues	Asset/(Liability)	Deferred Outflow/ (Deferred Inflow)
Property taxes or fines received in advance	Liability	Deferred Inflow
“Regulatory” credits (gains or other reductions)	Liability	Deferred Inflow
“Unavailable” revenue in a governmental fund <sup>3</sup>	Liability	Deferred Inflow
Points received on a loan	Liability	Deferred Inflow

Loan origination fees, excluding points, using lessor accounting	Liability	Revenue
Commitment fees	Liability	Revenue/Liability
Fees paid/(received) related to the purchase of a loan or group of loans	Asset/(Liability)	Expense/(Revenue)

Please note that this table includes examples and is not intended to be all-inclusive.

**GL Codes:**

- 1     **23300 – Deferred Outflows – Amount Deferred on Refunding – Bonds Payable**  
**23400 – Deferred Outflows – Amount Deferred on Refunding – Certificates of Participation**  
**47500 – Deferred Inflows – Amount Deferred on Refunding – Bonds Payable**  
**47600 – Deferred Inflows – Amount Deferred on Refunding – Certificates of Participation**  
For current and advance refunding resulting in defeasance of debt, the difference between reacquisition price and net carrying amount of the old debt should be recorded as a deferred outflow or deferred inflow of resources and recognized in a systematic and rational manner over the life of the old debt or the life of the new debt, whichever is shorter.
  
- 2     **23200 – Deferred Outflows – Grants Paid in Advance**  
**47400 – Deferred Inflows – Grants Received in Advance**  
Advance payments made by a provider *or* resources received by a recipient in advance related to government-mandated or voluntary nonexchange transactions such as reimbursement-type or expenditure-driven grants should be recorded as a deferred outflow or deferred inflow of resources when all eligibility requirements, other than time requirements, have been met.
  
- 3     **47300 – Deferred Inflows – Unavailable Revenue**  
Governmental funds recognize revenues as they become susceptible to accrual, generally when they are both measurable and available. Revenues collected within 60 days after the end of the fiscal year are considered available, except for certain tax revenues, which are considered available when collected within 30 days after year-end. If revenues are not collected within these time frames, they are considered “unavailable”. A deferred inflow of resources should be recorded until revenues become available.

**Definitions/Examples of Financial Statement Items**

- **Deferred amount from the refunding of debt** – This is the difference between the reacquisition price and the net carrying amount of the old debt.
- **Grants paid or received in advance of meeting the timing requirement** – The timing requirement would be a stipulation on the grant’s resources that would require the resources to be used at a specific time. One example of a timing requirement would be receiving a grant during the current fiscal year, but being restricted from using the grant’s resources until the subsequent fiscal year.
- **Deferred loss or gain from sale-leaseback transactions** – This would be the amount of loss or gain to be recognized in future periods relating to a transaction involving selling property to another party and then leasing that property back.
- **Fees relating to loans held for sale prior to the point of sale** – These fees would be recorded as deferred outflows of resources *until* the sale of the loans occurs. They would be recognized as an expense in the period the loans are sold to permanent investors **OR** when it becomes evident that the commitment will not be used.
- **Debt issuance costs other than prepaid insurance costs** – These are costs, such as professional fees or registration fees, associated with the issuance of debt.

- **Initial direct costs incurred by the lessor for operating leases** – These are costs that a lessor incurs during the negotiation of an operating lease. Examples would be credit check fees, legal fees, documentary stamp taxes, or commissions.
- **Acquisition costs for risk pools** – These are costs related to the acquisition of insurance or pool participant contracts.
- **Direct loan origination costs from lending activities** – These are costs that are paid by the borrower on a loan, such as commissions, underwriting fees, closing costs, and other loan processing fees.
- **Proceeds from the sale of future revenues** – Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments – generally, a single lump sum.
- **Intra-entity transfers of future revenues** – This is similar to the sales of future revenues, except it is a transfer of future revenues within the same agency.
- **Property taxes or fines received in advance** – Imposed nonexchange revenues are derived from assessments imposed on nongovernmental entities other than assessments on exchange transactions. Examples of imposed nonexchange transactions are property taxes and fines.
- **“Regulatory” credits (gains or other reductions)** – This item refers to gains or other reductions related to the net allowable costs of business-type activities that have regulated operations.
- **“Unavailable” revenue in a governmental fund** – Any revenue related to a governmental fund that will not be collected until 60 days (30 days for taxes) after the current fiscal year-end is deemed to be “unavailable”.
- **Points received on a loan** – Points, sometimes called "discount points", are a form of pre-paid interest.
- **Loan origination fees, excluding points, using lessor accounting** – These are fees received by the lender in connection with originating, refinancing, or restructuring loans. Examples of loan origination fees include management fees, underwriting fees, placement fees, or other fees pursuant to a lending or leasing transaction.
- **Commitment fees** – Commitment fees are charged by a lender to a borrower for assurance that the lender will supply a loan at a specified future date and at the contracted interest rate.
- **Fees paid or received related to the purchase of a loan or group of loans** – These are costs incurred when acquiring purchased loans or committing to purchase loans.

Use the following GL codes to record revenues received in advance and prepaid charges:

**38900 – Revenues Received in Advance - Current**

**48900 – Revenues Received in Advance – Long-term**

Examples of items to be recorded in these GL codes include receipt of an expenditure-driven grant in advance of the incurrence of eligible costs and receipt of a license fee at the beginning of the license period (similar to “unearned” revenue).

**19300 – Prepaid Charges – Current**

**25200 – Prepaid Charges – Long-term**

An example of an item to be recorded in these GL codes is prepaid insurance related to the issuance of bonds.

**Advances received and revenue recognition – (Unearned Revenue)**

If an advance is received (cash collected but the earnings process is not complete) from outside our reporting entity, it should be recorded as “unearned revenue” [GL’s 388XX (current) or 488XX (noncurrent) as appropriate]. If the advance is returned to the provider, a reduction of the unearned revenue, not an expense/expenditure is appropriate. Unearned revenue is reported in governmental, proprietary, and fiduciary statements, as well as in government-wide statements.

**K. State Treasury Investment Pool Interest and Administrative Fee**

Interest earned on deposits in the State Treasury Investment Pool should be reported separately from the administrative fee charged. The interest earned should be recorded as Interest and Dividends (GL 615XX for governmental funds) or Interest (GL 686XX for proprietary type funds). The administrative fee charged should be recorded as Expenditures Current (GL 711XX governmental funds) or Amortization and Fiscal Charges (GL 785XX proprietary type funds). These GLs can be used in conjunction with 310403 - ASSESSMENT ON INVESTMENTS.

Example: If you earned \$1,000 in interest on deposits in the State Treasury Investment Pool, and the administrative fee charged was \$20, the following entry should be recorded:

	<u>Debit</u>	<u>Credit</u>
<i>Governmental Funds (10, 20, 30, 40, 72 or 74)</i>		
Pooled Investments with State Treasury (141XX)	\$ 980	
Interest and Dividends (615XX)		\$1,000
Expenditures Current (711XX)	\$ 20	
<i>Proprietary and certain Fiduciary Type Funds (50, 60, 71, 73 or 76)</i>		
Pooled Investments with State Treasury (141XX)	\$ 980	
Interest (686XX)		\$1,000
Amortization and Fiscal Charges (785XX)	\$ 20	

If the \$1,000 in interest has been earned but not received at June 30, the following entry should be recorded:

	<u>Debit</u>	<u>Credit</u>
<i>Governmental Funds (10, 20, 30, 40, 72 or 74)</i>		
Accounts Receivable (151XX)	\$1,000	
Interest and Dividends (615XX)		\$1,000
Accounts Payable (311XX) *		\$ 20
Expenditures Current (711XX)	\$ 20	
<i>Proprietary and Certain Fiduciary Type Funds (50, 60, 71, 73, 76 or 77)</i>		
Accounts Receivable (151XX)	\$1,000	
Interest (615XX/686XX)		\$1,000
Accounts Payable (311XX) *		\$ 20
Amortization and Fiscal Charges (785XX)	\$ 20	

\* Use fund 43 20 2 725001 43100200 00 000300 00 (Administrative and Investment Trust Fund)

**L. Impairment of Capital Assets and Insurance Recoveries**

Accounting and reporting requirements for capital asset impairments and related insurance recoveries were established to make capital asset impairments and insurance recoveries more identifiable and to improve comparability of financial statements between governments.

The Department of Financial Services established this guidance for state agencies to achieve consistency regarding the accounting of capital asset impairments and related insurance recoveries for the preparation of the ACFR. This policy does not supersede or supplant guidance or direction provided by any other organization or governmental entity for other operational purposes. For example, this policy does not replace the Florida Accounting Information Resource (FLAIR) Property Manual.

When a capital asset has been impaired, the carrying value of the capital asset is written down by the amount of the impairment loss. An impairment is a *significant* and *unexpected* decline in the service utility of a capital asset. The service utility of a capital asset is the *usable capacity* that at acquisition was expected to be used to provide service. If an impairment is determined to be temporary (not permanent), the carrying value of the capital asset is not written down.

Agency management is responsible for ensuring proper accounting and reporting of capital asset impairments. The events or changes in circumstances that lead to impairments are not considered normal and ordinary. That is, at the time the capital asset was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the capital asset. Furthermore, the events or changes in circumstances affecting a capital asset that may indicate impairments are prominent; that is, conspicuous or known to the agency. Agencies are not required to perform additional procedures to identify potential impairment of capital assets beyond those already performed as part of their normal operations. The events or changes in circumstances that may indicate impairment generally are expected to have prompted discussion by agency management or the media.

To determine whether a capital asset has been impaired, a two-step process is used to first identify potential impairments and then to test for impairment. Capital assets that have potential for meeting the definition of impairment are identified through events or changes in circumstances that are prominent and that denote the presence of *indicators* of impairment. After such capital assets have been identified, a test of impairment must be performed to determine whether the circumstance or change in condition results in a *significant* and *unexpected* decline in the service utility (useful life expected at acquisition) of a capital asset.

#### Indicators of Potential Impairment

When events or changes in circumstances suggest that the service utility of a capital asset may have significantly and unexpectedly declined, impairment may be indicated. Common indicators of potential impairments include:

- Evidence of physical damage, such as for a building damaged by fire or flood, when the level of damage is such that restoration efforts are needed to restore service utility.
- Enactment or approval of laws or regulations or changes in environmental factors, such as new water quality standards that a water treatment plant does not meet (and cannot be modified to meet).
- Technological development or evidence of obsolescence, such as that related to a major piece of research or diagnostic equipment that is rarely used because newer equipment provides better service.
- Changes in the manner or expected duration of use of a capital asset, such as closure of a school prior to the end of its useful life.
- Construction stoppage, such as stoppage of construction of a building due to lack of funding.

A change in *demand* for the services of a capital asset is not considered a separate indicator of impairment. However, changes in demand may be caused by or associated with indicators such as those listed above, and capital assets in these circumstances should be tested for impairment. For example, decreased demand for the processing services of a mainframe computer because former users of the mainframe have transitioned to PC- and server-based systems should be considered a change in demand associated with an *indicator* of impairment (evidence of obsolescence) and the mainframe should be tested for impairment. However, a decrease in demand resulting from the completion of a special project requiring large amounts of processing time on a mainframe computer that runs other applications should not be considered a change in demand associated with an *indicator* of impairment, and a test for impairment is not required.

#### Impairment Test

A capital asset identified by the Indicators of Potential Impairment should be tested for impairment by determining whether both of the following two factors are present:



- The magnitude of the decline in service utility is significant; and
- The decline in service utility is unexpected (i.e., event or change is not a part of the normal life cycle of the asset, including outside the range of normal effects of age and use).

**Note:** If an event or circumstance indicates that a capital asset may be impaired, but the test of impairment determines that impairment has not occurred, the estimates used in depreciation calculations (remaining useful life and salvage value) should be reevaluated and changed, if necessary. Changes to estimated useful lives and salvage values are accounted for on a prospective basis in future depreciation expense (not recorded as a prior period adjustment).

### Measurement of Impairment

The amount of impairment is the portion of the historical cost that should be written off. There are four different methods of calculating an impairment loss. The chart below summarizes the method of measurement to be used for each of the common indicators listed in the *Indicators of Potential Impairment* section.

<u>Reason (Indicator Present)</u>	<u>Measurement Method to Use</u>
Evidence of physical damage	Restoration cost approach
Changes in laws or regulations and changes in environmental factors	Service units approach
Technological changes or evidence of obsolescence	Service units approach
Change in the manner or expected duration of use	Service units approach or deflated depreciated replacement cost approach
Construction stoppage	Lower of carrying value or fair value

### Restoration Cost Approach

Under this approach, the amount of impairment is derived from the estimated costs to restore the utility of the capital asset. Restoration cost is the cost necessary to return the capital asset to its original condition and does not include any amount attributable to improvements or additions. Estimate the restoration costs in current year dollars, and then use one of the following two options to convert the estimated restoration costs to historical costs:

- Using current year dollars, identify the replacement cost of the entire asset. Establish a ratio by dividing the restoration cost by the current replacement cost. This will result in a percentage of the damaged portion of the capital asset. Multiply the percent of damaged portion by the carrying value (historical cost less accumulated depreciation) to calculate the impairment loss.
- Using year of acquisition dollars, determine the appropriate cost index to deflate and convert the restoration costs to historical costs. Establish a ratio by dividing the deflated restoration cost by the historical cost. Multiply the resulting percentage by the carrying value (historical cost less accumulated depreciation) to calculate the impairment loss.

### Service Units Approach

This approach isolates the historical cost of the service utility of the capital asset that cannot be used due to the impairment event or change in circumstances. The amount of impairment is determined by evaluating the service provided by the capital asset (either maximum estimated service units or total estimated service units throughout the life of the capital asset) before and after the event or change in circumstance. Use one of the following three options to compare the service provided by the capital asset before the event or change in

circumstance to the service provided after the event or change in circumstance using the service units approach.

- Calculate the amount of impairment loss by taking a ratio of lost units over the total units originally expected over the life of the asset and multiplying that ratio by the historical cost of the capital asset.
- Calculate the amount of impairment loss by taking a ratio of lost units per period over the total units per period originally expected over the life of the asset and multiplying that ratio by the carrying value of the capital asset.
- Calculate the amount of impairment loss by subtracting the value of units remaining after the impairment from the carrying value of the capital asset. The value of remaining units is calculated by multiplying the unit cost by the number of remaining units. The unit cost is calculated by dividing the historical cost by the total units originally expected over the life of the asset.

#### Deflated Depreciated Replacement Cost Approach.

This approach replicates the historical cost of the service produced. A current cost for a capital asset to replace the current level of service is estimated. This estimated current cost is depreciated to reflect the fact that the capital asset is not new, and then is deflated to convert it to historical cost dollars. This method uses the following steps:

- a) Using current value, estimate a hypothetical replacement cost for an equivalent asset specifically suited to the new manner or expected duration of use.
- b) Depreciate the cost of the replacement asset by multiplying the depreciated ratio of the actual asset (carrying value over historical cost) by the estimated replacement cost.
- c) Using an appropriate cost index, deflate the cost of the replacement asset to restate it based on acquisition year dollars.
- d) Subtract the deflated depreciated replacement value from the carrying value of the impaired asset to calculate the impairment loss.

#### Lower of Carrying Value or Fair Value.

Impaired capital assets that will no longer be used by an agency and construction stoppage must be reported at the lower of carrying value or fair value. Thus, if the carrying value of the asset is higher than the fair value, the carrying value must be written down to fair value.

#### Determine Treatment as Extraordinary Item or Operating Expense

Once an asset has been determined to be impaired, the next step is to decide whether to record the impairment as an extraordinary item or operating expense. Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. By definition, once an asset has met the impairment criteria, it has already been determined to be unusual in nature, or unexpected. Frequency then becomes the determining factor as to whether impairment is considered extraordinary. Thus, impaired capital assets are considered to be extraordinary items if they occur on an *infrequent* basis. Extraordinary impaired capital assets are *significant, unexpected* declines in service utility of a capital asset that occurs on an *infrequent* basis. Frequently occurring impairments are considered operating expense.

#### Insurance Recoveries

Insurance recoveries should be recognized only when realized or realizable. The following guidance is offered to determine when an insurance recovery would be realizable:

- If an insurer has admitted or acknowledged coverage, an insurance recovery would be realizable;
- If the insurer has denied coverage, the insurance recovery generally would not be realizable.

## Journal Entry Examples

### SWGF 80

To record impairment loss in a governmental fund, loss is significant and results in unexpected decline in the service utility of a building, but loss is NOT both unusual in nature and infrequent in occurrence. Record in Statewide GAAFR Fund (SWGF) 80.

		<u>DR</u>	<u>CR</u>
711XX	Expenditures	XXX	
272XX	Buildings & Building Improvements		XXX

### SWGF 80

To record impairment loss in a governmental fund, loss is significant and results in unexpected decline in the service utility of a building, and loss is BOTH unusual in nature and infrequent in occurrence. Record in SWGF 80.

		<u>DR</u>	<u>CR</u>
719XX	Extraordinary Items	XXX	
272XX	Buildings & Building Improvements		XXX

### SWGF 50 or 60

To record impairment loss in a proprietary fund, loss is significant and results in unexpected decline in the service utility of a building, and loss is NOT both unusual in nature and infrequent in occurrence. Record in SWGF 50 or 60.

		<u>DR</u>	<u>CR</u>
765XX	Capital Asset Impairment - Operating Expense	XXX	
272XX	Buildings & Building Improvements		XXX

### SWGF 50 or 60

To record impairment loss in a proprietary fund, loss is significant and results in unexpected decline in the service utility of a building, and loss is both unusual in nature and infrequent in occurrence. Record in SWGF 50 or 60.

		<u>DR</u>	<u>CR</u>
788XX	Extraordinary Items	XXX	
272XX	Buildings & Building Improvements		XXX

### SWGF 10, 20 or 74

To record insurance recoveries in a governmental fund in years subsequent to year of impairment loss NOT considered to be extraordinary. Record in SWGF 10 or 20.

		<u>DR</u>	<u>CR</u>
122XX	Cash	XXX	
692XX	Insurance Recoveries - Other Financing Source		XXX

### SWGF 90

To record an offset for insurance recovery entry recorded in the governmental fund for government-wide financial statement purposes when impairment loss is not considered to be extraordinary. Record in SWGF 90.

		<u>DR</u>	<u>CR</u>
692XX	Insurance Recoveries - Other Financing Source	XXX	
616XX	Fines, Forfeits, Judgments, and Settlements		XXX

SWGF 10, 20 or 74

To record insurance recoveries in a governmental fund in years subsequent to year of impairment loss considered to be extraordinary. Record in SWGF 10 or 20.

		<u>DR</u>	<u>CR</u>
12XXX	Cash	XXX	
719XX	Extraordinary Items		XXX

SWGF 50 or 60

To record insurance recoveries in a proprietary fund in years subsequent to year of impairment loss NOT considered to be extraordinary. Record in SWGF 50 or 60.

		<u>DR</u>	<u>CR</u>
122XX	Cash	XXX	
681XX	Insurance Recoveries - Non-operating Revenue		XXX

SWGF 50 or 60

To record insurance recoveries in proprietary fund in years subsequent to year of impairment loss considered to be extraordinary. Record in SWGF 50 or 60.

		<u>DR</u>	<u>CR</u>
12XXX	Cash	XXX	
788XX	Extraordinary Items		XXX

**Notes:**

1. To record impairment loss for capital assets other than buildings and building improvements, use the appropriate general ledger codes for the capital assets.
2. Agency should have a mechanism to track changes to historical cost and useful lives so that proper depreciation and accumulated depreciation will be reflected when changes are necessary due to impairment loss.
3. Insurance recoveries received from the Division of Risk Management **should not** be recorded using general ledger code 692XX - Insurance Recoveries - Other Financing Source. These recoveries **must** be recorded as **transfers**.

**M. Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements**

This section is provided to improve consistency in the information disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

In addition to other requirements to disclose information related to debt in notes to financial statements, the state government should disclose in notes to financial statements summarized information about the following items:

- a. Amount of unused lines of credit
- b. Assets pledged as collateral for debt
- c. Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance related consequences, and (3) subjective acceleration clauses.

In notes to financial statements, a government should separate information in debt disclosures regarding (a) direct borrowings and direct placements of debt from (b) other debt.

The SFRS team created the following forms to report debt related information:

a. Primary government:

- *Form 21 - Installment Purchase Contracts & Other Liabilities.* This form reports the Bonds Payable and Certificates of Participation schedules and amounts reported in the following General Ledger (GL) codes:
  - 38500 - Installment Purchase Contracts and
  - 37600 – Installment Purchase Contracts – Direct Borrowings/Placements
  - 48500 - Installment Purchase Contracts
  - 48300 - Installment Purchase Contracts – Direct Borrowings/Placements
  
- *Form 45 - Bonds Payable and Certificates of Participation.* This form reports the Bonds Payable and Certificates of Participation schedules and amounts reported in the following General Ledger (GL) codes:
  - 37100 - Bonds Payable – Current, 37400 - Bonds Payable - Direct Borrowings/Direct Placements,
  - 37300 - Bonds Payable from Restricted Assets – Current, 38100 - Bonds Payable from Restricted Assets – Direct Borrowings/Placements, 44500 - Bonds Payable from Restricted Assets, 46800 - Bonds Payable from Restricted Funds - Direct Borrowings/Placements, 46100 - Bonds Payable, and 44700 - Bonds Payable – Direct Borrowings/Placements  
These GL codes net of GL codes 46300 - Unamortized Premiums - Bonds Payable, 46400 - Unamortized Discounts - Bonds Payable, 23300 - Deferred Outflows - Amount Deferred on Refunding-Bonds Payable, and 47500 - Deferred Inflows - Amount Deferred on Refunding-Bonds Payable balances.
  - 37200 - Certificates of Participation – Current, 37500 - Certificates of Participation – Direct Borrowings/Placements and 46200 - Certificates of Participation, 43100 - Certificates of Participation – Direct Borrowings/Placements net of GL codes 46600 - Unamortized Premiums/Discounts - COP, 23400 - Deferred Outflows - Amount Deferred on Refunding-COP, and 47600 - Deferred Inflows - Amount Deferred on Refunding-COP balances.

Forms 21 and 45 capture the assets pledged as collateral for debt and the terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance related consequences, and (3) subjective acceleration clauses. They also include debt disclosures regarding Direct Borrowings and Direct Placements required to be identified separately.

Form 54 - Other Liabilities. This form captures any additional debt information not reported in Form 21 and Form 45. This form reports Other Liabilities schedule and amounts reported in the following GL codes:

- 39900 - Other Current Liabilities, 37800 - Other Current Liabilities – Direct Borrowings/Placements and 49900 - Other Long-Term Liabilities, 49000 - Other Current Liabilities – Direct Borrowings/Placements.

It includes the assets pledged as collateral for debt and the terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance related consequences, and (3) subjective acceleration clauses. It also includes debt disclosures regarding Direct Borrowings and Direct Placements required to be identified separately.

- *Form 53 - Lines of Credit.* It is for reporting of the primary government. It captures the description of the line of service, the total line of credit under agreement, the unused lines of credit, and any important information to be disclosed.

b. Component Units:

- *Form CU7 - Bonds Payable and Certificates of Participation.* This form reports the Bonds Payable and Certificates of Participation schedules and amounts reported in the following General Ledger (GL) codes:
  - 37100 - Bonds Payable – Current, 46100 - Bonds Payable, and 44500 - Bonds Payable from Restricted Assets net of GL codes 46300 - Unamortized Premiums - Bonds Payable, 46400 - Unamortized Discounts - Bonds Payable, 23300 - Deferred Outflows - Amount Deferred on Refunding-Bonds Payable, and 47500 - Deferred Inflows - Amount Deferred on Refunding-Bonds Payable, and/or
  - 37200 - Certificates of Participation – Current and 46200 - Certificates of Participation net of GL codes 46600 - Unamortized Premiums/Discounts - COP, 23400 - Deferred Outflows - Amount Deferred on Refunding-COP, and 47600 - Deferred Inflows - Amount Deferred on Refunding-COP.
  
- *Form CU8 - Installment Purchase Contracts & Other Liabilities.* This form reports the Installment Purchase Contracts and Other Liabilities schedules and amounts reported in the following GL codes:
  - 38500 - Installment Purchase Contracts – Current, 37600 – Installment Purchase Contracts – Direct Borrowings/Placements and 48500 Installment Purchase Contracts, 37600 – Installment Purchase Contracts – Direct Borrowings/Placements

Forms CU7 and CU8 were updated to report the requirements of GASB Statement 88. They capture the assets pledged as collateral for debt and the terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance related consequences, and (3) subjective acceleration clauses. They also include debt disclosures regarding Direct Borrowings and Direct Placements required to be identified separately.

*Form CU10 - Other Liabilities.* This form captures any additional debt information not reported in Forms CU7 and CU8. This form reports Other Liabilities schedule and amounts reported in the following GL codes:

- 39900 - Other Current Liabilities
- 37800 - Other Current Liabilities – Direct Borrowings/Placements
- 49900 - Other Long-Term Liabilities
- 49000 - Other Current Liabilities – Direct Borrowings/Placements .

It includes the assets pledged as collateral for debt and the terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance related consequences, and (3) subjective acceleration clauses. It also includes debt disclosures regarding Direct Borrowings and Direct Placements required to be identified separately.

*Form CU9 – Lines of Credit.* captures the description of the line of service, the total line of credit under agreement, the unused lines of credit, and any important information to be disclosed.

c. State Universities

*Form CU10 UNIV-CIDP - Capital Improvement Debt Payable.* This form captures debt information related to Capital Improvement Debt Payable:

- 35800 - Advances from Primary - Short-term, 36300 - Advances from Primary - Direct Borrowings/Placements, 45800 - Advances from Primary, and 45900 - Advances from Primary - Direct Borrowings/Placements.

It includes the assets pledged as collateral for debt and the terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with

finance related consequences, and (3) subjective acceleration clauses. It also includes debt disclosures regarding Direct Borrowings and Direct Placements required to be identified separately.

#### **N. Right to Use Leased Assets (Leases and SPITAs)**

See recorded trainings and guidance documents on the website.

#### **Checklist Item 16 - Fund Questionnaires**

The **Fund Questionnaire** form (DFS-A1-1832) is used for determination of a new fund and re-determination of an existing fund to establish fund classification and type. The questionnaire includes detailed instructions. An e-mail is sent directly to your Administrative Service Director by DFS, Director of Division of Accounting and Auditing regarding the Fund Questionnaire.

The Reporting Entity Determination form (DFS-A1-1833) is used to determine funds related to component units.

Both forms are located at <https://www.myfloridacfo.com/division/aa/all-forms> (Select “Financial Reporting.”)

#### **Checklist Item 17 - Statewide Financial Statement Forms**

All applicable statewide financial statement forms for the primary government must be complete, accurate and submitted by due date. For a “list” of the forms required for your agency go to the WTB database and run the *Forms Due Report*. Amounts reported on all forms must tie to amounts recorded in applicable general ledgers in the trial balance for each fund.

All P-forms are required to be submitted by each agency. If there is a delegation of authority for signed forms, the written document giving such authority must be submitted with the form.

To obtain the forms go to the website located at <https://www.myfloridacfo.com/division/aa/all-forms> (Select “Financial Reporting.”)

#### **Checklist Item 18 - Component Units**

Audited financial statements, adjustments, and applicable statewide financial statement forms pertaining to component units with a fiscal year-end *before* June 30<sup>th</sup>, must be completed and submitted **by agency closing date** and component units with a fiscal year-end of June 30<sup>th</sup>, must be completed and submitted to SFRS **by September 30<sup>th</sup>**.

For guidance on completing applicable statewide financial statement forms pertaining to component units and for a “list” of the forms for component units go to the WTB database – *Discretely Presented Component Unit Forms Report*. To obtain the forms and instructions, go to the website located at <https://www.myfloridacfo.com/division/aa/all-forms> (Select “Financial Reporting.”)

#### **Checklist Item 19 - Schedule of Expenditures and Federal Awards (SEFA)**

This is reporting your federal awards. To obtain the **SEFA** (DFS-A1-1830) form, go to the website located at <https://www.myfloridacfo.com/division/aa/all-forms> (Select “Financial Reporting.”) All agencies are required to submit the SEFA form regardless if they receive federal funds or not.

## **Checklist Item 20 - Consideration of Fraud in Financial Reporting**

The “Consideration of Fraud in Financial Reporting Certification” (DFS-A1-1834) form is in accordance with Statements on Auditing Standards (SAS) 122, Section AU-C 240 and must be signed by the agency head or delegation of authority attesting controls are in place to prevent and detect fraud for FY end of June 30. In the event that agency management is aware of instances of fraud that may have a material effect on the agency’s financial statements, this information must be timely provided to the Department of Financial Services, Statewide Financial Reporting in writing by the agency. The [form](#) is on the Accounting & Auditing website ([Select “Financial Reporting.”](#)). The form must be signed 6/30 or thereafter since it’s an attestation through fiscal year end.

If there is a delegation of authority, the written document giving such authority must be submitted with the form.

## **Checklist Item 21 - Budgeted Revenue Amounts**

Estimated revenues recorded in GLs 8XXXX and 9XXXX are all final budgeted revenue amounts. Note: The final budget is the original budget adjusted by all budgetary reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes.

**FINAL BUDGET = original budget adjusted** by and made during the year by all:

- budgetary reserves
- transfers
- allocations
- supplemental appropriations
- other legally authorized changes requested.

Budgetary reserves are defined in F.S.s 216.011(1)(hh) listed below.

F.S.s, 216.011(1)(hh) “Budget reserve” means the withholding, as authorized by the Legislature, of an appropriation, or portion thereof. The need for a budget reserve may exist until certain conditions set by the Legislature are met by the affected agency, or such need may exist due to financial or program changes that have occurred since, and were unforeseen at the time of, passage of the General Appropriations Act.

When recording estimated revenues for GLs 8XXXX and 9XXXXX remember to consider the adjustments listed in the first paragraph. For example:

- Additional transfer requests made and approved to cover unexpected expenses should also consider and incorporate additional revenue/transfer-in to cover additional expenses.
- Reversions of unused revenues or
- Reserves released as a result of completing the necessary requirements
- Consider related estimated revenues required to cover approved expenditure authority based on subsequent requests.

**To verify accuracy run the report *Checklist Item 21 – Final Budgeted Revenues*** in the WTB database.

## **Checklist Item 22 - Component Units GASB Notification**

An A&A memo is provided each year to Agencies, regarding this checklist item, to include the *Governmental Accounting Standard Boards (GASB) Implementation Schedule* for the current fiscal year and the *State of Florida Component Units List*. Agencies are responsible for providing (*by e-mail*), the GASB Implementation Schedule and reporting requirements to their Component Unit (CU) and cc: SFRS (sfrs@myfloridacfo.com).



This e-mail will certify when the CUs received the GASB notification. The Implementation Schedule and State of Florida Component Units List are on the Division of Accounting and Auditing [website \(Select “Financial Reporting.”\)](#)

**Checklist Item 23 - Revolving Funds**

Revolving funds are local bank accounts maintained on an imprest (a loan or advance of money) basis. They are used to make immediate disbursements on behalf of an agency, which are later reimbursed. Revolving funds may be cash on hand, cash in the bank or a combination of both and must be approved in writing by the Chief Financial Officer. They can be established from either General Revenue or a trust fund.

Revolving Fund Established from General Revenue (GR):

Revolving funds established from GR are established from General Revenue Unallocated (the big general) not from the general revenue allocated to the agencies (little generals). At June 30, the following amounts are all that should remain in a revolving fund established from GR:

		<u>Debit</u>	<u>Credit</u>
111XX or 112XX	Cash (approved amount)	XXX	
451XX	Advances from Other Funds		XXX

Revolving Fund Established from a Trust Fund:

Ensure that amounts are not double reported in the source fund and in the revolving fund (i.e., cash).

**Note:** There should not be any amounts in GL 168XX, Due from Revolving Funds, or GL 358XX, Due To Revolving Fund at year end.

**Checklist Item 24 - Interfund Loans Receivables and/or Payables**

Ensure all interfund loan balances at year-end are reported appropriately as interfund loans payable or receivable. These loans provide resources to other funds and are reciprocal in nature (i.e., include a repayment requirement). [Reference: *GASB Codification of Governmental Accounting, and Financial Reporting Standards, Section 1800.102(a)(1).*]

For reporting purposes, these loan activities **cannot be classified as Transfers In/Out or other Expense, Expenditure/Revenue line item**. Since FLAIR functionality records this activity as operating receipts and disbursements, entries must be posted to reverse the automated FLAIR postings in GL and record the interfund loan balances either during fiscal year 1 or at year-end 2.

**Note:** Interfund loans are treated similar to other interfund activity (i.e., due to/from) and are assumed to be short-term in nature.

The sample entries on the following page can be used as a guide for loans:

- between funds within an agency OR
- with other agencies (e.g., DFS's Trust Funds Control - 430000-20-2-732001)

**ENTRIES FOR ACCRUALS POSTED DURING THE FISCAL YEAR<sup>1</sup>**

	Loan Repaid Within Same Fiscal Year		Loan Partially Repaid Within the Fiscal Year		No Repayment During the Fiscal Year	
	DR	CR	DR	CR	DR	CR
<b><u>DISTRIBUTING FUND:</u></b>						
GL 757XX or 759XX (Transfer Out)	100,000		100,000		100,000	
GL 122XX (Released Cash)		100,000		100,000		100,000
<i>To record loan funds distributed.</i>						
GL 162XX or 163XX (Due From)	100,000		100,000		100,000	
GL 757XX or 759XX (Transfer Out)		100,000		100,000		100,000
<i>To record receivable.</i>						
GL 121XX (Unreleased Cash)	100,000		50,000			
GL 657XX or 659XX (Transfer In)		100,000		50,000		
<i>To record repayment received.</i>						
GL 657XX or 659XX (Transfer In)	100,000		50,000			
GL 162XX or 163XX (Due From)		100,000		50,000		
<i>To clear initial receivable and revenue recorded.</i>						
<b><u>RECEIVING FUND:</u></b>						
GL 121XX (Unreleased Cash)	100,000		100,000		100,000	
GL 657XX or 659XX (Transfer In)		100,000		100,000		100,000
<i>To record receipt of loan funds from another fund or agency.</i>						
GL 657XX or 659XX (Transfer In)	100,000		100,000		100,000	
GL 352XX or 353XX (Due To)		100,000		100,000		100,000
<i>To record payable.</i>						
GL 757XX or 759XX (Transfer Out)	100,000		50,000			
GL 122XX (Released Cash)		100,000		50,000		
<i>To record repayment of loan funds.</i>						
GL 352XX or 353XX (Due To)	100,000		50,000			
GL 757XX or 759XX (Transfer Out)		100,000		50,000		
<i>To record loans payable.</i>						

**ENTRIES FOR ACCRUALS POSTED AT YEAR-END<sup>2</sup>**

	Loan Repaid Within Same Fiscal Year		Loan Partially Repaid Within the Fiscal Year		No Repayment During the Fiscal Year	
	DR	CR	DR	CR	DR	CR
<b><u>DISTRIBUTING FUND:</u></b>						
GL 757XX or 759XX (Transfer Out)	100,000		100,000		100,000	
GL 122XX (Released Cash)		100,000		100,000		100,000
<i>To record loan funds distributed to another fund or agency.</i>						
GL 121XX (Unreleased Cash)	100,000		50,000			
GL 657XX or 659XX (Transfer In)		100,000		50,000		
<i>To record repayment received.</i>						
GL 162XX or 163XX (Due From)			50,000		100,000	
GL 657XX or 659XX (Transfer In)	100,000		50,000			
GL 757XX or 759XX (Transfer Out)		100,000		100,000		100,000
<i>Closing entry.</i>						
<b><u>RECEIVING FUND:</u></b>						
GL 121XX (Unreleased Cash)	100,000		100,000		100,000	
GL 657XX or 659XX (Transfer In)		100,000		100,000		100,000
<i>To record receipt of loan funds from another fund or agency.</i>						
GL 757XX or 759XX (Transfer Out)	100,000		50,000			
GL 122XX (Released Cash)		100,000		50,000		
<i>To record repayment made.</i>						
GL 657XX or 659XX (Transfer In)	100,000		100,000		100,000	
GL 757XX or 759XX (Transfer Out)		100,000		50,000		
GL 352XX or 353XX (Due To)				50,000		100,000
<i>Closing entry.</i>						

**Checklist Item 25 - Public Deposit Requirements**

This is confirming ALL public deposits are in a Qualified Public Depository (QPD) and the agency is in compliance with the public deposit program established in Chapter 280, Florida Statutes. QPD's are banks and savings associations that have been granted the authority to hold Florida public deposits and the list is on file with Department of Financial Services, Division of Treasury.

The agency is certifying they have an original, signed, *Public Depositor Identification & Acknowledgement Form* (DFS-J1-1295) completed when the account was opened for each deposit account (fund) on file for their agency and have submitted to Treasury by November 30<sup>th</sup> of previous year their "Public Depositor Annual Report to the Chief Financial Officer" (DFS-J1-1009) for the period ended September 30.

State agencies that **only** have bank account services through the Consolidated Revolving Account (CRA) administered by the Treasury, Bureau of Funds Management are not required to file the Public Depositor Annual Report to the Chief Financial Officer because those accounts are controlled and administered by the Treasury under contracts they have entered into with banking organizations. *The submission of the annual report is preferred regardless if required or not so Treasury's records can remain current with having the most updated contact information so if an agency opens its own bank account in the future when Treasury sends out the reminder it will prompt the agency to act upon receipt of the annual notice sent out to the agencies concerning the public depositor annual report and ensure compliance. However, it is not required to be submitted in this instance and it **must** also be marked on the agencies DFS-A1-1859 Form 17-Deposits for funds that fall under CRA.*

**Note:** If an agency is not in compliance, then it could potentially have to be stated in the Annual Comprehensive Financial Report as a “Custodial Credit Risk” in Note 2.