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# Financial Reporting and Appropriation Control Updates

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**Accounting Policy Meeting**  
**Sept. 22, 2020**

**Financial Reporting and Appropriation Control sections**  
**Fiscal Management Division**



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# Agenda and Presenters

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## Pledged Future Revenues

Presenter: **Anis Golshan**  
financial reporting analyst

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## Schedule of Expenditures of Federal Awards (SEFA) Updates

Presenter: **Amber Copeland**  
financial reporting analyst

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## GASB Statement No. 84, *Fiduciary Activities*

Presenter: **Michael Hensley**  
financial reporting analyst

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## Encumbrance Report and Lapsing of Appropriations (APS 018)

Presenter: **Lou Moreno**  
financial reporting analyst

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## Questions

Presenter: **Shelly Arnold**  
financial reporting supervisor

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## Pledged Future Revenue

- Disclose pledged future revenue in Note 5 – Long-Term Liabilities (instead of Note 6 – Bonded Indebtedness)
- The table for the pledged future revenue was revised to include other type of debts in addition to bonds
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, requirements continue to apply



## Schedule of Expenditures of Federal Awards (SEFA) Updates

COVID-19 and Coronavirus Aid, Relief, and Economic Security (CARES) Act Financial Reporting:

- [COVID-19 and the CARES Act](#) webpage now available
  - ❖ Background
  - ❖ Special funds reporting in SEFA web application
  - ❖ Note 2 reconciling items and Note 7 deferrals
  - ❖ AFR reporting requirements
- [SEFA web application](#) updated
  - ❖ Special funding selection required to identify if funding is related to COVID-19, ARRA or neither
  - ❖ See updated [Instructions for the SEFA Web Application](#)
- Also see [Coronavirus Relief of 2020 Federal Funding Accounting Policy for the State of Texas](#) (FPP A.048)



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## SEFA Updates (Cont.)

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Office of Management and Budget (OMB) 2020 Compliance Supplement:

- See the [Office of Federal Financial Management](#) section, published Aug. 14, 2020
- Provides limited COVID-19 guidance (see Appendix VII)
- Additional COVID-19 addendum due out this fall (may include additional compliance and SEFA reporting requirements)



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## SEFA Updates (Cont.)

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### SEFA Web-based Tutorial:

- Target deadline: late **fall 2020**
- Topics
  - ❖ Background for Federal Reporting Requirements
  - ❖ State Agency Responsibilities
  - ❖ Classifying Federal Funds
  - ❖ SEFA Web Application
  - ❖ Notes to SEFA
  - ❖ Acronyms
  - ❖ External Resources for Federal Financial Reporting
- No Continuing Professional Education (CPE) credits are currently being issued



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## SEFA Updates (Cont.)

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### Fiscal 2020 Timeline Reminders:

- Pass-through Reconciliation
  - ❖ Resolve interagency pass-through variances
  - ❖ Complete now through **Sept. 27, 2020** (Sunday)
    - Enter USAS interagency and interfund transactions by **Sept. 25, 2020** (Friday)
- Certify pass-through [SEFA web application](#) by **Sept. 28, 2020** (Monday)
- Certify final [SEFA web application](#) by **Nov. 1, 2020** (Sunday)
  - ❖ Finalize all SEFA transactions
  - ❖ Complete all notes and verification statements
  - ❖ Review USAS comparison (Note 2)
  - ❖ Finalize EIN and DUNS numbers
    - Remove any DUNS numbers not linked to FY 20 expenditures reported in SEFA

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## **GASB Statement No. 84, Fiduciary Activities**

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- Changes for fiscal 2020
- Changes for fiscal 2021





## ***Encumbrance Report and Lapsing of Appropriations (APS 018) (FPP A.019)***

- [FPP A.019](#) is available on FMX
- Government Code, Section 403.021(b), requires state agencies to report all binding encumbrances and payables in USAS for the first three quarters (of the current appropriation year) within 30 days after the close of each quarter.
- Annually, year-end binding encumbrances and payables must be reported by **Oct. 30** to:
  - ❖ Comptroller's office
  - ❖ SAO
  - ❖ LBB
- The report must contain:
  - ❖ All appropriation years
  - ❖ All appropriated funds (whether received as a direct appropriation or a transfer)

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## APS 018 (Cont.)

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### Impact on Economic Stabilization Fund (ESF)

- At the end of each biennium, **half of the unencumbered positive General Revenue Fund balance is transferred** to the ESF, as per the Texas Constitution, Article III, Section 49-g
- Entering binding encumbrances and payables in USAS by the deadline is crucial in determining the amount that will be transferred into the ESF (as required by the Texas Constitution)

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## APS 018 (Cont.)

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### Impact on Biennial Revenue Estimate (BRE)

- Accurate encumbering and lapsing of appropriations are also critical in the creation of the BRE
- The BRE is used by the Legislature to determine available resources for appropriation to state agency and institutions of higher education appropriations during each legislative session

## APS 018 (Cont.)



### Annual Automatic Lapse

- Government Code, Section 403.021(d), states that on **Nov. 1** of each fiscal year, the Comptroller shall lapse all unencumbered, nonconstruction appropriation balances for all prior appropriation years based on the payables and binding encumbrances reported in USAS
- The Automatic Lapse algorithm is designed to examine each balance type (BT) in USAS as of:
  - ❖ The **end of the prior fiscal year** (8/32/20)  
and
  - ❖ **Oct. 30** of the current year (10/30/20)
- The algorithm follows a logical sequence that incorporates several assumptions — ultimately calculating a committed and collected lapse amount that posts in Edit Mode 2 as early as the **Nov. 1** nightly cycle



## APS 018 (Cont.)

- The algorithm uses a key calculation throughout the logic: “accrued or encumbered amounts available for expenditure as of 10/30,” which is calculated as follows:

BT 16 – Cash Reserved for Payroll

BT 17 – Accrued Expenditures

BT 18 – Encumbrances Outstanding

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**Total accruals as of fiscal month 13**

BT 15 – Expenditures as of 10/30

**Less:** BT 15 – Expenditures as of fiscal month 13

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**Change in Expenditures between fiscal month 13 and 10/30**

Total accruals as of FM 13

**Less:** Change in Expenditures between fiscal month 13 and 10/30

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**Accrued or encumbered amounts available for expenditure as of 10/30**

## APS 018 (Cont.)



### Committed Lapse Calculation

- **Step 1:** Did the agency enter accruals or encumbrances by the end of the accounting period (8/32/20)?
  - **Yes**  
Calculate “accrued or encumbered amounts available for expenditure as of 10/30” and move onto **Step 2**.
  - **No**  
Enter “0” for “accrued or encumbered amounts available for expenditure as of 10/30” and move onto **Step 3**.
  
- **Step 2:** Is the calculated value of “accrued or encumbered amounts available for expenditure as of 10/30” less than 0?
  - **Yes**  
Enter “0” for “accrued or encumbered amounts available for expenditure as of 10/30” and move onto **Step 3**.
  - **No**  
Use the calculated value for “accrued or encumbered amounts available for expenditure as of 10/30” when you move onto **Step 3**.

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## APS 018 (Cont.)

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- **Step 3:** Now it is time to calculate the Committed Lapse (T-code 036):

Lesser of “Remaining Encumbrance Basis Budget (REBB)” or  
“Appropriation Encumbrance Cash Available (AECA)”

**Less:** Accrued or encumbered amounts available for  
expenditure as of 10/30

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**= Committed Lapse**

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## APS 018 (Cont.)

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### Collected Lapse Calculation

- **Step 1:** Is the “accrued or encumbered amounts available for expenditure as of 10/30” greater than or equal to the REBB as of 10/30?
  - **Yes**  
The collected lapse is \$0.
  - **No**  
Move onto **Step 2.**





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## APS 018 (Cont.)

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➤ **Step 2:** Determine which amount is less and move onto **Step 3**.

— **Collected Lapse A:**

BT 11 – Est. Revenue Collections

**Less:** BT 12 – Cash Revenues

BT 13 – Excess Revenue Collected

**Less:** BT 14 – Accrued Revenue

**Less:** BT 20 – Cash Transfer In

BT 21 – Cash Transfer Out

**Less:** BT 7 – Collected Lapse

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**= Collected Lapse A**

— **Collected Lapse B:**

REBB

**Less:** Accrued or encumbered amounts available for expenditure as of 10/30

**Less:** Committed Lapse

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**= Collected Lapse B**

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## APS 018 (Cont.)

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- **Step 3:** Is the lesser of “Collected Lapse A” or “Collected Lapse B” less than 0?
  - **Yes**  
The collected lapse is \$0
  - **No**  
The collected lapse is the lesser of “Collected Lapse A” or “Collected Lapse B”

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## APS 018 (Cont.)

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### Assisting Agencies



Appropriation control officers assist agencies with budgetary screen cleanup for the entire fiscal year — but especially throughout the month of October. This includes advising agencies to:

- Reduce appropriation revisions where necessary (for example: T-codes 006R/009R)
- Move fund cash forward (to unappropriated) or to the sweep (as appropriate)
- Ensure all encumbrances/accruals are properly entered and (where appropriate) backdated to the prior fiscal year
- Ensure all unexpended balances (UBs) and Lapses calculated by the agency are entered in USAS
- Ensure excess revenue collections are properly posted (meaning that  $BT\ 11 + BT\ 13 = BT\ 12$ ). If there are errors, work to correct them before the end of October (usually with T-code 179R/195 or 195R/179)
- Ensure that USAS D23 profiles are active in the current fiscal year for any funds subject to lapse



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## Questions?

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If you have financial reporting questions, contact your agency's [financial reporting analyst](#).

If you have appropriation control questions, contact your agency's [appropriation control officer](#).