Financial Reporting Updates

Accounting Policy Meeting
July 27, 2022

Financial Reporting Section
Fiscal Management Division

Agenda and Presenters

Preparing for Fiscal Year-End Close

Presenter: Laurel Mulkey
systems analyst

USAS System-Generated Lapse

Presenter: Lou Moreno
appropriation control supervisor

GASB 87 Reporting Requirement Updates/ Modified Web Application

Presenter: Lisa Parks
financial reporting analyst

Leases – Recognition & Measurement/SEFA Update – UEI Replaces DUNS

Presenter: Megan Toliver
financial reporting analyst

Questions/Adjournment

Presenter: Lawrence Koonce, Lou Moreno, Lisa Parks, Megan Toliver
fiscal management staff

What is Fiscal Year-End Close (FYEC)?

➢ FYEC begins the evening of Aug. 31, after the regular USAS cycle.

  ❖ If Aug. 31 falls on a weekend, FYEC occurs the Friday before.

  > **Note**: For the purposes of this presentation, we are using Aug. 31 as the date to represent when FYEC occurs.

➢ Process final sweeps:

  ❖ Unappropriated Receipts (Appropriation 99906)

  ❖ Local Sales Tax Receipts (Appropriation 99907)

  ❖ Sale of Surplus Property (Appropriation 99908)

  ❖ Earned Federal Funds (Appropriation 70000)

  ❖ Hotel Occupancy Tax Refunds

What is Fiscal Year-End Close (FYEC)? (Cont.)

- ➤ Close balances in preparation for the closing year's financial reporting process.
  - ❖ Close nominal activity to fund balance/net position GLs.
  - ❖ Close cash to posting (GLs 0045 and 0052).
    - Cash cannot be posted to closed fiscal year (no backdating).
    - Prior year non-cash posting allowed in the new fiscal year with appropriate security and transactions.
- ➤ Prepare USAS financial tables for the incoming fiscal year.
  - ❖ Create financial tables for new fiscal year
  - ❖ Roll closing year's balances forward to new fiscal year's tables
- ➤ USAS may be down on Sept. 1 — Plan accordingly!
  - ❖ Prompt payment law still in effect.

How It All Fits Together

Several annual processes relate to closing out the fiscal year and/or preparing for the incoming fiscal year:

➢ **Profile Rollover** (3rd weekend of June) – Creates the profiles for the incoming year.

➢ **Financial Table Archive** (3rd weekend of August) – Archives the prior year's financial tables in preparation for the incoming year.

➢ **Automated Lapses** (Aug. 31) – Processes the system-generated lapse transactions for expiring appropriations.

➢ **Fiscal Year-End Close** (Aug. 31) – Hard cash close, final sweeps, closes nominal activity.

➢ **Financial Reporting Period** (Sept.–Feb.) – Preparation of Cash Report, agency AFRs and statewide ACFR.

➢ **GL Close** (April/May) – Closes the prior fiscal year's final nominal activity to fund balance/net position GLs.

FYEC Frequently Asked Questions

➢ **Question:** Is USAS online available all day on Aug. 31?

➢ **Answer:** Yes. USAS is available from 7 a.m. to 7 p.m. per the usual system availability schedule.

➢ **Question:** Is there a normal nightly cycle run on Aug. 31?

➢ **Answer:** Yes. A regular USAS cycle runs just like usual after USAS goes down at 7 p.m. After the regular cycle completes, the FYEC process begins.

➢ **Question:** Are payments generated during the Aug. 31 cycle?

➢ **Answer:** Yes. Payments are generated during that final cycle and available for distribution the next business day.

FYEC Frequently Asked Questions (Cont.)

➤ **Question:** When Aug. 31 falls on a weekend and FYEC occurs on the Friday before, are additional cycles run on that Saturday or Sunday?

➤ **Answer:** No. A regular cycle runs as usual on Friday, which is followed by the FYEC process. Additional cycles will not run over the weekend. Once FYEC is complete, USAS online is available.

➤ **Question:** Are reports generated during the Aug. 31 cycle?

➤ **Answer:** Yes. Reports are generated, like during any other cycle. Depending on how long the FYEC process takes, reports may not be available to pickup as early as usual.

FYEC Frequently Asked Questions (Cont.)

➢ **Question:** Are all transactions processed during FYEC included in the Aug. 31 History Extract (HX) file?

➢ **Answer:** Yes. The HX file for Aug. 31 includes all transactions processed during the regular cycle, plus all the transactions processed during year-end close, including the final sweep transactions.

Contact your agency's IT section *first* for assistance with accessing your agency's HX files.

➢ **Question:** Are there certain transactions or processes that must be done prior to FYEC?

➢ **Answer:** Yes. Check out the 2022 Master Schedule of Fiscal Year-End Close Events for all things year-end close!

Scheduling Payments Around FYEC

Payments Using Appropriation Year (AY) 2022 or Prior

- ➢ For payments due on Aug. 31, 2022 (Wednesday) — Transactions should be entered and ready by Friday, Aug. 26.

- ➢ For payments due on Sept. 1, 2022 (Thursday) — Transactions should be entered and ready by Monday, Aug. 29.

- ➢ Entering transactions by these dates allows time to correct any errors, obtain final approvals or perform last-minute releases.

Scheduling Payments Around FYEC (Cont.)

Payments Using AY 2023

➢ AY 2023 funds cannot be used for payments until Sept. 1, 2022.

➢ Payment transactions cannot *process* using a future Effective Date.

Review the Transaction Code Decision Profile (28A), `FUTMY` field to verify if transaction can be future dated.

```
TEXAS  S28A            UNIFORM STATEWIDE ACCOUNTING SYSTEM    MM/DD/YY HH:MM AM
LINK TO:                   TRANSACTION CODE DECISION PROFILE                PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
TRAN CODE: 225 TITLE: ESTABLISH VOUCHERS PAYABLE
GENERAL LEDGER    DR-1: 5501 CR-1: 1009 DR-2:      CR-2:
        POSTING   DR-3:       CR-3:        DR-4:      CR-4:
TRANS      DOCD   PDDT R SVDT I CDOC I RDOC   MODI N AGCY R  IDX    PCA R COBJ R
ED IND:   AOBJ   RVRS    PDT     CI   1099    WARR    INVC R VNUM I VNAM R VADD
 RQDT     DMETH R APN# R FUND R  GLA N  AGL N GRNT   SUBG   PROJ   MULT   DI#
POST SEQ: 1 REG NO: 2 WW IND: 1 D/I: D WAR CANCL TC: 951 PYTC:      FUTMY: N
GEN TC:      GEN ACCR TC:       GEN TC2:       INTERFACE IND:   1   B
PAY LIQ TC: 380      BALTC:       AFRTC:        INTTC: 387
            A/S  BT  MATCH GLA DOC     A/S  BT  MATCH GLA DOC
        DF:                                              AGY GL:
FILE    AP: +   17
POSTING AB: +   17
INDS:   CC:
        GP: +   17
        PJ: +   17
        CF: +   17                             STATUS CODE: A
 EFF START DATE: 09011994   EFF END DATE:          LAST PROC DATE: 06212005
Z06 RECORD SUCCESSFULLY RECALLED

F1-HELP F3-END F4-INTERRUPT F6-PROCESS F10-28B PROFILE F11-28C DESC
```

Scheduling Payments Around FYEC (Cont.)

Payments Using AY 2023 (Cont.)

➤ Cannot *process* in USAS prior to Sept. 1, but can be **entered** prior to Sept. 1:

❖ For Input Record (In Rec) Files:

USAS In Rec File	Field Name	Value
Batch Header	Effective Date	20220901
Document Header	Document Transaction Year	23
Detail Transaction	Effective Date	20220901

❖ For online data entry:

- On the Batch Header Entry (500) screen, enter:

  BATCH EDIT MODE = **0**

  EFFECTIVE DATE = **090122**

```
TEXAS  S500              UNIFORM STATEWIDE ACCOUNTING SYSTEM    MM/DD/YY HH:MM PM
LINK TO:                         BATCH HEADER ENTRY                        PROD


           BATCH AGENCY: XXX            (SIGN ON AGENCY)
            BATCH DATE: 083021          (MMDDYY, DEFAULTS TO TODAYS DATE)
            BATCH TYPE: 4
          BATCH NUMBER: 001
       BATCH EDIT MODE: 0


           BATCH COUNT:                 BATCH AMOUNT:

     PAYMENT DIST TYPE:                 (MUST BE VALID IN D53 TITLES PROFILE)
         DISB METH IND:                 (H, M, R, E, C OR SPACE)
        EFFECTIVE DATE: 090122          (MMDDYY, DEFAULTS TO TODAYS DATE)
            FAST ENTRY:                 (M/S/ )
               USER ID: LMUL523         MULKEY, LAUREL
            USER CLASS: 79
    ACTION CODE AGENCY:
```

Payments Using AY 2023 (Cont.)

- On the Pre-Enc/Enc/Expend Transaction Entry (505) screen, enter:

  `EFF DATE =` **090122**

```
TEXAS  S505            UNIFORM STATEWIDE ACCOUNTING SYSTEM    MM/DD/YY HH:MM PM
LINK TO:                     PRE-ENC/ENC/EXPEND TRANSACTION ENTRY            PROD

BATCH: AGENCY XXX DATE 083021 TYPE 4 NO 001 SEQ NO 00001 MODE MASTER EDIT ONLY
 DOC DATE:            EFF DATE: 090122   PMT DUE DATE: 042921    SERV DATE: 080121
  DOC/SFX: 9XXXXXXX 001  REF DOC/SFX:                       DISC DATE:
TRAN CODE: 225                                IC: N    RQD PMT DATE:
    INDEX:                                    MOD:    AGENCY: XXX  AY: 22
      PCA: 60070                              PCC:    REQ NO:
COMP/AGY OBJ: 7102                                 NACUBO SUBFUND:
   AMOUNT: 00000000010.00  RVS:    DISC: 00000000000.00 1099:   FO:    PDT: DF
DOC COUNT: 00001 DOC AMT: 00000000010.00 DOC AGY: XXX CI:   PROP #:
 INV NO:                                INV DT:            CONF: Y
    DESC:
    DESC:
VEND/MC: 3XXXXXXXXXX 001 NM: VENDOR NAME
APPN NO: 00000         FUND: 0001         ORIG PMT DATE:
CONT NO:              WARR NO:
GL AC/AGY:
 GRANT NO/PH:            SUB GRANTEE:               PROJ NO/PH:
 MPCD:               AGY CD-1:     2:      3:       DI:          RTI:



 F1-HELP F3-END F4-INT F8-FORWARD F11-DETAILS F12-ADDR
```

- The Document Transaction Year defaults based on the effective date of the transaction.

IMPORTANT: Release or pre-release these batches!

Ordering August Monthly Reports

August monthly reports will run on Friday, Sept. 2, 2022 – so we'll be in the new fiscal year when the August reports are run.

During the week of Aug. 29:

➤ On your Agency Control (25) Profile for `FISCAL YEAR` **23**, set the `REPORTING INDS-MO` to **Y:**

```
TEXAS  S025              UNIFORM STATEWIDE ACCOUNTING SYSTEM    MM/DD/YY HH:MM PM
LINK TO:                        AGENCY CONTROL PROFILE                      PROD
        ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
        AGENCY: XXX       FISCAL YEAR: 23

   COST          CA RUN:      CA TYPE:        NO STEPS:      LAST STEP:
 ALLOCATION-  CA BY IDX:     CA BY PROJ:     CA BY GRANT:       CA POST:
             CA RANGE FROM:      TO:
BILLING DEF-  IDX:         PCA:        EXP COMP/AGY OBJ:
   DEFAULT-  IDX:          PCA:        REV COMP/AGY OBJ:


        ENC DOC MATCH LVL: 0 (LEVEL OF DOCUMENT MATCH:0=NONE,1=APPN,2=ALL)
    PRE ENC DOC MATCH LVL: 0 (LEVEL OF DOCUMENT MATCH:0=NONE,1=APPN,2=ALL)
            ENC INDICATOR: N (Y OR N; REDUCE AUTHORITY/CASH)
        PRE ENC INDICATOR: N (Y OR N; REDUCE AUTHORITY/CASH)
        AGENCY OBJECT IND: N (R=REV, E=EXP, B=BOTH, N=NONE)
        LAST MONTH CLOSED: 00      AGY BUD BY ORG IND: N    (Y OR N)
         LAST YEAR CLOSED: 21      AGY BUD BY PGM IND: N    (Y OR N)
        REPORTING INDS- MO: Y QTR: N YR: N    PY OPEN: N FA CONTROL: N
    GRANT/PROJ BILLING RUN: N       FA DEP RUN: N      STATUS CODE: A
 EFF START DATE: 09011992   EFF END DATE:        LAST PROC DATE: 03312021
Z06 RECORD SUCCESSFULLY RECALLED
PLEASE ENTER FUNCTION
F1-HELP F3-END F4-INTERRUPT F6-PROCESS
```

Ordering August Monthly Reports (Cont.)

> On your Report Request (91) Profile(s), verify:

  ❖ The `PERIOD` is set to **PM.**

  ❖ The `FREQUENCY` is set to **MONTHLY.**

  ❖ The `STATUS CODE` is set to **A.**

```
TEXAS   S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM        MM/DD/YY HH:MM PM
 LINK TO:                     REPORT REQUEST PROFILE                          PROD

 ACTION: R (A=ADD,  C=CHANGE,  D=DELETE,  N=NEXT,  R=RECALL)

      AGENCY: XXX     REQUESTOR: AAAA      REPORT ID: DAFR9670 REQUEST NO: 01
   APPN YEAR:              PERIOD: PM                FY:      FREQUENCY: MONTHLY

 LEVEL -   ORG: 2 PROGRAM:   OBJECT:   FUND: 4 NACUBO FUND:   GL ACCT:
         GRANT:   PROJECT:
 AGENCY GROUP:           CONFIDENTIAL INFO: N ( P,T,B,N )
 SPECIAL SELECTS -
       AGENCY: XXX                            ORG CODE:
 PROGRAM CODE:                            NACUBO FUND:
  APPROP FUND:                                  FUND:
  COMP OBJECT:                            AGY OBJECT:
     GL ACCT:                            AGY GL ACCT:
       GRANT:                               PROJECT:
  SPEC SEL 1:                            SPEC SEL 2:
 LST RUN DATE:          LINES:                    STATUS CODE: A
 EFF START DATE: 06132002   EFF END DATE:            LAST PROC DATE: 10102020


 F1-HELP    F3-END    F4-INTERRUPT    F6-PROCESS
```

Internal Transaction (IT) File

General IT File Reminders

➢ All fiscal 2022 transactions should be successfully processed, paid and written to history by Aug. 31.

➢ Cash transactions (post to GLs 0045 or 0052) should process off the IT file **prior to** Aug. 31.

  ❖ Cash transactions that fail to process on Aug. 31 must be deleted and re-entered with a current (fiscal 2023) Effective Date.

➢ Research and correct your batch errors daily.

  ❖ Remember to balance and release the corrected batches.

Internal Transaction (IT) File (Cont.)

General IT File Reminders (Cont.)

➢ **Never** make any changes or deletions to system-generated batch types – these are the "alpha" batch types.

  ❖ Changing data elements on these batches can cause appropriation, fund and/or system imbalances.

➢ Submit Super Security Delete (SSD) Requests for batches older than 30 days on or before Aug.12.

  ❖ Remember that SSDs must be submitted **by 4 p.m.** to ensure same day processing.

➢ Submit SSD requests on Aug. 31 by **noon** (or before) to ensure same day processing.

Internal Transaction (IT) File (Cont.)

Review the USAS 530 Screen

The View Batch Headers (530) screen (the "53 screen")
can provide clues for why a batch is still pending and what
corrective actions are needed.

Use the SORT field to sort batches in a particular order
(such as by date, batch type, balancing indicator or status).

```
TEXAS  S530                 UNIFORM STATEWIDE ACCOUNTING SYSTEM     MM/DD/YY HH:MM AM
LINK TO:                         VIEW BATCH HEADERS                          PROD

ACTION: N (F=FIRST PAGE, N=NEXT PAGE, S=SELECT BATCH)
   SORT:    (D=DATE T=TYPE N=NMBR S=STATUS B=BAL M=MODE F=FPP BLANK=DEFAULT)
BATCH AGENCY: 123                                           PRINTER ID:
   ...BATCH ID...              EFF  ENTERED    ENTERED      COMP        COMP
S  DATE TYP NO  STA BAL MD FPP DATE   COUNT     AMOUNT      COUNT       AMOUNT
   051222 4  501  P   Y   4  # 051222 00005 00000167600.00 00005  00000167600.00
   060822 4  501  P   Y   4    060822 00001 00000010000.00 00001  00000010000.00
   060922 4  501  P   Y   4  * 060922 00005 00000049550.57 00005  00000049550.57
   061722 4  501  P   Y   4    061722 00004 00000035052.00 00004  00000035052.00
   062022 4  501  P   Y   4    062022 00002 00000091671.85 00002  00000091671.85
   062322 2  608  H   Y   3    062322 00022 00116009746.52 00022  00116009746.52
   062322 2  609  H   N   3    062322 00070 00000000697.68 00070  00000000697.68
   062322 4  379  H   Y   3    062322 00001 00000000577.04 00001  00000000577.04
   062422 4  698  H   N   1    062422 00015 00004231629.82 00015  00004231629.82
   062422 2  608  R   Y   0    062422 00018 00002604421.68 00018  00002604421.68
   062422 2  609  R   Y   0    062422 00086 00000000209.18 00086  00000000209.18
   062422 2  611  R   Y   0    062422 00002 00000004635.24 00002  00000004635.24
* = FAILED PAYMENT PROCESSING (FPP) ERRORS; # = NEGATIVE BALANCE ERROR(S)


TO VIEW ADDITIONAL SUMMARY RECORDS, PRESS ENTER
F1-HELP F3-END F4-INTERRUPT F8-DOC/TRACK F9-BALANCING F10-RECALL F11-DETAILS
```

Internal Transaction (IT) File (Cont.)

Review the USAS 530 Screen (Cont.)

Refer to the following columns for specific batch information:

➢ `STA` – Batch Status indicator:

❖ Verify if the batch on hold or needs an approval:

- If `STA` = H and `MD` not = 4, release the batch.
  - o Batches in Edit Mode (`MD`) 4 do not need to be balanced or released.

- If `STA` = A, the batch is awaiting approvals.
  - o Review the `STATUS`, `RQ ACT` and `REQUIRED REAPPROVAL ACTIONS` fields on the Document Tracking (37) screen.

Internal Transaction (IT) File (Cont.)

Review the USAS 530 Screen (Cont.)

➢ `BAL` – Batch Balance indicator:

❖ If unbalanced, verify if:

- The batch has been released. Batches that have never been released will also be "unbalanced."

- The `ENTERED BATCH COUNT` and `ENTERED BATCH AMOUNT` match the `COMPUTED BATCH COUNT` and `COMPUTED BATCH AMOUNT`.

- The document amount matches the absolute total of the transaction amounts within the document.

- The total of cash transactions nets to zero.

- AGLs are not out of balance.

Use the Change Batch Header (511) screen to make updates.

Internal Transaction (IT) File (Cont.)

Review the USAS 530 Screen (Cont.)

➢ `MD` – Batch Edit Mode indicator:

❖ 0 – No data or funding edits have been done.

❖ 1 – Data edits done online but must go through cycle for funding edits and posting to occur.

❖ 2 – Data and funding edits done online and batch has posted.

❖ 3 – Transactions are in error status and cannot process until fixed.

❖ 4 – Transactions have posted but have not finished or paid.

Review the USAS 530 Screen (Cont.)

➢ `FPP` – Failed Payment Processing Error indicator:

❖ Failed payment processing errors (<mark>*</mark>)

- In general, these are due to failed funding edits.

- Indicates the payment has not been issued.

❖ Negative payment processing errors (<mark>#</mark>)

- Indicates that the net payment amount is negative.

- USAS cannot issue negative payments.

- Net negative payment transactions stay on the IT file until sufficient positive payment transactions are processed.

- Negative payments mean the state is owed money and, each day that a negative payment sits on the IT file, the state loses potential interest revenue.

- If the negative payment(s) cannot process and you need assistance with collecting the overpayment, see *Accounting for Uncollectible Accounts (APS 027)* (FPP C.001).

Internal Transaction (IT) File (Cont.)

Helpful DAFRS

Use daily control DAFRs to help identify transaction statuses and errors:

- **Batch/Document Processing Summary (DAFR2021)** – Displays whether Input Records submitted to USAS from another accounting system, including CAPPS, were accepted by USAS for processing.

- **Agency Batch Error Report (DAFR2151)** – Displays transactions with funding and/or data-related errors detected during cycle.

- **USAS Transaction Aging Report (DAFR2221)** – Displays outstanding batches and each batch's processing status.

- **USAS IT Status Report (DAFR3331)** – Displays documents with errors detected during cycle, including funding and data element errors and documents requiring approval.

Internal Transaction (IT) File (Cont.)

Helpful DAFRS (Cont.)

➢ **Payment Error Comparison Report (DAFR3521)** – Displays payment processing errors, such as payments not generated due to future payment due dates or fatal funding errors.

➢ **Transactions Cancelled for Negative Balances (DAFR3601)** – Displays transactions that were cancelled (not paid and remaining on the IT file) due to a negative payment balance.

➢ **Fund Control Errors Occurring During Pmt Processing (DAFR3631)** – Displays transactions in which funding, vendor and/or document errors were detected during the payment processing cycle.

Internal Transaction (IT) File (Cont.)

IT File Helpful Hints

➢ If you enter **C** (change) on the Recall a Batch for Correction (510) screen, USAS puts the batch on hold and it must be re-released – **even if no changes were made to the transactions!**

❖ Enter **V** (view) if you just want to review the transactions.

➢ Use caution when correcting or deleting transactions from "balancing" documents in edit mode 3.

❖ For example, transactions using T-code pairs 246/903, 247/904 or 264/905.

❖ Once these documents are balanced and partially posted, it can be difficult to rebalance.

❖ When in doubt, email USAS Maintenance at: usas.maintenance@cpa.texas.gov

Being Informed on FMX

Resources

- [USAS System Page](#)
- [USAS Documentation](#)
- [USAS Batch Posting Sequence](#)
- [USAS FAQs](#)
- [System Outages and Holidays Calendar](#)
- [*USAS Annual Close Process* (FPP Q.004)](#)
- [Master Schedule of Fiscal Year-End Close Events](#)
- [Payment Scheduling Information](#)
- [Prompt Payment Information](#)
- [*USAS Comptroller Objects That Require Pre-Payment Audit and/or Descriptive/Legal Text for Purchase Documents* (FPP I.008)](#)
- [*USAS Internal Transaction File Maintenance and Super Security Delete Process* (FPP Q.001)](#)
- [USAS Document Tracking Screens](#)

Questions?

Topic	Section	Contact Information
• Budget Revisions • Journal Vouchers	Appropriation Control	[Appropriation Control Directory](#)
• Purchase and Travel Pre-Payment Audit Approvals • Payment Due Dates and AY Determination	Expenditure Assistance	[Expenditure Assistance Directory](#) or call (512) 475-0966
• Payroll (HRIS, SPRS and USPS)	USPS, SPRS, HRIS Help Desk	(512) 463-4008
• CAPPS Financials or HR/Payroll	CAPPS Help Desk	(512) 463-2277
• Texas Identification Number System (TINS) • Reinstated Warrant Cancellations – USAS	Payment Services	(512) 936-8138
• Treasury Deposits	Banking and Electronic Processing	(512) 463-6385
• Warrant Cancellations – Treasury	Treasury	(512) 475-3288
• Super Security Deletes	Fiscal Oversight	usas.maintenance@cpa.texas.gov
• USAS Year-End Close Process	Fiscal Oversight (Laurel Mulkey)	laurel.mulkey@cpa.texas.gov or (512) 463-4584

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.

➢ Year-end binding encumbrances and payables must be reported **annually** 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)

Encumbrance Report and Lapsing of Appropriations (Cont.)

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).

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.

Encumbrance Report and Lapsing of Appropriations (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, non-construction 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 (08/32/22)

❖ **Oct. 30** of the current fiscal year (10/30/22)

➢ 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.

Encumbrance Report and Lapsing of Appropriations (Cont.)

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 backdated to the prior fiscal year (where appropriate)

➢ Ensure all unexpended balances (UBs) and lapses calculated by the agency are entered in USAS

Encumbrance Report and Lapsing of Appropriations (Cont.)

Assisting Agencies (Cont.)

> ➢ 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.

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

Total accruals as of fiscal month 13

Encumbrance Report and Lapsing of Appropriations (Cont.)

Assisting Agencies (Cont.)

- ➢ BT 15 – Expenditures as of 10/30
  - ❖ **Less**: BT 15 – Expenditures as of fiscal month 13

    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

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

Reporting Requirement Changes – GASB 87

Resources

➢ FMX's Reporting Requirements for the Annual Financial Reports website

➢ GASB Statement No. 87, *Leases*

➢ Implementation Guide 2019-3, *Leases*

➢ Accounting Policy Meetings on FMX

  ❖ Agenda

  ❖ Handout

  ❖ Q&A's

Reporting Requirement Changes – GASB 87 (Cont.)

Tabs Affected

➢ Leases *(new tab)*

➢ Capital Assets

➢ Notes & Samples

➢ Universities

Reporting Requirement Changes – GASB 87 (Cont.)

New Leases Tab

- ➢ Definitions

- ➢ USAS entries

- ➢ Special Transactions – examples

- ➢ Contains more information:

LEASES
Recognitions and Measurements
For Lessees
For Lessors
Interest Rates
Capital Threshold
Special Transactions
Sale Leaseback
Lease Leaseback
Sublease
Multiple Component (combination) Contracts
Exceptions
Short-Term Leases
Certain Regulated Leases
Transfer Ownership Contracts

Reporting Requirement Changes – GASB 87 (Cont.)

Capital Assets Tab

Capital Assets

- Overview of Purchasing & Reporting of Capital Assets
- Capital Asset Accounting
- Capitalization Thresholds
- Capital Asset Donations
- Master Lease Purchase Program
- Sale, Disposal or Interagency Transfer of Capital Assets
- Non-Monetary Transactions
- Assets Held in Trust
- Controlled Assets
- Capital Asset Categories
- Impairment of Capital/Leased Assets and Insurance Recoveries
- Depreciation
- Amortization
- Impact of Threshold on Indirect Cost Plans

Changes include:

➢ Lease section was removed
  (Except Master Lease Purchase Program)

➢ New COBJs

➢ Record right to use assets

➢ Amortization

➢ Impairment of leased assets

➢ Where to find more information

Reporting Requirement Changes – GASB 87 (Cont.)

Notes & Samples Tab

➢ **Note 2 – Capital Assets** changes:

Note 2 – Capital Assets
Summary of Changes in Capital Assets
Instructions for the CANSS Web Application
SPA Capital Assets Reports
Sample

❖ Summary of changes

❖ Updated CANNS instructions

❖ Updated samples

Reporting Requirement Changes – GASB 87 (Cont.)

Notes & Samples Tab (Cont.)

➢ **Note 5 – Long-Term Liabilities** changes:

Note 5 – Long-Term Liabilities
USAS Transaction Entries
Reporting Long-Term Liabilities
Notes and Loans Payable
Claims & Judgments
Employee Compensable Leave
Compensable Leave Liability Methodology
Bonds Payable
Leases
Liabilities Payable from Restricted Assets
Pollution Remediation Obligations
Certain Asset Retirement Obligations
Direct Borrowings and Direct Placements
Pledged Future Revenues
Instructions for the LTLN Web Application
Sample

❖ New GL accounts

❖ New COBJs

❖ USAS entries

❖ Direct borrowing

❖ Direct placements

❖ Updated instructions for LTLN

❖ Updated samples

Reporting Requirement Changes – GASB 87 (Cont.)

Notes & Samples Tab (Cont.)

➤ **Note 8 – Leases** changes:

Note 8 – Leases
Lessees
Lessors
Lessors - Regulated Leases
Instructions for the LNSS Web Application
Sample

❖ Required disclosures

❖ Regulated Leases

❖ Updated instructions for LNSS

❖ Updated samples

Reporting Requirement Changes – GASB 87 (Cont.)

Universities Tab

Organization of AFRs for University Systems, Component Universities & Independent Universities

Consolidated Support Schedules

Attachment of each Component's Exhibits and Schedules in the System's Consolidated Report

Eliminating / Reclassification Entries

Cash in State Treasury and Schedule 3

Note 2 Preparation

Tuition and Scholarship Allowances

Accounting and Reporting on Various Tuition Set-Aside Funds

Required Matrix of Functional Operational Expenses

Miscellaneous

Changes include:

➢ New COBJs

➢ Required disclosures

➢ Right to use assets

➢ CANSS

➢ Note 2 Preparation

Reporting Requirement Changes – GASB 87 (Cont.)

Changes in the Right-hand Toolbox

Resources

- ➢ FAQs (includes implementation of GASB 87)
- ➢ Definitions
- ➢ Appendices

Tools

- ➢ Templates & Sample Exhibits
- ➢ Working Papers

AFR Web Applications

Updated the following web applications:

➢ Capital Asset Note Submission System (CANSS)

➢ Long-Term Liability Note (LTLN)

➢ Lease Note Submission System (LNSS)

Web Applications Updates (Cont.)

CANSS

Select the **type of asset** by choosing either:

➢ Capital Asset

➢ Intangible Right to Use Asset

For more information, see:

NOTE 2 – Instructions for the CANSS Web Application- Reporting Requirements for Annual Financial Reports (texas.gov)

Web Applications Updates (Cont.)

CANSS (Cont.)

Choose either:

➢ Add

➢ Edit/Delete

Web Applications Updates (Cont.)

CANSS (Cont.)

Enter data.

Web Applications Updates (Cont.)

CANSS (Cont.)

➢ Reports:

  ❖ Capital assets reports.

  ❖ Intangible right to use assets reports.

➢ Certification:

  ❖ All disclosure screens must be populated.

  ❖ USAS ending balances must reconcile to CANSS.

Web Applications Updates (Cont.)

LTLN

➢ New selection of long-term liability disclosures.

➢ Double check matching information:

❖ Bond Reporting System (BRS)

❖ Leases Note Submission System (LNSS)

➢ New selection of reports.

For more information, see NOTE 5 – Instructions for the LTLN Web Application-Reporting Requirements for Annual Financial Reports (texas.gov)

Web Applications Updates (Cont.)

LTLN (cont.)

New selections

- ➢ Claims and judgments
- ➢ Right to use lease obligations
- ➢ Employees compensable leave
- ➢ Notes and loans payable
- ➢ Notes and loans payable from direct borrowings
- ➢ Notes and loans payable from direct placements
- ➢ General obligation bonds payable
- ➢ General obligation bonds payable from direct borrowings
- ➢ General obligation bonds payable from direct placements
- ➢ Revenue bonds payable
- ➢ Revenue bonds payable from direct borrowings
- ➢ Revenue bonds payable from direct placements
- ➢ Pollution remediation obligations
- ➢ Asset retirement obligations
- ➢ Liabilities payable from restricted assets

Web Applications Updates (Cont.)

LTLN (cont.)

Reports

- ➢ Summary of Changes Report

- ➢ Debt Service Requirement Report – Notes and Loans

- ➢ Debt Service Requirement Report – Notes and Loans from Direct Placements

- ➢ Debt Service Requirement Report – Notes and Loans from Direct Borrowings

- ➢ Note Disclosure Report

Web Applications Updates (Cont.)

LNSS

- ➢ Complete rework of web application.
- ➢ New lease disclosures:
  - ❖ Right to Use Lease Debt Service
  - ❖ Right to Use Lease Income
  - ❖ Regulated Leases
- ➢ See Note 8-Leases for disclosure requirements.
- ➢ New reports.

For more information, see NOTE 8 – Instructions for the LNSS Web Application- Reporting Requirements for Annual Financial Reports (texas.gov)
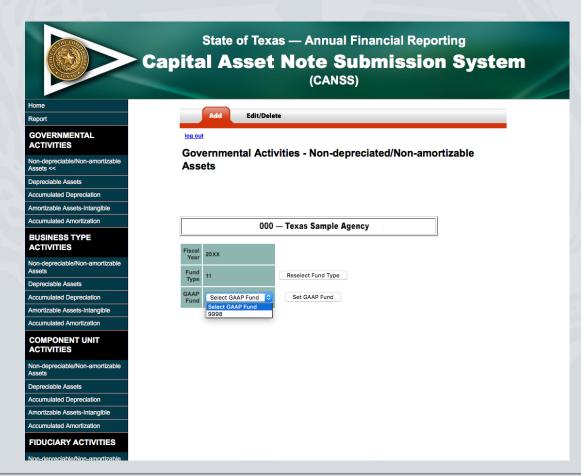
Web Applications Updates (Cont.)
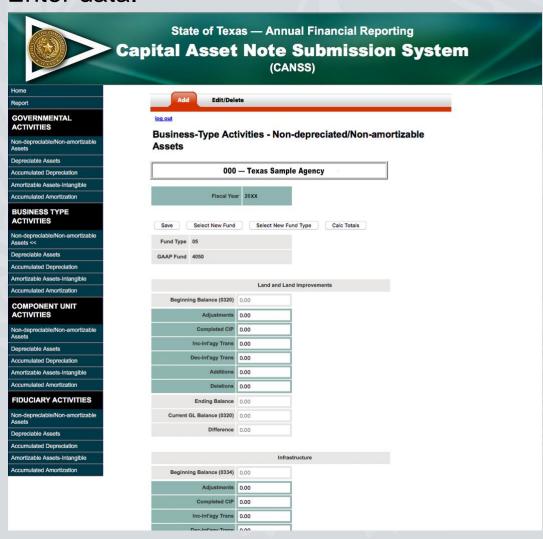
LNSS (cont.)

New options in the left navigation menu include the **Right to Use Lease Debt Service** and **Right to Use Lease Income** within:

- ➢ Governmental Activities
- ➢ Business-Type Activities
- ➢ Discrete Component Units
- ➢ Fiduciary Funds

Web Applications Updates (Cont.)

LNSS (cont.)

Reports

- Right to Use Lease Debt Service Summary Report
- Right to Use Lease Debt Service Detail Report
- Right to Use Lease Income Summary Report
- Right to Use Lease Income Detail Report
- Regulated Lease Income Summary Report
- Regulated Lease Income Detail Report
- Other Text/General Leasing Arrangements

Leases – Recognition & Measurement

Overview

- ➢ Lessee Accounting

    - ❖ Governmental Activities

    - ❖ Business-Type Activities and Component Units

- ➢ Lessor Accounting

- ➢ Exceptions to GASB Statement No. 87, *Leases*

    - ❖ Short-term leases (12 months or less)

    - ❖ Certain regulated lease

    - ❖ Contracts that transfer ownership

- ➢ Amounts are based on amortization schedule

Leases – Recognition & Measurement (Cont.)

Lessee Accounting

- ➢ GASB 87 requires the **lessee** to record a **lease liability** and an **intangible right-to-use lease asset**.

- ➢ Accounting entry templates:
  - ❖ Governmental Activities – twelve lines
    - FT 01, 02, 03, 04, 11, 12
  - ❖ Business-Type & Component Units – nine lines
    - FT 05, 15

- ➢ Accounting entry templates for long-term liability are available on the AFR Reporting Requirements' Working Papers page.

For more information, see the Leases Recognitions and Measurements.

Leases – Recognition & Measurement (Cont.)

Lessee – Governmental Activities

➤ <u>Working Papers</u>: *Right to Use Lease Governmental Activities, Record (Excel)*

Doc Sfx	TRANS CODE	COMP OBJ	Input GL ACCT	DESCRIPTIONS
001	632	7329	9999	FT01,FT02,FT03,FT04 Record Capital Outlay in Expenditures
002	657	3893	9999	FT01,FT02,FT03,FT04 Record Increase in Obligation
003	633	7XXX	9999	FT01,FT02,FT03,FT04 Reclass Rent/Lease expense – Right to Use
004	632	7802	9999	FT01,FT02,FT03,FT04 Record Interest expense – Right to Use
005	632	7339	9999	FT01,FT02,FT03,FT04 Record Debt Service expense – Right to Use
006	516	3893	1719	FT12 Record BC NC Right to Use Lease Liability Addition
007	513	7329	06XX	FT11 Record Right to Use Asset and Elim Right to Use Outlay
008	503	7339	1719	FT12 Record BC NC Right to Use Lease Reduction
009	537	blank	1629	FT12 Record BC CL Right to Use Obli due in 1 Yr.
010	537**R**	blank	1719	FT12 Reverse BC CL from BC NC Right to Use Obligation
011	503**R**	7802	1610	FT12 Record BC Accrued Interest Payable
012	512	7885	06XX	FT11 Record BC Amortization Right to Use Asset

➤ Coding reflecting "X"s determined by agency:
   ❖ Suffix 003 — COBJ
   ❖ Suffix 007 — GL Account
   ❖ Suffix 012 — GL Account

Leases – Recognition & Measurement (Cont.)

Lessee – Governmental Activities (Cont.)

➢ Standard COBJs for Lease entries:

  ❖ 3893 — Increase in Obligation – Right to Use Leases
  ❖ 7329 — Capital Outlay – Right to Use Lease
  ❖ 7339 — Debt Service Principle – RTU Leases
  ❖ 7802 — Interest Expense Other
  ❖ 7885 — Amortized Expense – Right to Use Asset

➢ COBJ options for **suffix 003**:

  ❖ 7401 — Rental of Radio Towers
  ❖ 7406 — Rental of Furnishings/Equipment
  ❖ 7411 — Rental of Computer Equipment
  ❖ 7415 — Rental of Computer Software
  ❖ 7421 — Rental of Reference Material
  ❖ 7442 — Rental of Motor Vehicles
  ❖ 7443 — Rental of Aircraft – Exempt
  ❖ 7445 — Rental of Aircraft
  ❖ 7449 — Rental of Marine Equipment
  ❖ 7461 — Rental of Land
  ❖ 7462 — Rental of Office Building/Office Space
  ❖ 7468 — Rental of Service Buildings
  ❖ 7470 — Rental of Space
  ❖ 7522 — Telecommunications – Equip. Rental

Leases – Recognition & Measurement (Cont.)

Lessee – Governmental Activities (Cont.)

➤ Standard GLs for Lease entries:
  ❖ 1610 — BC Current Liability – Interest Payable
  ❖ 1629 — BC Current Liability – RTU Lease Obligations
  ❖ 1719 — BC Noncurrent Liability – RTU Lease Obligations
  ❖ 9999 — System Clearing

➤ GL options for **suffix 007** (with T-code 513):
  ❖ 0621 — Right to Use Asset – Land
  ❖ 0623 — Right to Use Asset – Buildings
  ❖ 0631 — Right to Use Asset – Facilities
  ❖ 0636 — RTU Asset – Infrastructure
  ❖ 0648 — Right to Use Asset – Equipment
  ❖ 0658 — Right to Use Asset – Vehicles

➤ GL options for **suffix 012** (with T-code 512):
  ❖ 0622 — RTU Asset – Land – Amortization
  ❖ 0624 — RTU Asset – Buildings – Amortization
  ❖ 0632 — RTU Asset – Facilities – Amortization
  ❖ 0637 — RTU Asset – Infrastructure – Amort
  ❖ 0649 — RTU Asset – Equipment – Amortization
  ❖ 0659 — RTU Asset – Vehicles – Amortization

Leases – Recognition & Measurement (Cont.)

Lessee – Governmental Activities (Cont.)

➢ **Suffix 001** — To Record Capital Outlay Expenditures ***at the Inception*** in governmental funds (i.e. – FT01, FT02, FT03, FT04):

❖ Amount — Gross Asset Balance

- Debit **GL 5600** GAAP Expenditure Offset
- Credit **GL 9999** System Clearing

➢ **Suffix 002** — To Record Increase in Lease Obligations ***at the Inception*** in governmental funds (i.e. – FT01, FT02, FT03, FT04):

❖ Amount — Gross Asset Balance

- Debit **GL 9999** System Clearing
- Credit **GL 6035** Other Financing Sources

Leases – Recognition & Measurement (Cont.)

Lessee – Governmental Activities (Cont.)

➢ **Suffix 003** — To **Reclass** the *Lease Payments* to Debt Service Principal and Interest Expenditures in governmental funds (i.e. – FT01, FT02, FT03, FT04):

❖ Amount — Cash (total of payments made)
- Debit **GL 9999** System Clearing
- Credit **GL 5600** GAAP Expenditure Offset

❖ COBJ — should match COBJ used on lease payment entries during current fiscal year.

❖ Example:

Suffix 003	=	Suffix 004	+	Suffix 005
$2,527,318.57 *Lease Payments*	=	$730,490.60 *Interest Expense*	+	$1,796,827.97 *Principle Expense*

Leases – Recognition & Measurement (Cont.)

Lessee – Governmental Activities (Cont.)

- **Suffix 004** – To Record Debt Service *Interest* Expenditures in governmental funds (i.e. – FT 01, 02, 03, 04)
  - ❖ Amount — Interest Expense *less* Accrued Interest
    - Debit **GL 5600** GAAP Expenditure Offset
    - Credit **GL 9999** System Clearing

- **Suffix 005** – To Record Debt Service *Principal* Expenditures in governmental funds (i.e. – FT 01, 02, 03, 04)
  - ❖ Amount — Liability Reduction
    - Debit **GL 5600** GAAP Expenditure Offset
    - Credit **GL 9999** System Clearing

Leases – Recognition & Measurement (Cont.)

Lessee – Governmental Activities (Cont.)

➢ **Suffix 006** — To Record the NC Lease Liability and Reclass the Increase in Lease Obligations in Basis Conversion Funds (FT12)

❖ Amount — Gross Asset Balance

- Debit **GL 6135** BC – Other Financing Sources
- Credit **GL 1719** BC – NC Right to Use Lease Obligation

➢ **Suffix 007** — To Record the Intangible Right-to-Use Lease Asset and Reclass the Capital Outlay Expenditures in Basis Conversion Funds (FT11)

❖ Amount — Gross Asset Balance

- Debit **GL 06XX** Intangible Right to Use Lease Asset
- Credit **GL 5650** BC – Expenditure Control

Leases – Recognition & Measurement (Cont.)

Lessee – Governmental Activities (Cont.)

- **Suffix 008** — To Reduce the Reduction in Lease Liability and Reclass the Debt Service Principal Expenditures in Basis Conversion Funds (FT12)
  - ❖ Amount — Liability Reduction
    - Debit **GL 1719** BC – NC Right to Use Lease Obligation
    - Credit **GL 5650** BC – Expenditure Control

- **Suffix 009** — To Record the Portion of *Current* Lease Liability (due within 1 year) in Basis Conversion Funds (FT12)
  - ❖ Amount — ST Lease Liab.
    - Debit **GL 9992** BC – System Clearing
    - Credit **GL 1629** BC – CL Right to Use Lease Obligation

Leases – Recognition & Measurement (Cont.)

Lessee – Governmental Activities (Cont.)

- **Suffix 010** — To **Reduce** *Non-Current* Lease Liability by Amount of Current Lease Liability (due within 1 year) in Basis Conversion Funds (FT12)

  - ❖ Amount — ST Lease Liab.
    - Debit **GL 1719** BC – NC Right to Use Lease Obligation
    - Credit **GL 9992** BC – System Clearing

- **Suffix 011** — To Record the Accrued Interest Payable in Basis Conversion Funds (FT12)

  - ❖ Amount — Accrued Interest
    - Debit **GL 5650** BC – Expenditure Control
    - Credit **GL 1610** BC – CL Interest Payable

- **Suffix 012** — To Record Amortization of the Right to Use Asset in Basis Conversion Funds (FT11)

  - ❖ Amount — Amortization Expense
    - Debit **GL 5650** BC – Expenditure Control
    - Credit **GL 06XX** BC – Right to Use Lease Asset Amortization

Leases – Recognition & Measurement (Cont.)

Lessee – Business-Type Activities & CU

➢ Working Papers: *Right to Use Lease Business Type Activities, Record (Excel)*

Doc Sfx	TRANS CODE	COMP OBJ	Input GL ACCT	DESCRIPTIONS
001	644	blank	03XX	FT05, 15 Record Right to Use Asset
002	645	blank	1219	FT05, 15 Record Right to Use Obligation
003	633	7XXX	9999	FT05, 15 Reclass Obligation reduction – Right to Use
004	632	7802	9999	FT05, 15 Reclass Interest payments – Right to Use
005	644	blank	1219	FT05, 15 Reclass Obligation reduction – Right to Use
006	645	blank	1110	FT05, 15 Adj Accrued Interest – Right to Use
007	647	blank	1129	FT05, 15 Record CL Right to Use Obli due in 1 Yr.
008	647**R**	blank	1219	FT05, 15 Reverse CL from BC NC Right to Use Obli
009	632	7885	03XX	FT05, 15 Record Amortization Right to Use Asset

➢ Coding reflecting "X"s determined by agency:

❖ Suffix 001 — GL Account

❖ Suffix 003 — COBJ

❖ Suffix 009 — GL Account

Leases – Recognition & Measurement (Cont.)

Lessee – Business-Type Activities & CU (Cont.)

- Standard COBJs for Lease entries:
  - 7802 – Interest Expense Other
  - 7885 – Amortized Expense – Right to Use Asset

- COBJ options for suffix 003:
  - 7401 — Rental of Radio Towers
  - 7406 — Rental of Furnishings/Equipment
  - 7411 — Rental of Computer Equipment
  - 7415 — Rental of Computer Software
  - 7421 — Rental of Reference Material
  - 7442 — Rental of Motor Vehicles
  - 7443 — Rental of Aircraft - Exempt
  - 7445 — Rental of Aircraft
  - 7449 — Rental of Marine Equipment
  - 7461 — Rental of Land
  - 7462 — Rental of Office Building/Office Space
  - 7468 — Rental of Service Buildings
  - 7470 — Rental of Space
  - 7522 — Telecommunications – Equip. Rental

Leases – Recognition & Measurement (Cont.)

Lessee – Business-Type Activities & CU (Cont.)

➢ Standard GLs for Lease entries:

  ❖ 1110 — Interest Payable
  ❖ 1129 — Current Liability – RTU Lease Obligations
  ❖ 1219 — Noncurrent Liability – RTU Lease Obligations
  ❖ 9999 — System Clearing

➢ GL options for suffix 001 (with T-code 644):

  ❖ 0321 — Right to Use Asset – Land
  ❖ 0323 — Right to Use Asset – Buildings
  ❖ 0331 — Right to Use Asset – Facilities
  ❖ 0336 — RTU Asset – Infrastructure
  ❖ 0348 — Right to Use Asset – Equipment
  ❖ 0358 — Right to Use Asset – Vehicles

➢ GL options for suffix 009 (with T-code 632):

  ❖ 0322 — RTU Asset – Land – Amortization
  ❖ 0324 — RTU Asset – Buildings – Amortization
  ❖ 0332 — RTU Asset – Facilities – Amortization
  ❖ 0337 — RTU Asset – Infrastructure – Amort
  ❖ 0349 — RTU Asset – Equipment – Amortization
  ❖ 0359 — RTU Asset – Vehicles – Amortization

Leases – Recognition & Measurement (Cont.)

Lessee – Business-Type Activities & CU (Cont.)

- **Suffix 001** — To Record Non-Current Right to Use Lease Asset **at the Inception**

  - ❖ Amount — Gross Asset Balance
    - Debit **GL 03XX** NC Right to Use Asset
    - Credit **GL 9999** System Clearing

- **Suffix 002** — To Record Non-Current Right to Use Lease Liability **at the Inception**

  - ❖ Amount — Gross Asset Balance
    - Debit **GL 9999** System Clearing
    - Credit **GL 1219** NC Right to Use Lease Obligations

Leases – Recognition & Measurement (Cont.)

Lessee – Business-Type Activities & CU (Cont.)

➢ **Suffix 003** — To **Reclass** the **Lease Payments** to Reduce the Lease Liability and Record the Interest

❖ Amount — Cash (total of payments made)
- Debit **GL 9999** System Clearing
- Credit **GL 5600** GAAP Expenditure Offset

❖ COBJ — should match COBJ used on lease payment entries during current fiscal year

❖ Example:

Suffix 003	=	Suffix 004	+	Suffix 005	-	Suffix 006
$2,527,318.57 *Lease Payments*	**=**	$793,751.43 *Interest Expense*	**+**	$1,796,827.97 *Principle Expense*	**-**	$63,260.83 *Accrued Interest*

Leases – Recognition & Measurement (Cont.)

Lessee – Business-Type Activities & CU (Cont.)

- **Suffix 004** — To Record the *Interest* Portion of Lease Payments
  - ❖ Amount — Interest Expense
    - Debit **GL 5600** GAAP Expenditure Offset
    - Credit **GL 9999** System Clearing

- **Suffix 005** — To Reduce the Lease Liability by *Principal* Portion of Lease Payments
  - ❖ Amount — Liability Reduction
    - Debit **GL 1219** NC Right to Use Lease Obligation
    - Credit **GL 9999** System Clearing

- **Suffix 006** — To Record the Accrued Interest Payable
  - ❖ Amount — Accrued Interest
    - Debit **GL 9999** System Clearing
    - Credit **GL 1110** Interest Payable

Lessee – Business-Type Activities & CU (Cont.)

- **Suffix 007** — To Record the ***Current*** Portion of Lease Obligation (due within 1 year)
  - ❖ Amount — ST Lease Liab.
    - Debit **GL 9999** System Clearing
    - Credit **GL 1129** CL Right to Use Lease Obligations

- **Suffix 008** — To **Reduce** ***Non-Current*** Lease Liability by Amount of Current Lease Liability (due within 1 year)
  - ❖ Amount — ST Lease Liab.
    - Debit **GL 1219** NC Right to Use Lease Obligation
    - Credit **GL 9999** System Clearing

- **Suffix 009** — To Record Amortization of the Right to Use Asset
  - ❖ Amount — Amortization Expense
    - Debit **GL 5600** GAAP Expenditure Offset
    - Credit **GL 03XX** BC – Right to Use Asset – Amortization

Lessor Accounting

- ➤ GASB 87 requires the **lessor** to record a **lease receivable** and a **deferred inflow of resources**.

- ➤ Accounting entry template:

  - ❖ Lessor — ten lines

- ➤ Use the *Right to Use Lease Lessor, Record (Excel)* accounting entry template available on the AFR Reporting Requirements' Working Papers page.

Leases – Recognition & Measurement (Cont.)

Lessor Accounting (Cont.)

Doc Sfx	TRANS CODE	COMP OBJ	*Input* GL ACCT	DESCRIPTIONS
001	644	blank	0479	Record Non-Current Lease Receivable
002	645	blank	1146	Record Deferred Inflow of Resources
003	630	3XXX	9999	Reclass the Lease Payments
004	645	blank	0479	Record the Lease Receivable Reduction
005	630	3XXX	9999	Reclass the Lease Payments
006	631	3476	9999	Record the Interest Revenue
007	631	3XXX	0201	Adjust for Accrued Interest Receivable
008	646	blank	0256	Record Current Portion of Lease Receivable (due within 1 yr)
009	647	blank	0479	Reduce NC Lease Recv. by Current Lease Receivable
010	631	3XXX	1146	Record the Lease Revenue

➢ Coding **reflecting** "X"s determined by agency:
  ❖ Suffix 003, 005, 007 and 009 — COBJ

➢ Some of the COBJs that can be used:
  ❖ 3315 — Oil and Gas Lease Bonus
  ❖ 3316 — Oil and Gas Lease Rental
  ❖ 3330 — Hard Mineral – Prospect & Lease
  ❖ 3331 — Wind/Other Lease Income from School Land
  ❖ 3341 — Grazing Lease Rental
  ❖ 3342 — Land Lease
  ❖ 3445 — Oyster Bed Location Rental
  ❖ 3746 — Rental of Land/Misc. Land Income
  ❖ 3747 — Rental – Other

Leases – Recognition & Measurement (Cont.)

Lessor Accounting (Cont.)

➢ **Suffix 001** — To Record *Non-Current* Lease Receivable

❖ Amount — Lease Receivable

- Debit **GL 0479** NC Lease Receivable
- Credit **GL 9999** System Clearing

➢ **Suffix 002** — To Record Deferred Inflow of Resources

❖ Amount — Deferred Inflow of Resources

- Debit **GL 9999** System Clearing
- Credit **GL 1146** Deferred Inflow of Resources – Leases

➢ **Suffix 003** — To **Reclass** the Lease Payments

❖ Amount — Lease Receivable Reduction

- Debit **GL 5100** GAAP Revenue Offset
- Credit **GL 9999** System Clearing

Leases – Recognition & Measurement (Cont.)

Lessor Accounting (Cont.)

- ➢ **Suffix 004** — To Record the Lease Receivable Reduction
  - ❖ Amount — Lease Receivable Reduction
    - Debit **GL 9999** System Clearing
    - Credit **GL 0479** NC Lease Receivable
- ➢ **Suffix 005** — To **Reclass** the Lease Payments
  - ❖ Amount — Interest
    - Debit **GL 5100** GAAP Revenue Offset
    - Credit **GL 9999** System Clearing
- ➢ **Suffix 006** — To Record the Interest Revenue
  - ❖ Amount — Interest
    - Debit **GL 9999** System Clearing
    - Credit **GL 5100** GAAP Revenue Offset

Leases – Recognition & Measurement (Cont.)

Lessor Accounting (Cont.)

- **Suffix 007** — To Adjust for Accrued Interest Receivable
  - ❖ Amount — Accrued Interest
    - Debit **GL 0201** Other Interest Receivable
    - Credit **GL 5100** GAAP Revenue Offset

- **Suffix 008** — To Record *Current* Portion of Lease Receivable (due within 1 year)
  - ❖ Amount — Current Receivable
    - Debit **GL 0256** CA Lease Receivable
    - Credit **GL 9999** System Clearing

- **Suffix 009** — To **Reduce** *Non-Current* Lease Receivable by Amount of Current Lease Receivable (due within 1 year)
  - ❖ Amount — Current Receivable
    - Debit **GL 9999** System Clearing
    - Credit **GL 0479** NC Lease Receivable

Lessor Accounting (Cont.)

➤ **Suffix 010** — To Record the Lease Revenue

❖ Amount — Deferred Inflow of Resources – Amort.

- Debit **GL 1146** Deferred Inflow of Resources – Leases
- Credit **GL 5100** GAAP Revenue Offset

SEFA Update – UEI Replaces DUNS

Unique Entity Identifier (UEI) Replaces Data Universal Numbering System (DUNS)

- As of April 4, 2022 the federal government transitioned from DUNS to UEI.

  - Agencies will receive a UEI with active registration in the System for Award Management (SAM.gov).

  - Third party website operated by Dun and Bradstreet is phased out for SEFA reporting purposes.

  - DUNS number was 9 numeric characters

  - UEI will be 12-alphanumeric characters.

SEFA Update – UEI Replaces DUNS (Cont.)

UEI Update in SEFA Web Application

➢ Financial Reporting section is currently working with the development team to update the SEFA web application from DUNS to UEI.

❖ **If** update is **<u>not</u>** in place by SEFA Final Certification deadline (Nov. 1, 2022):

- Financial Reporting section may need to collect UEI from each agency through alternate method (email, etc.).

- To complete SEFA Final Certification, agencies are still required to register in SAM.gov to obtain a valid UEI.

SEFA Update – UEI Replaces DUNS (Cont.)

Agency Requirements

➢ See updated <u>UEI and SAM Reporting</u> requirements.

❖ All agencies that are reporting a fiscal 2022 SEFA **must** register for a UEI in the <u>SAM.gov</u>.

- Thereafter, agencies **must** maintain active SAM.gov for all future fiscal year SEFAs.

❖ Agencies **must not** complete SEFA Final Certfication without a UEI.

Reminder: SEFA Final Certification is *not* required when the agency is not reporting both:

- Any federal expenditures or other SEFA records.
- Any notes to SEFA.

SEFA Update – UEI Replaces DUNS (Cont.)

Valid UEI Requirements

➢ In SEFA, agencies must **only report** the UEI (12 alphanumeric characters) assigned by SAM.gov.

➢ Do **not** add characters to the 9-character DUNS number to "create" a 12-character UEI.

➢ Do **not** input a false UEI to complete the SEFA Final Certification.

❖ Examples: "000000000000" or "ABC123456789"

❖ Instead:

- If SEFA Final Certification is required, register in SAM.gov to obtain a valid UEI.

- If SEFA Final Certification is *not* required, *do not* complete SEFA Final Certification.

Upcoming Webinar

➢ Date: Thursday, **Aug. 18**
Time: 2 – 4 p.m. (CDT)

Questions?

If you have financial reporting questions, contact your agency's assigned:

- [financial reporting analyst](#)
- [appropriation control officer](#)