STATE OF DELAWARE

GAAP

(Generally Accepted Accounting Principles)

Reporting Package Manual

Prepared By:

The Division of Accounting

Revised Date: April 29, 2016

Supersedes All Prior *GAAP Reporting Package Manual*s

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EXECUTIVE SUMMARY

Throughout the year the State of Delaware (State) accounts for its financial operations on the statutory basis of accounting, often referred to as the "budgetary basis". The State annually produces financial statements, known as the Comprehensive Annual Financial Report (CAFR).

The CAFR presents the financial condition of the State for the fiscal year ended June 30 of each year and is used by legislators, State Organizations, bond rating services and taxpayers. The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and is audited by independent Certified Public Accountants each fiscal year.

The CAFR contains three sections: an introductory section, a financial section, and a statistical section. The introductory section includes a transmittal letter with narrative commentary on matters of interest to the reader, the State's Organizational chart, and a list of key State officials. The financial section includes the management's discussion and analysis, the basic financial statements, required supplementary information, and combining financial statements by fund type. The statistical section includes selected financial, economic, and demographic data for the State on a multi-year basis.

For its CAFR, the State reports in conformity with GAAP as prescribed for governments by the Governmental Accounting Standards Board (GASB). The CAFR combines not only current resource data, but also economic resource data. Economic resource data shows what revenues or expenses have been earned/incurred but not yet received/paid at fiscal year-end. The accounting transactions and balances that Organizations record in First State Financials (FSF), which is the State's official system of record, form the starting point for the State's reporting process. In preparing the State's CAFR, the Department of Finance, Division of Accounting (DoA), uses data from FSF to the greatest extent possible but also uses information from Organizations via *GAAP Reporting Package* forms at the end of each fiscal year. DoA uses this year-end information to adjust FSF balances to GAAP balances. The adjusted amounts appear only in the GAAP financial statements, not in the State's budgetary-basis reports.

DoA submitted the Fiscal Year (FY) 2015 CAFR for review as part of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program. The past twenty CAFRs have received this award and Delaware is one of only nine states that hold the nation's highest bond ratings: Aaa from Moody's Investment Service; AAA from Fitch Ratings; and AAA from Standard & Poor's. Such accomplishments are important indicators to the financial community that the State continues to meet the highest standards for financial accounting and reporting. This could not have been accomplished without the cooperation and effort of those who prepared the GAAP information included in the CAFR. DoA extends its appreciation for FY 2015, and thanks in advance the many individuals who will be working to ensure that the FY 2016 report is completed timely. We remain committed to making GAAP reporting as efficient as possible. State Organization cooperation is valued and we welcome all ideas for further improvement.

OVERVIEW

This manual has been prepared by DoA and was developed to aid both State Organizations and DoA in facilitating a timely year-end close. All State Organizations are required to follow the *GAAP Reporting Package Manual* instructions for fiscal year end reporting.

The purpose of the manual is to provide guidance to the State Organizations in order to establish uniformity and consistency in the year-end procedures and ensure the State's financial statements are prepared in accordance with GAAP as prescribed by GASB. GAAP statements are important for both internal and external users. Internally, management utilizes the statements for decision-making regarding the State's assets, liabilities, revenues, expenditures and fund balance/net position. Externally, the statements are used by lending institutions, bond rating agencies, taxpayers and citizens and benefit all State Organizations and residents with lower interest rates as a result of the highest level of bond ratings.

The independent auditors of the State's CAFR perform some of their work based on a review of data and procedures within DoA. They also review the GAAP reporting package forms and the supporting work papers that State Organizations prepare. Organizations are responsible for maintaining working papers to support the data in the GAAP reporting package forms.

Organizations are responsible for carefully reviewing this document, understanding all requirements and meeting all deadlines. It is imperative that the requirements and deadlines for all areas in this document are met to ensure timely closing of the State's fiscal year-end books and completion of the State's CAFR.

The annual GAAP process begins June 30 with the end of the fiscal year. Organizations can begin completing the GAAP reporting package sections as soon as practicable and are encouraged to submit their package ***before*** the deadlines when it is feasible to do so. This helps the financial reporting staff in DoA to keep the CAFR preparation process on target.

To meet established deadlines, the final audited CAFR must be published by December 31. The final audited CAFRs for prior fiscal years are available on the DoA website at the following link: http://accounting.delaware.gov/cafrdefault.shtml

We hope you find this overview helpful and if you would like to provide feedback on this document, please forward it to gaap.reporting@state.de.us

GAAP PROCESS SCHEDULE

The following is a general outline of the timeline for the GAAP process:

March	*GAAP Reporting Package Manual* released
April	Memo for FSF Year End Close Process released
May	GAAP Training for Organization Personnel
June 29	Last day to add assets into CAM (Capital Asset module)
June 30	End of Fiscal Year
July	DoA available to assist Organizations
July 11	GMEN open to Organizations for data entry
July 18	Deadline for entry of Section H GMEN forms – CWIP and CSIP
August 5	Deadline for submission of GAAP Forms G-3 and G-5 – Compensated Absences (or other comparable forms) with supporting documentation (no entry in GMEN is required, submit to gaap.reporting@state.de.us)
August 5	GMEN closed out to Organizations for data entry Submit Organization Letter of Representation to DoA and GAAP Reporting Package Checklist (including required documents per the checklist)

Adherence to this schedule is crucial to a successful closing. Once the GAAP reporting packages have been entered into GMEN, DoA must analyze all packages, resolve any questions or open matters, prepare journal entries, work papers and footnotes for submission to the State's independent auditors, and prepare the CAFR.

Exceptions to the **July 18th and August 5th** deadlines must be approved by DoA in advance of the cutoff dates. The Organization must make its request in writing and receive written approval. Please note that the use of email for making these requests is acceptable.

GENERAL INSTRUCTIONS

FORMAT

- This manual includes general instructions, fund definitions, multiple sections for each area of accounting data and a glossary for all pertinent terms and definitions. The State's policy is to present its financial statements in accordance with GAAP. GAAP requires that the State's financial statements reflect all accounts and activity under the State's control at fiscal year-end. This includes all accounts and activity that State Organizations report within and outside of FSF. These instructions apply only to the accounts and activity outside of FSF. Each instruction section for the areas of accounting data requires that the Organization complete the forms to report year-end adjustments needed for GAAP and includes the following:

  - Purpose and objective
  - Accounting principles and policies
  - Instructions

GENERAL

- Read the instructions for each section carefully before commencing. The GAAP reporting package process is automated with information prepared by each Organization and entered directly into the GAAP Module (GMEN). Changes have been made to both forms and instructions used in the package preparation as well as data entry screens and instructions.

- The GAAP reporting packages only report financial data that is outside of FSF.

- The forms apply to every fund each Organization maintains outside of FSF. Please review the Fund Definitions section.

  - Please note that the funds defined as "Agency Funds" have special reporting requirements.

- All balances should be reported as of June 30 of the current fiscal year. Prior year information should be carried over from the previous fiscal year GAAP reporting package. Be sure to compare the information from prior year forms to the information contained in GMEN.

- Organizations should complete the General Survey Questionnaire to determine which sections apply and then complete the "Component Selection Index" in GMEN

- Use the excel forms provided on DoA's website as supporting documentation prior to data entry into GMEN (See Appendix 1).

- On several of the section forms, an explanation is required in the comments section if the prior year amount differs from the current year by the percentage AND dollar threshold per the table below. Explanations are required in order to assist DoA and the State's independent auditors with analytical reviews.

Section	Amount	Percentage
A - Cash and Cash Equivalents	$ 50,000	10%
A - Investments	50,000	10%
B - Accounts Receivable	100,000	10%
C - Accounts Payable	100,000	10%
D - Supplies and Materials	100,000	10%
G – Compensated Absences	50,000	10%

- The *GMEN UPK guide* provides the instructions for entering the information to the sections in GMEN.

- Form A-12A reports the total revenue collected and expenditures made through accounts held outside of FSF for funds 100 through 845. Account activity for Agency funds 855 through 890 is summarized on Form A-12B.

    - These forms **MUST** be completed and entered in GMEN by all Organizations, if cash and investment data has been reported in Section A – Cash and Cash Equivalents and Investments of the *GAAP Reporting Package*. **(Changes in cash, investments, receivables and payables from year to year are the result of revenues and expenses, which are required for proper reporting. If this is not included, DoA will follow up with all Organizations to obtain this information.)**

    - Forms A-12A and A-12B cannot be completed in GMEN until all other sections of GMEN have been completed and saved.

- All Organizations should review the totals and verify the accuracy of the data entry.

- Have someone proof all work. The reviewer should verify that the information has been prepared properly.

- Maintain all work papers (current year and prior year) that support the amounts in the reporting package. This includes the excel worksheets as well as supporting work papers such as bank statements and reconciliations, receivables and payables detail, inventory detail counts, etc. Documentation of any Organization or departmental policies, such as accounts receivable collection procedures along with any unique situations for which special instructions were provided by DoA, should be included in the work papers. All documentation will be open for review by DoA and the independent auditors of the State. All work papers must be kept in accordance with the State's records retention policy.

    - Working papers should be neat, legible, complete, accurate, and logically organized.

    - Working papers should clearly support the conclusion(s) reached and the amounts entered in GMEN.

- Contact any member of the DoA Financial Accounting and Reporting Team or send an email to gaap.reporting@state.de.us with any matters or questions pertaining to the completion of the GAAP reporting package or GMEN.

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FUND DEFINITIONS

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The following funds and definitions listed in this section are the most commonly used in the GAAP reporting packages.

GOVERNMENTAL FUNDS

Governmental funds are the set of accounts used to track general government activities. These funds are typically used to account for the tax-supported activities of the government.

GENERAL FUNDS - 100

General Funds account for the ordinary operations of the State, except those required to be accounted for in another fund. These funds document primary operations and administration activity of the State and are known as the chief operating fund.

SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Federal Revenue Funds - 225

Federal Revenue Funds account for revenues received from the federal government in the form of grants, entitlements, shared revenues, or payments in lieu of taxes.

Local School Funds – 270

Local School Funds account for activities relating to the State's local school districts which are funded by locally raised real estate taxes and other revenues.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or fiduciary funds). These facilities include those provided to political subdivisions and other public Organizations. These resources are derived principally from proceeds of general obligation bond issues and federal grants.

Capital Projects except TTF – 300

This fund is used for projects of all State Organizations other than DelDOT.

PROPRIETARY FUNDS

Proprietary funds account for activities financed and operated in a manner similar to private business enterprises. The costs for providing services to the public on a continuing basis are primarily financed or recovered through user charges.

Transportation Trust Fund Operations – 101

The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation-related fees that are imposed and collected by the State and transferred to the Trust Fund. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 Toll Roads.

DelDOT General Fund– 102

This fund accounts for the general operations of the Department of Transportation.

DelDOT Federal Funds – 224

This fund accounts for the Federal Funds received by the Department of Transportation other than those accounted for in Fund 302.

Transportation Trust Fund (TTF) Capital – 301

This fund is used solely for projects of DelDOT.

Federal DelDOT Capital - 302

This fund accounts for the Federal Funds the State receives from the Federal Highway Administration, the Federal Transit Administration, the Federal Aviation Administration and Federal discretionary funding and is solely for projects of DelDOT.

FIDUCIARY FUNDS

Fiduciary funds account for resources that are held by the government as a trustee or agent for parties outside the government that cannot be used to support the government's own programs.

Pension Trust Funds - 845

Pension Trust Funds account for funds that are required to be held for members and beneficiaries of defined pensions or other employee benefits, such as public employee retirement systems. Based on monetary value, growth impact on governmental budgets and personnel management, and economic significance to individual government employees, the Pension Trust Funds are the most significant type of trust fund. Pension Trust Funds are used to account for the assets, liabilities, fund balance and transactions of the various State public employee retirement systems.

Agency Funds - 855 through 890

Agency Funds account for assets held by the State as an agent. These funds are purely custodial; assets must equal liabilities; therefore, no fund balance exists. They do not involve the measurement of the results of operations. Agency Funds account for monies and properties collected by the State for distribution to other governmental units or designated beneficiaries. The monies arise from various taxes, deposits, payroll withholdings and other sources. The State is acting merely in the capacity of an agent. One example of an Agency Fund is a student account such as the French Club held by the school district. The school district is acting as the custodian of the funds but has no rights to use the funds. Petty cash accounts and other operational accounts (such as employee sunshine accounts) are **not** Agency Funds for GAAP reporting purposes. All operational accounts must be segregated from custodial accounts for GAAP reporting. Additionally, Agency Funds have special reporting requirements in that the total of the book balances for cash and investments plus accounts receivable less accounts payable must equal funds held in escrow. See the specific instructions in the sections pertaining to the Agency Funds.

The following accounts are identified as Agency Funds:

Child Support Collections	855	
Pass-Through	880	e.g. court
Other Agency Funds	890	e.g. custodial accounts

GENERAL SURVEY QUESTIONNAIRE

Organizations must complete only those sections of the GAAP Reporting Package that apply based on the requirements. Completion of this questionnaire will help determine which sections the Organization must complete.

PURPOSE AND OBJECTIVE

The purpose of this questionnaire is to determine the sections of the GAAP reporting package each Organization is required to complete. Completion of the questionnaire will assist in the completion of the Component Section Index in GMEN. The questionnaire is included in Appendix 1 (Excel Forms).

INSTRUCTIONS

- Work through the questions one at a time answering each question only after you read and understand the related instructions for each section.
- After completion of the questionnaire, the Organization will know which sections of the GAAP Reporting Package are applicable. All sections that **do not** apply to the Organization need to be checked N/A in the GMEN Component Selection Index.
- Retain a copy of the completed questionnaire and the documentation that support your answers to the questions with the Organization's GAAP package work papers. Appropriate documentation and the level of detail will vary according to circumstances.

SECTION A

CASH AND INVESTMENTS

THIS SECTION SHOULD BE USED IN CONJUNCTION WITH FORMS A-3 AND A-5 OF APPENDIX 1 (EXCEL FORMS)

CASH AND CASH EQUIVALENTS

PURPOSE AND OBJECTIVE

The purpose of this section is to gather information regarding cash on hand and in bank accounts that are outside of FSF at June 30. The objective in gathering this information is to accurately reflect in the State's financial statements cash and cash equivalents at June 30.

ACCOUNTING PRINCIPLES AND POLICIES

Organizations will provide data regarding cash and cash equivalents form accounts not reported in FSF.

Cash includes:

- Cash and cash equivalents that the State or its Organizations have available for State business use only and opened under the State's EIN.
- Cash and cash equivalents that the State or its Organizations hold as trustee or agent for others available for State business use and opened under the State's EIN or State managed by the Organization for the benefit of individuals or organizations as required by State Code or other legal mandates.
    - Cash on hand
    - On deposit in financial institutions
    - Held in trust by a financial institution or other party for the Organization or State

GASB Statements No. 3 and 40 provide guidance for disclosures by governmental entities about deposits with financial institutions.

Chapter 7 of the Budget and Accounting Manual (BAM) and the Statement of Objectives and Guidelines for the Investment of State of Delaware Funds established by the Cash Management Policy Board dictate the State's policies and procedures for opening and maintaining all cash accounts for State Organizations.

INSTRUCTIONS

- Review all bank accounts held outside of FSF and determine the appropriate fund to report the balances.

- Obtain the bank statements and prepare bank reconciliations as of June 30 for all accounts.

- Record the following information on Form A-3:

  - Fund
  - Bank Name
  - Account Type
  - Account #
  - Federal Employer Identification Number (EIN)
  - Opened Through the State Treasurer
  - Purpose of the Account
  - Reconciled Book Balance at 6/30 CY
  - Reconciled Bank Balance at 6/30 CY
  - Reconciled Book Balance at 6/30 PY
  - Reconciled Bank Balance at 6/30 PY

- After all information has been listed on Form A-3, review, save and ensure the totals are correct.

- Verify the prior year Reconciled Book Balance and Bank Balances from your files to the amounts in GMEN.

  - If the cash and cash equivalents between the prior year and current year differs by 10% and $50,000, briefly explain the reason for the variance in the explanation column.

INVESTMENTS

PURPOSE AND OBJECTIVE

The purpose of this section is to gather information regarding the State's investments that exists outside of FSF at June 30. The objective in gathering this information is to report the State's investments at June 30.

ACCOUNTING PRINCIPLES AND POLICIES

Investments include all:

- Investments that the State or its Organizations have available for State business use only and opened under the State’s EIN.
- Investments that the State or its Organizations hold as trustee or agent for others available for State business use and opened under the State’s EIN or State manage by the Organization for the benefit of individuals or organizations as required by State Code or other legal mandates.

Guidance on investments can be found in the GASB Codification Section I50, I55, I60; GASB Technical Bulletin 97-1; GASB Statement No. 31; GASB Statement No. 34, paragraph 131; GASB Statement No. 40; GASB Statement No. 72; and GASB Comprehensive Implementation Guide, Chapters 1 and 6.

The Statement of Objectives and Guidelines for the Investment of State of Delaware Funds established by the Cash Management Policy Board dictates the State’s policies and procedures for opening and maintaining all investment accounts for State Organizations.

INSTRUCTIONS

- Review all investment accounts held outside of FSF to determine the appropriate fund to report the balances.

- Record the following information for every account on Form A-5:
    - Fund,
    - Bank Name
    - Account Number
    - Federal Employer Identification Number (EIN)
    - Investment Type (See below)
    - Market value at 6/30 CY
    - Interest Income at 6/30 CY
    - Carrying Value at 6/30 CY
    - Market Value at 6/30 PY

- Types of Investments:
  - Certificates of Deposits (greater than 90 days maturity date)
  - Commercial Paper
  - Corporate Obligations
  - U.S. Government Obligations
  - Municipal Obligations
  - Other Pooled Investments
  - Private Placements

- After completion of the data for the Form A-5; review, save and ensure the totals are correct.

- Verify the prior year Market Value from your files to the amounts in GMEN.

- If the investment market value between the prior year and current year differs by 10% and $50,000, briefly explain the reason for the variance in the explanation column.

SECTION B
ACCOUNTS RECEIVABLE

THIS SECTION SHOULD BE USED IN CONJUNCTION WITH FORM B-3A/4C OF APPENDIX 1 (EXCEL FORMS)

PURPOSE AND OBJECTIVE

The purpose of this section is to gather information regarding accounts receivable from individuals or private organizations at June 30. The objective in gathering this information is to accurately reflect the accounts receivable and allowances for uncollectible accounts receivable at June 30.

ACCOUNTING PRINCIPLES AND POLICIES

An Organization is to report accounts receivable, if the gross accounts receivable (in aggregate) equals or exceeds $100,000 or more at June 30 for all receivables outside of FSF other than receivables with other State Organizations. The following categories are included in the State's financial statements:

- Accounts receivable, net of allowance for doubtful accounts
- Loans or notes receivable, net of allowance for doubtful accounts

GAAP relating to accounts receivable appear in the following authoritative pronouncements:

- GASB codification sections 1600.101 – 1600.108, 1600.130 – 1600.133, 1600.130 – 1600.131, 1600.134
- GASB Statements No. 33, 34, 38 (paragraph 13), and 65 (paragraphs 16, 17, 79, 92-93, 107-108)

Write-Off of Accounts Receivable Determined to be Uncollectible

When an Organization official determines, after all appropriate collection actions have been taken, that it is unlikely that the amount owed is collectible, written approval is required from the Secretary of Finance to remove the account from the active accounts receivable file. See Chapter 9, Section 9.4.4 of the *Budget and Accounting Policy Manual* for specific procedures.

INSTRUCTIONS

- Review all receivable ledgers that are maintained outside of FSF.

- Review cash receipt (CR) and intergovernmental voucher (IV) documents for the month of July/August of the next fiscal year to determine if any pertain to goods or services provided prior to June 30 of the current fiscal year and should be recorded as an accounts receivable at June 30 CY.

- Review all billings from July/August of the next fiscal year and determine if any billings pertain to goods or services provided prior to June 30 of the current fiscal year and should be recorded as an accounts receivable at June 30 CY.

- Determine the appropriate fund to report the balances.

- Determine the "Type" of the Receivable
  - Accounts or Loan/Note

- Calculate the allowance for doubtful accounts:
  - Gather historical data on revenue collectability and use this data to estimate current year collectability
  - Evaluate the reasonableness of the projection as it relates to current year collections to determine if applicable
  - Evaluate the collectability of individual receivables
  - Estimate the amount that is considered to be uncollectible based on the above procedures which is the Allowance for Doubtful Accounts.

- Evaluate the receivables for the time periods expected for collection:
  - Within 60 Days - Determine the amount of net receivables for which you expect to receive payment within 60 days after June 30 (by August 31) These receivables are considered available for modified accrual reporting purposes.

- 61 -365 Days - Determine the amount of net receivables for which you expect to receive payment after 60 days but prior to the end of the next fiscal year. These receivables are considered not available for modified accrual reporting purposes.

- After 365 Days - Determine the amount of net receivables for which you expect to receive payment beyond one year. These receivables are considered not available for modified accrual reporting purposes.

- The total of the 3 above categories must equal the total net receivables (gross receivables minus the allowance for doubtful accounts).

NOTE: If you have a significant amount of receivables in the After 365 Days category, reevaluate for collectability to ensure the allowance for doubtful accounts is appropriately recorded.

- Record the following information on Form B-3A/4C:
  - Fund
  - Provide a brief description of the receivable(s) to be collected.
  - Types of Receivable:
    - Accounts
    - Loan/Note
  - The total gross accounts receivable amount at June 30 of the current fiscal year.
    - *Do not include any accounts transferred to the permanent inactive file.*
  - The amount of the allowance for doubtful accounts at June 30 of the current fiscal year.
    - *Do not include any accounts transferred to the permanent inactive file.*
  - Verify the total net receivables at June 30 of the current fiscal year per the formula calculation in the column.
  - The amount of net receivables for each of the following components: within 60 days, 61-365 days, and after 365 days and ensure the combined amounts equal the total net receivables

- After completion of the data for the Form B-3A/4C; review, save and ensure the totals are correct.

- Verify the prior year receivables from your files to the amounts in GMEN.

- If the net receivable between the prior year and current year differs by 10% and $100,000, briefly explain the reason for the variance in the explanation column.

SECTION C
ACCOUNTS PAYABLE

THIS SECTION SHOULD BE USED IN CONJUNCTION WITH FORMS C-3A AND C-3B, OF APPENDIX 1 (EXCEL FORMS)

PURPOSE AND OBJECTIVE

The purpose of this section is to gather information regarding accounts payable due to individuals or private organizations at June 30. The objective in gathering this information is to accurately reflect the accounts payable at June 30.

ACCOUNTING PRINCIPLES AND POLICIES

Throughout the fiscal year, accounts payable are routinely recorded through FSF. However, at fiscal year-end, accruals are required to account for short-term liabilities, due to employees and due to outside entities. In order to capture these short-term liabilities, State Organizations are required to provide, in their GAAP reporting packages, amounts owed for goods or services received on or before June 30 which have not been paid at June 30 and has not been processed through FSF via a payment voucher (PV), or if the payment **will not** be processed through FSF within 60 days of year-end (by August 31).

GAAP requires different fund types to report their expenditures or expenses in different categories. See GASB codification sections 1300.102; 1600.102-105; and GASB Statement No. 34; and GASB Interpretation 6. The accounting entries to record accounts payable also affect expenditures or expenses.

See sections 1600.127-1600.129 of the GASB codification for further information on rules for expenditure recognition. These rules require Organizations to carefully document the dates when they receive goods or services.

NOTE: All Organizations should ensure when entering vouchers in FSF that the "Goods

Recv Dt" is the actual date the goods were received or services were performed and not the invoice date.

INSTRUCTIONS

- The only payables that should be reported are those which have not been paid at June 30 and have not been processed through FSF via a payment voucher (PV), or if the payment **will not** be processed through FSF within 60 days of year-end (by August 31) and includes:

    - All applicable PO and PV documents for vendor payables for goods or services received prior to June 30.
    - All contracts or documents that include retainage which has not been paid at June 30.
    - Amounts owed to employees for other salaries - overtime or termination pay only earned on or before June 30 and not scheduled to be paid in the subsequent fiscal year July paychecks.
        - School Districts & Colleges – **Do not** report the July and August salary liabilities for your 10 month / 26-pay employees if the amounts are processed through PHRST.

- Determine the appropriate fund to report the balances.

- On Form C-3A record the following information:
    - Fund
    - Vendor
    - Amount payable Against Direct Claim
    - Amount payable Against Purchase Order

- On Form C-3B record the following information:
    - Fund
    - Employee name
    - Payable amount in the appropriate column (either for overtime, termination, or other amounts owed)

After completion of the data on forms C-3A & C-3B, review, save and ensure the totals are correct. Verify the total amounts for rows and columns, including the total for C-3A and C-3B, per the formula calculations.

- On Form C-3A enter the Total Payables at 6/30 PY and verify with the totals of the prior year Against Direct Claim, Against Purchase Order and Other Payables for Salaries to the amounts in GMEN.

- If the prior year amount differs from the current year by 10% and $100,000, briefly explain the reason for the variance in the explanation column.

SECTION D

SUPPLIES AND MATERIALS INVENTORY

THIS SECTION SHOULD BE USED IN CONJUNCTION WITH FORMS D-3 OF APPENDIX 1 (EXCEL FORMS)

PURPOSE AND OBJECTIVE

The purpose of this section is to gather information regarding inventory at June 30. The objective in gathering this information is to reflect in the State's financial statements inventory held at June 30.

ACCOUNTING PRINCIPLES AND POLICIES

Supplies and materials are consumable items used in departmental operations. Examples include; office supplies, medical supplies, repair materials, ammunition, uniforms, etc. Many Organizations provide goods and/or services that are unique to their Organization; therefore, their supplies and material requirements may be unique to their Organization.

Each Organization should use systematic procedures for taking a physical count of inventory on hand at the end of the fiscal year to ensure that it counts all applicable items, but only applicable items, and these items are identified during the count in a manner that prevents duplicate counting of items.

The value of the inventories counted at the end of the fiscal year should be computed using the First-In, First-Out (FIFO) method for financial statement purposes (see glossary). Inventory is accounted for using the purchases method in FSF, whereby items are recorded as expenditures when purchased.

Inventory is ordinarily maintained in a central storage area (location) where it can be physically safeguarded, and where it can be counted (inventoried) efficiently. A physical inventory count must be performed on or as close to June 30 as possible, if an Organization estimates that it's **new and unused** supplies and materials have a value of **$100,000 or more** per central location.

Significant amounts of inventory are new and unused supplies and materials with a value of **$500,000 or more**, in the aggregate, per Organization. Therefore, only Organizations with inventory exceeding the **$500,000** threshold should record the amounts in GMEN.

NOTE: Highway/Grounds Materials **must be** inventoried and reported regardless of total value.
GAAP relating to inventory are defined by GASB Codification Sections I40; 1800.109; and Sections 8.79 through 8.80 of AICPA's Audits of State and Local Governmental Units.

INSTRUCTIONS

- Complete a year-end count of all inventories at each central location where the estimated value is $100,000 or more. The detail work papers of this count should include:

    - Description of each inventory item
    - Identifying code, if any, for each item
    - Quantity of each item
    - Value per unit of each item (FIFO method)
    - The total value of each item
    - The total value of all inventory for the location
    - Aggregate the inventory worksheets for all central locations

- NOTE: Only inventory where the aggregate value per Organization is **$500,000 or more** needs to be reported (other than Highway/Grounds Materials) in GMEN. However, **retain** all detail work papers regardless of the need to report.

- Record the following information on Form D-3:
    - The date the physical inventory was completed
    - Fund
    - Description
    - The value of the inventory at 6/30 CY
    - The value of the inventory at 6/30 PY

- After completion of the data on Form D-3: review, save and ensure the total is correct.

- Verify the prior year Inventory amounts from your files to the amounts in GMEN.

- If the prior year amount differs from the current year by 10% and $100,000, briefly explain the reason for the variance in the explanation column.

- **Only summary information needs to be entered into GMEN**. Every Organization should maintain the detail information available upon request at their respective site for review by DoA or the independent auditors.

SECTION F

LEASE COMMITMENTS

THIS SECTION SHOULD BE USED IN CONJUNCTION WITH FORM F-2/3 OF APPENDIX 1 (EXCEL FORMS)

PURPOSE AND OBJECTIVE

The purpose of this section is to obtain lease obligations for rental agreements and new, current, or ongoing lease contracts for inclusion in the State's financial statements for the year ended June 30. The objective in gathering this information is to accurately disclose lease commitments in the State's financial statements at June 30.

ACCOUNTING PRINCIPLES AND POLICIES

The State's policy is to report leases, if the total annual lease costs for **each lease** is greater than or equal to $25,000 at June 30. A lease with a partial year expense, which begins or ends in the current fiscal year, that had (or will have) an annual cost of $25,000 or more must be reported. (Leases **do not** have to be reported by fund – report each lease for the total amount regardless of the fund charged for the expense.)

GAAP requirements relating to leases appear in:

- GASB Codification Sections L20.101-901.
- GASB Statement Nos. 34 and 38
- Financial Accounting Standards Board (FASB) Statement No. 13, "Accounting for Leases", paragraphs 15 and 16.
- National Council on Governmental Accounting (NCGA) Statement 5, "*Accounting and Financial Reporting for Lease Agreements of State and Local Governments*", paragraph 27.

INSTRUCTIONS

- Review each lease and rental agreement to determine if it should be reported based on the annual lease payment threshold.

- Prepare lease expense schedules for each lease that exceeds the threshold with the following detail:

    - Lease expense incurred in the current fiscal year
    - Lease expense to be incurred in each of the next five fiscal years by amount per fiscal year
    - Lease expense to be incurred for each fiscal year beyond fiscal year five (fiscal year six to end of lease) aggregated in 5 year increments

- Prepare Form F-2/3, by lease for all property or equipment by performing the following:

    - Provide the lease ID number
    - Identify the name of the lessor
    - Provide a brief description of the asset being leased
    - Identify the beginning date of the lease term
    - Identify the ending date of the lease term
    - Identify Type - Property or Equipment
    - Report the amount of lease payments that were made during the current fiscal year in the applicable row
    - Report the minimum annual lease payments due under current lease terms for each of the next five fiscal years in the applicable rows
    - For leases expiring after the next five fiscal years (five fiscal years beyond the current fiscal year), report the lease payments due in five-year increments in the applicable rows
    - For leases expiring after the next 30 fiscal years (thirty fiscal years beyond the current fiscal year), report the remaining aggregate lease payments due through the end of the lease in the applicable row

SECTION G

COMPENSATED ABSENCES

THIS SECTION SHOULD BE USED IN CONJUNCTION WITH FORMS G-3 AND G-5 OF APPENDIX 1 (EXCEL FORMS)

PURPOSE AND OBJECTIVE

The purpose of this section is to gather information needed to record and disclose compensated absences on the State's financial statements and the accompanying notes at June 30. The objective in gathering this information is to accurately reflect the compensated absences at June 30.

ACCOUNTING PRINCIPLES AND POLICIES

Under GAAP, compensated absences represent a liability of the State for additional compensation earned by employees. This compensation is to be paid in the future in the form of annual and sick leave benefits.

The amount of the liability is computed based on employee pay rates in effect at June 30. Because of the State's "payroll lag", this encompasses general pay increases and any other pay increases effective in June but not paid until July or later in the new fiscal year.

GAAP relating to compensated absences are defined by:

- GASB Statement No. 16
- GASB Codification Sections C60.101 through C60.121. or C60.111

State employee annual and leave benefits are governed under the State of Delaware Merit Rules in Sections 5.2 and 5.3.

INSTRUCTIONS

(Note: Data will not be entered into GMEN. Submit the G-3 & G-5 included in the Excel Forms or submit your Organization prepared form that includes comparable data – a separate Form G-3 should be used for each fund if using the forms included in Appendix 1).

- Review employee personnel records, timesheets and contracts to determine compensated absences to be reported and determine the appropriate fund (work papers should show methods for allocating or assigning employees to funds).

- The compensated absence liability for an employee is based on the daily or hourly pay rate that is in effect at June 30. School districts should use an employee's daily pay rate.

- The pay rate in effect at June 30 includes the following pay increases:

    - General pay increases (such as cost-of-living increases) that the General Assembly authorizes to be paid on July 1.
    - Individual employee pay increases (such as merit or promotional increases) with June effective dates to be paid in July or later in the new fiscal year.

- **Annual Leave:**
  Employees accrue annual leave for each month depending on the number of years they have been employed with the State according to the following:

  - Less than 10 years: 9.5 hours (37.5 hour weekly schedule) or 10 hours (40 hour weekly schedule)
  - 10 to less than 15 years: 11.25 hours (37.5 hour weekly schedule) or 12 hours (40 hour weekly schedule)
  - 15 or more years: 13.25 hours (37.5 hour weekly schedule) or 14 hours (40 hour weekly schedule)

  Employees can carryover up to 318 hours (37.5-hour weekly schedule) or 336 hours (40-hour weekly schedule) per calendar year (January 1 – December 31). The total accumulated annual leave may not exceed a maximum of the calendar year carryover plus any additional unused accrual credited to the employee's leave balance from January 1 through July 1. The following guidelines apply:

  - Maximum for 37.5 hour weekly schedule earning 9.5 hours per month is 384.50 hours
  - Maximum for 37.5 hour weekly schedule earning 11.25 hours per month is 396.75 hours
  - Maximum for 37.5 hour weekly schedule earning 13.25 hours per month is 410.75 hours
  - Maximum for 40 hour weekly schedule earning 10 hours per month is 406.00 hours
  - Maximum for 40 hour weekly schedule earning 12 hours per month is 420.00 hours
  - Maximum for 40 hour weekly schedule earning 14 hours per month is 434.00 hours

- **Sick Leave**
  Employees accrue sick leave for each month at a rate of 9.5 hours (37.5 hour schedule) or 10 hours (40 hour schedule).

  Employees are paid for accumulated sick leave at their current salary, excluding all supplemental and premium pays, as follows:

  - At retirement under the State Pension Law, upon commencement of long-term disability, or if laid off without prejudice for lack of work at the rate of 1 hour's pay for each 2 hours of sick leave. The maximum payment is 337.5 hours (37.5 hour weekly schedule) or 360 hours (40 hour weekly schedule).
  - At the death of an employee, at the rate of 1 hour's pay for each hour of sick leave to the employee's estate. The maximum payment is 675 hours (37.5 hour weekly schedule) or 720 hours (40 hour weekly schedule).

- On Form G-3 (or other comparable form) for each fund:

  - Input the name of the employee
  - Report the pay rate (daily or hourly) earned by the employee
  - Report the total number of accumulated unused annual leave hours earned by the employee at June 30 CY
  - Calculate the value of the accumulated unused Annual Leave liability for each employee
  - Report the total number of accumulated unused sick leave hours (total hours divided by 2) earned by the employee at June 30 CY
  - Calculate the value of accumulated Unused Sick Leave liability for each employee
  - After completion of the data on form G-3 (or comparable forms), review, save and ensure the totals are correct, and enter the totals by fund on Form G-5

- Record the prior year Accumulated Annual Leave and Sick Leave amounts from your files.

- If the prior year amount differs from the current year by 10% and $50,000, briefly explain the reason for the variance in the explanation column.

SECTION H

PROJECTS

CONSTRUCTION WORK IN PROGRESS

COMPUTER SOFTWARE IN PROCESS

THIS SECTION SHOULD BE USED IN CONJUNCTION WITH FORMS H-3A AND H-3B OF APPENDIX 1 (EXCEL FORMS)

CONSTRUCTION WORK IN PROGRESS

PURPOSE AND OBJECTIVE

The purpose of this section is to report construction work in progress at June 30 to account for new building construction and improvement projects. The objective in gathering this information is to reflect in the State's financial statements all construction work in progress at June 30.

ACCOUNTING PRINCIPLES AND POLICIES

The State's policy is to report the costs for the construction project of capital assets where the final cost of the completed asset will be $100,000 or more.

Guidance relating to construction work in progress can be found in the following:

- State *Budget and Accounting Policy Manual, Chapter 13*
- GASB Statement No. 34
- GASB Codification Section 1400

INSTRUCTIONS

- Review all construction projects to determine if construction work in progress needs to be reported based on the completed cost of the asset and determine the appropriate fund.

- Review the State *Budget and Accounting Policy Manual, Chapter 13, Section 13.10 for further requirements and costs that are included/excluded from CWIP.*

- Prepare Form H-3A by performing the following:

    - Report the proper Fund for each project
    - Report the appropriation(s) for each project
    - Report the project description (**separate and identify by description, such as the building name, each project that will be capitalized as a separate asset**)
    - The beginning value of CWIP is the ending value as reported in your prior year GAAP reporting package.(Verify with the prior year GMEN balance)
    - If the beginning value is incorrect, report the amount that is needed to correct the beginning value. Depending on whether the beginning value of CWIP needs to be increased or decreased, enter the amount as a positive or negative number

        - An explanation is required in the Explanation of Adjustments section of the form if an amount is reported in the adjustment column. A reconciliation showing why the amounts are different should be documented. Detailed records need to be kept to support any changes.

    - Report the current year construction expenses (i.e. additions)

    - Report the value of the completed project(s) (i.e. deletions)
        - This column represents projects that are considered substantially complete and ready for its intended purpose at June 30 and therefore should be deleted from CWIP.

    - Ensure the ending value of CWIP at June 30 CY and the totals are correct

COMPUTER SOFTWARE IN PROCESS

PURPOSE AND OBJECTIVE

The purpose of this section is to report computer software in process at June 30 to account for custom software products purchased or developed solely for internal use. The objective in gathering this information is to reflect in the State's financial statements all computer software in process at June 30.

ACCOUNTING PRINCIPLES AND POLICIES

The State's policy is to report the costs associated with the **Application Development Phase** for software projects that are not yet substantially complete at June 30 where the final cost of the completed asset will be $1,000,000 or more. These costs are to be capitalized.

Costs that are associated with the **Preliminary Project Stage** and the **Post-Implementation Operation/Production Stage** are not capitalized. These costs are to be expensed as incurred.

The State's policy related to capitalizing the costs associated with software can be found in the following:

- State *Budget and Accounting Policy Manual, Chapter 13*
- AICPA Statement of Position 98-1, *Software Developed or Obtained for Internal Use* (SOP 98-1).

INSTRUCTIONS

- Review all purchased or internally developed software to determine if computer software in process needs to be reported based on the completed cost of the asset and determine the appropriate fund.

- Review the State *Budget and Accounting Policy Manual, Chapter 13, Section 13.10 for further requirements and costs that are included/excluded from CSIP*.

- Prepare Form H-3B by performing the following:

    - Report the proper fund for each project
    - Report the appropriation(s) for each project
    - Report the project description (separate and identify by name each project that will be capitalized as a separate asset)
    - The beginning value of CSIP is the ending value as reported in your prior year GAAP reporting package. (Verify with the prior year GMEN balance)

- If the beginning value is incorrect, report the amount needed to correct the beginning value. Depending on whether the beginning value of CSIP needs to be increased or decreased, enter the amount as a positive or negative number
    - An explanation is required in the Explanation of Adjustments section of the form if an amount is reported in the adjustment column. A reconciliation showing why the amounts are different should be documented. Detailed records need to be kept to support any changes.
- Report the current year expenses associated with the software (i.e. additions)
    - Do not include funds that have been encumbered and not yet expended.
- Report the value of the completed software project(s) (i.e. deletions)
    - This column represents projects that are considered substantially complete and ready for its intended purpose at June 30 and therefore should be deleted from CSIP.
- Ensure the ending value of CSIP at June 30 CY and totals are correct

ACTIVITY SUMMARY

THIS SECTION SHOULD BE USED IN CONJUNCTION WITH FORMS A-12A AND A-12B OF APPENDIX 1 (EXCEL FORMS)

ACTIVITY SUMMARY – FORM A-12A

PURPOSE AND OBJECTIVE

The purpose of this section is to report the revenues earned and the expenditures incurred outside of FSF. The objective in gathering this information is to report your Organization's financial activity outside of FSF for the fiscal year.

INSTRUCTIONS

- The only account activity to be reported in this section is for funds 100 through 845 for activity outside of FSF.

- **All changes in cash, investments, receivables and payables from year to year are the result of revenues and expenditures. For proper reporting, these amounts are required to be completed in GMEN**

- Prepare Form A-12A by performing the following:

    - Report the fund

    - Report the revenues from charges for services

    - Report the revenues from grants

    - Report earnings from interest from bank or investment accounts

    - Total revenues for the fiscal year will be calculated by formula

    - Report the total expenditures during the fiscal year

See Appendix 1 (Excel Forms) for a reconciliation worksheet, instructions and example

ACTIVITY SUMMARY – FORM A-12B

PURPOSE AND OBJECTIVE

The purpose of this section is to report the revenue earned and the expenditures incurred outside of FSF. The objective in gathering this information is to report your Organization's financial activity outside of FSF for the fiscal year.

INSTRUCTIONS

- Complete this section for funds 855 through 890 activities only.

- In preparing Form A-12B, ensure that you are taking the sum of the amounts for Agency funds 855 through 890 only. The form is not prepared on an individual Agency fund basis.

- Prepare Form A-12B by performing the following for each Account Type (i.e. Cash and Cash Equivalents; Investments; Accounts Receivable; and Accounts Payable) as follows:

    - Review your prior year ending balance (this will be the beginning balance) - verify this information to GMEN
    - Report the total gross additions (receipts) collected for the current fiscal year for each "Account Type"
    - Report the total gross deductions (disbursements) for the current fiscal year for each "Account Type"
    - Report the total accounts payable for the current fiscal year for each "Account Type"
    - Verify the totals in the ending balance column and ensure the sum of the Cash & Cash Equivalents, Investments and Accounts Receivable, less Accounts Payable equals Funds Held in Escrow (Calculated)

- The ending balances on Form A-12B for:

    - Cash and Cash Equivalents should agree to the amount as reported on Form A-3B (Book Balances) for Agency funds 855 through 890
    - Investments should agree to the amount as reported on Form A-5 (Market Value) for Agency funds 855 through 890
    - Accounts Receivable should agree to the amount as reported on Form B-3A/4C (Total Net Receivables at 6/30/CY) for Agency funds 855 through 890
    - Accounts Payable should agree to the amount as reported on Form C-3A/C-3B for Agency funds 855 through 890
    - The current year ending balance for the Funds Held in Escrow should agree to the sum of the current year ending balances for Cash and Cash Equivalents, Investments, Accounts Receivable, less the amount for Accounts Payable

GAAP REPORTING PACKAGE CHECKLIST & ORGANIZATION LETTER OF REPRESENTATION

Submit the GAAP Reporting Package Checklist (Appendix 1) and the Organization Letter of Representation which will be sent out in a DoA Memo in July 2016. The Organizational Letter of Representation must be returned upon the completion of your GAAP Package but no later than **August 5, 2016.**

ADDITIONAL DOCUMENTS TO SUBMIT

For DoA review, the following additional documents are required to be submitted (as included on the Checklist in Appendix 1):

1. Board Minutes discussing the Construction Work in Progress Projects and approvals for **School Districts only**
2. Petty Cash Policy for accounts held outside of the Treasurer's Office, including those opened through the State Treasurer's Office (see Chapter 7 of the Budget and Accounting Manual)
3. Investment Statements (for all Organizations with investments accounts)
4. Accounts Receivable Allowance for Doubtful Accounts and Write-off Policy(ies) (see Chapter 9 of the Budget and Accounting Manual)

GLOSSARY

Accounts Receivable – An asset account reflecting amounts due from private individuals, businesses, or organizations for goods or services furnished by the government organization on or before fiscal year-end with payment not received until after fiscal year-end.

Accounts Payable – A liability account reflecting amounts owed for goods or services received by the government organization on or before fiscal year-end, but not paid for as of fiscal year-end.

Allowance for Doubtful Accounts – A contra asset account that reflects the portion of accounts receivable that is not expected to be collected from private individuals, businesses or organizations.

Agency Fund – A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds.

Agent – A party who acts as a custodian of securities owned by another party.

Ancillary costs – Costs, in addition to purchase or construction costs, relating to placing a capital asset into its intended state of operation.

Annual Leave – Time off granted to employees based on the merit rules or other agreements set forth by the State.

Bank Balance – The amount credited by a financial institution to the government's account.

Bank Reconciliation – The process that explains the difference between the bank balance shown on the government's bank statements and the amount shown in the government's accounting records (book balance) at the bank statement date.

Book Balance - The balance of an account in the governments accounting records.

Building Improvements - An improvement's primary purpose is to increase output, lower operating costs, improve working conditions, enhance the original quality, extend the useful life or otherwise add to the worth of future benefits or utility expected to be received from the asset. Chapter 13 of the State's *Budget and Accounting Manual* provides detailed information on the capitalization of building improvements.

Buildings – A building is any structure erected to stand permanently and designed for human use or occupancy or as shelter for animals or goods. Chapter 13 of the State's *Budget and Accounting Manual* provides detailed information on the capitalization of buildings.

GLOSSARY

Capital Assets – 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 Lease – An agreement that conveys the right to use property, plant or equipment for a stated period of time that meets one or more of the following criteria:

- The life of the lease is 75% or greater of the assets useful life.
- The lease contains a purchase agreement for less than market value.
- The lessee gains ownership at the end of the lease period.
- The present value of lease payments is greater than 90% of the asset's market value.

Capitalizable Costs – An expense that is added to the cost basis of a capital asset when a future benefit for the expenditure exists.

Capitalization Threshold – The dollar value at which the government elects to capitalize assets used in operations that have an initial useful life extending beyond a single reporting period. Chapter 13 of the State’s *Budget and Accounting Manual* provides detailed information on the criteria for capitalizing assets.

Carrying (Book) Value – The value of an asset which is based on the original cost of the asset.

Cash - Currency on hand and demand deposits with financial institutions.

Cash Equivalents – Short-term, highly liquid investments that are readily convertible to known amounts of cash and near maturity that there is an insignificant risk of changes in the value (generally with a maturity of less than 90 days).

Cash and Pooled Investments - consist of cash equivalents, commercial paper, certificates of deposit, short-term (12 to 18 months) and long-term investments, which comprise corporate, municipal and U.S. government obligations, held and managed by the State Treasurer.

Central Location – A main distribution center (e.g. the main office of an elementary school, central supply at a hospital, central warehouse at a prison, hospital pharmacy, etc.).

Certificates of Deposits – Time deposit with a financial institution with a stated time period and normally paying a fixed rate of interest.

Charges for Services – Revenues that arise from charges for providing goods, services, and privileges to customers which are intended to cover the cost of goods and services provided to these customers.

GLOSSARY

Commercial Paper – An unsecured, short-term debt instrument.

Compensated Absences – Employee time off with pay, such as annual leave, sick leave, and holidays, for which an employer is obligated to pay the employee, since the benefits are part of the employees' compensation. It does not encompass severance or termination pay, post-retirement benefits or other long-term fringe benefits.

Computer Software – Any set of machine readable instructions that directs a computer's processer to perform specific functions. Chapter 13 of the State's *Budget and Accounting Manual* provides detailed information on the capitalization of software.

Computer Software in Process (CSIP) – The costs associated with the purchase or application development phase of the software development that is in progress and will be capitalized upon completion. Chapter 13 of the State's *Budget and Accounting Manual* provides detailed information on the requirements for tracking CSIP.

Construction Work in Progress (CWIP) – The costs associated with the construction of an asset that will be capitalized upon completion. Chapter 13 of the State's *Budget and Accounting Manual* provides detailed information on the requirements for tracking CWIP.

Counterparty – The other party (e.g. broker-dealer) to the transaction.

Estimated Economic Life of Leased Property – The estimated remaining period during which the property expects to be economically usable by one or more users, with normal repairs and maintenance, and for the purpose for which it was intended at the inception of the lease.

Executory Costs – Those costs such as insurance, maintenance, and taxes incurred for leased property, whether paid by the lessee or lessor.

Fair Market Value –The price at which the asset would change hands between a willing buyer and a willing seller where both have knowledge of all relevant facts. The fair market value of the property will usually be its normal selling price, reflecting any volume of trade discounts that may be applicable.

First-In, First-Out (FIFO) – Method of inventory in which items are deemed to be used in the order in which they are purchased. Therefore, items on hand represent the most recent purchases.

Fringe Benefits – Compensation or other benefits provided by an employer for employees at no charge that is above salary or wages. Examples include paid holidays and vacations, retirement plans, and life and health insurance plans.

GLOSSARY

Funds Held in Escrow – Net amount of resources the government holds as the custodian for other governments, private organizations or individuals (agency funds).

Future Minimum Lease Payments – The payments the lessee is obligated to make or can be required to make in connection with the leased property (the organization's monthly or yearly lease payment).

Grant Revenues – Amounts awarded from the federal government or other organizations that supports specific programs or services, such as education or Medicaid.

Inventory – An asset account reflecting the cost of goods held for resale or use in operations. The detailed list shows quantities, descriptions and value of the goods with units of measure and it prices.

Investments - Securities or other assets acquired with the expectation of returns of income or capital appreciation.

Land – Real property purchased with the intention to be used by the government. Chapter 13 of the State's *Budget and Accounting Manual* provides detailed information on the capitalization of land.

Land Improvements - Physical changes in or appurtenances to land of such character as to increase the utility of the land (exclusive of structures). Chapter 13 of the State's *Budget and Accounting Manual* provides detailed information on the capitalization of land improvements.

Lease – A legal contract by which one party gives to another the use and possession of real or personal property for a specified time in exchange for periodic payments. Differentiated from rent because the time-period of the lease is specific and the amount of the periodic payment is not subject to change during the period of the lease.

Lessee – A person or entity that receives the right to use specific property (real or personal) owned by the lessor.

Lessor – A person or entity that owns property and rents or leases it to another individual or entity who is the lessee.

Liability – An obligation resulting from past transactions that will likely result in future payments or in reductions to future revenues.

Marketable Securities – Very liquid securities that tend to have maturities of less than one year.

Money Market Account – A type of savings account offered by banks and credit unions that offers the competitive rate of interest (real rate) in exchange for larger-than-normal deposits.

GLOSSARY

Month-to-Month Lease – A rental agreement for a one-month period renewed automatically each month until properly terminated by either party.

Operating Lease – An agreement whereby the lessee does not assume the risks of ownership of the property or equipment. The agreement conveys the right to use property for a limited time in exchange for periodic rental payments.

Overtime – Amount of time an hourly employee works beyond normal work hours.

Physical Count – Process that includes counting and recording of the asset items on hand at a given point in time.

Pledged – An asset provided or held as security to guarantee payment of a debt or fulfillment of an obligation.

Purchase Method – The method of accounting under which inventories are recorded as expenditures when acquired.

Retainage – Portion of the contract withheld until the project is complete to ensure satisfaction of the contract.

Savings Deposits – Accounts that pay interest and can be withdrawn upon demand.

Securities – A negotiable or nonnegotiable instrument that signifies an ownership interest, the right to an ownership interest or creditor status.

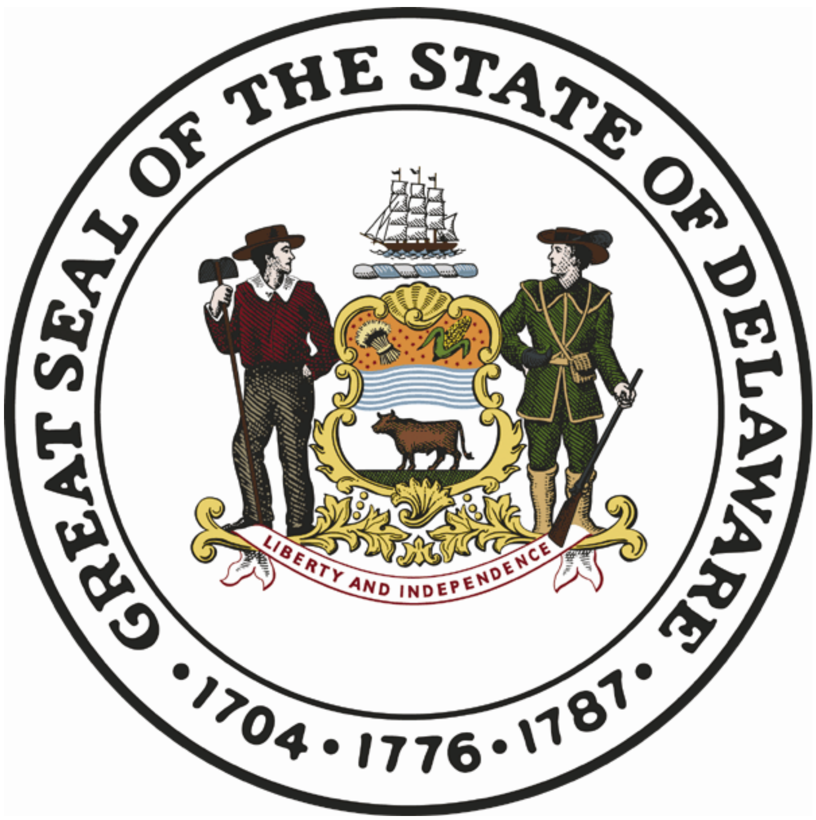
Termination Pay – The amount owed to an employee upon the termination of their employment for voluntary resignation and retirement.

Treasury Bills – A short-term debt obligation backed by the U.S. government with a maturity of less than one year.

Trustee – An individual, group of individuals, corporation, or other legal entity with control of property with the legal obligation to administer it solely for the purposes specified.

Unearned Revenue – A liability account that results from the receipt of cash for goods or services that have not yet been provided to the purchaser.

APPENDIX 1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LIBERTY AND INDEPENDENCE