INSTRUCTIONS FOR PREPARING AND PUBLISHING THE ANNUAL FINANCIAL STATEMENTS (WVDE 11-10-10) FOR THE FISCAL YEAR ENDED JUNE 30, 2010

1. **County Board Requirements:** According to WVC 18-9-3a, every county board of education is required to prepare and publish its annual financial statements **within ninety (90) days** after the beginning of the subsequent fiscal year on forms prescribed by the state superintendent of schools and the state auditor. Therefore, the county boards' financial statements for the fiscal year ended June 30, 2010 must be prepared and published by **September 28, 2010.**

2. **RESAs and MCVCs Requirements:** RESAs and MCVCs are required to prepare their annual financial statements and submit copies both to this office and to their fiscal agent, but these agencies are not required to publish their financial statements. In order to provide time for the fiscal agents to include the financial statements of these agencies as fiduciary funds in their own financial statements, RESAs and MCVCs are required to prepare their financial statement by **September 15, 2010** and submit a signed copy to the fiscal agent and a signed copy to the Office of School Finance.

3. **Basis of Accounting: All LEAs in the State must prepare their annual financial statements in accordance with generally accepted accounting principles (GAAP). This includes completion of the government-wide statements, the fund basis statements, the reconciliation schedules, the fiduciary statements, the notes to the financial statements, and management's discussion and analysis. The Governmental Accounting Standards Board (GASB) is the considered to be the authoritative source for GAAP in the United States.**

   For consistency in reporting, each fund maintained by an LEA in the State is to be considered a major fund, therefore, fund basis statements must be prepared for every fund maintained by an LEA, including the budgetary comparison schedules.

   This also includes implementation of GASB Statement 45 for the additional LEAs that must implement the requirements of this standard for the fiscal year ended June 30, 2010. GASB Statement 45 was issued in 2004 to establish standards for the measurement, recognition, and reporting of Other Post Employment Benefits (OPEB) activities.

   Implementation was required in the following three phases based on a government's total annual revenues for the FISCAL YEAR ENDED JUNE 30, 1999:

Phase I governments	–	Total annual revenues of $100 million or more
Phase II governments	–	Total annual revenues of between $10 million and $100 million
Phase III governments	–	Total annual revenues of less than $10 million.

   According to this office's records, Phase I governments included only the following three county boards of education: Cabell, Kanawha, and Wood; Phase II governments includes the remaining 49 county boards other than the three that are considered to be in Phase III category, and; Phase III includes the following three county boards of education: Doddridge, Tucker, and Wirt. Phase III agencies also includes all eight (8) RESAs and seven (7) MCVCs.

   Initially, it was determined that since PEIA is a multi-employer plan, the year that the largest government (the State) was required to implement, all participating governments would be required to implement, but in a meeting held on Monday July 28, 2008 with representatives of this office, PEIA, the State Auditor's Office and the Governor's office, it was agreed that GASB 45 does not include this requirement, therefore, all LEAs will not be required to implement this statement until the scheduled dates in GASB 45.

4. **Financial Statement Formats:** A financial statement template is provided for use by all boards of education, and RESAs and MCVCs, as well as a template for the notes to the financial statements. The financial statement template includes all statements and schedules required for presentation of the entity-wide financial statements as well as the fund statements for all possible funds, and they also include all known financial categories. Remember, however, that the templates are

provided for your convenience but the completed financial statements are each agency's representation of their financial condition for the year. Modify or revise the templates as necessary to fit your particular situation, complete only the schedules and notes needed and delete or discard the rest. Do not submit blank forms or notes with the financial statements that are submitted to this office.

5. **Availability of Forms:** The financial statements formats and sample notes are available on the Department's home page at **http://wvde.state.wv.us**. The blank forms can be accessed either under the sub-headings "Data", "School Finance", "Forms". The financial statements are presented in Excel and the notes in Microsoft Word.

6. **Submission of Financial Statements to the State Department of Education:** Every county board of education, RESA and MCVC is required to submit its annual financial statements for the year ended June 30, 2010, signed by the appropriate chief executive officers, to the State Department of Education, Office of School Finance by **September 28, 2010.**

   The submission to the Office of School Finance must include the following:

   - Management's Discussion and Analysis
   - Government-wide statements
   - All applicable fund basis statements, including the fiduciary fund statements
   - Reconciliation Schedules
   - Budgetary comparison schedules for each fund
   - All applicable notes to the financial statements
   - Special projects worksheet prepared on WVEIS
   - Schedule of encumbrances outstanding at year-end
   - List of expenditures in excess of $250
   - Schedule of salaries paid to each board member and superintendent
   - Schedule of all debts owed by the board
   - Electronic financial data file on WVEIS

   These various reports are explained in greater detail in the following paragraphs and in the set of instructions for completing the district-wide statements.

7. **Financial Statement Format for Publication:** County boards must publish, at a minimum, the basic financial statements which include the district-wide, fund basis statements, reconciliation schedules and fiduciary fund statements. County boards may, but are not required to publish the budgetary comparison schedules, the notes to the financial statements or management's discussion and analysis. RESAs and MCVCs may, but are not required to publish any of their financial statements.

8. **Publication of Notes to the Financial Statements:** As discussed in the preceding paragraph, inclusion of the notes to the financial statements in the publication is optional, but if they are not included, the following comment needs to be included in the publication: "The notes are an integral part of the financial statements, however, to conserve space, they are not included in the publication but are available for review at the board office."

9. **Detailed Listing of Expenditures In Excess of $250:** In addition to publication of the financial statements, West Virginia Code 18-9-3a, requires that the publication include a detailed schedule of expenditures listing the name of each firm, corporation and person to whom **more than two-hundred fifty ($250) dollars** in the aggregate was paid during the year and the purpose for which paid. The listing is not to include the name of any employee who has entered into a contract with the board. The names of the board members and the superintendent, however, are to be included.

10. **Other Publication Requirements:** County boards are also required to publish, according to West Virginia Code 18-9-3a, a schedule of the salaries paid to board members and the superintendent and all debts of the board at year-end.

11. **List of Salaries Paid and List of Expenditures less than $500:** WVC 18-9-3a, requires every county

board of education to provide to any resident of the county who requests the information, a copy of the published financial statement supplemented by a list of the names of all school personnel employed by the board showing the amount paid to each during the year and a list of the name of each firm, corporation, and person to whom **less** than $500 was paid and the purpose for which paid.

12. **Publication Format:** The publication is to be published as a Class I-O legal advertisement in compliance with the provisions of WVC 59-3-1 et seq. This means that the publication is to be published one time in two qualified newspapers of opposite politics published in the publication area.

13. **Deadline for Preparation and Publication:** According to WVC 18-9-3a, every county board of education is required to prepare and publish its annual financial statements within ninety (90) days after the beginning of the subsequent fiscal year. One copy of the completed annual financial statements (WVDE 11-10-10) must be submitted to the Office of School Finance to be received no later than **September 28, 2010.**

14. **Approval and Signature:** Since these are the entity's financial statements, they must be presented to the board for approval before they are published in the newspaper (for county boards) or submitted to this office. The certificate must be signed by the president of the board and county superintendent, or director in the case of a RESA or MCVC.

15. **Special Projects Worksheet:** Every county board, RESA and MCVC must maintain its special projects worksheet on the West Virginia Education Information System (WVEIS) and mail a copy to the Office of School Finance at the same time as the financial statements are submitted. The report cannot be submitted electronically at this time. **The data presented in the WVEIS special projects worksheet must agree with the information reported in the financial statements.**

16. **Supporting Schedules:** LEAs must also submit one printed copy of their encumbrance report printed from WVEIS as of June 30, 2010.

17. **Detailed Listing of Expenditures:** LEAs must also include one copy of the detailed schedule of expenditures in excess of $250 that is being provided to the newspapers for publication. This should be a copy of the data file or printout provided to the newspaper for publication, not a copy of the actual clipping from the newspaper.

18. **Reconciliation with Data File:** In completing the annual financial statement forms (WVDE 11-10-10), **be certain that all amounts reported in the fund basis statements, INCLUDING BALANCE SHEET ACCOUNTS, agree with the amounts reflected in the financial data file maintained on WVEIS that has been submitted to this office electronically.** If not, adjusting entries must be posted to the data file and a 13th month tape submitted to this office at the same time as the annual financial statements (WVDE 11-10-10). Also be certain that the data file includes all funds reported in the annual financial statements. **Please submit a 13th month report even if no adjusting entries are required. Also, do not submit the financial data file as final until after the audit report for the year ended June 30, 2010 has been completed, in case additional adjusting entries need to be submitted.**

19. **Changes:** The following changes need to be made to the financial statements for the fiscal year ended June 30, 2010:

    a. GASB Statement 16 - All LEAs that are implementing GASB 45 are to record as a liability for compensated absences on the entity-wide statements ONLY the cost of obligations that must be paid to an employee upon termination of employment. This generally includes ONLY the cost associated with accrued VACATION leave for the county boards that have policies that require the payment of unused vacation days upon termination of employment. DO NOT INCLUDE THE ACCUMULATED COST OF PERSONAL LEAVE AS A PART OF THIS LIABILITY, BECAUSE THIS BENEFIT IS CONSIDERED TO BE AN OTHER POST EMPLOYMENT BENEFIT RATHER THAN A COMPENSATED ABSENCE. Compensated absences will also include any promised payments made to an employee upon termination, such as the buy-out of a superintendent's existing contract.

b. GASB Statement 45 – All LEAs are now required to record the liability associated with other post-employment benefits (OPEB) for the fiscal year ended June 30, 2010, using the guidance in GASB 45.

Since PEIA, the trust administrator, considers the total amount of the Annual Required Contribution (ARC) billed each month as the annual contractual obligation for the year, the full amount billed by PEIA as the ARC, must be reflected as an expenditure not only in the fund basis statements but also in the district-wide statements and any amount remaining unpaid at June 30, 2010 must be reflected as a current liability in both sets of statements

c. Special Revenue Fund – American Reinvestment and Recovery Act (ARRA) – A separate special revenue fund was created to account for funds received and expended under ARRA.

20. <u>Basis of Accounting</u>: All LEAs are required to present their financial statements on the basis of accounting principles generally accepted in the United States of America.

<u>Fund Basis Statements</u>: Governmental type fund basis statements are to be maintained on the modified accrual basis of accounting, and the financial data file maintained on the WVEIS must be on this basis.

<u>Entity-Wide Statements</u>: Entity-wide statements are to be maintained on the accrual basis of accounting. The following conversion entries must be made to report the financial data presented on the modified basis of accounting in the fund basis statements to the entity-wide statements presented on the accrual basis of accounting. These conversion entries are made in the conversion work schedules only; the adjustments are NOT posted in the financial data file maintained on WVEIS:

Eliminate expenditures that represent acquisition of capital assets. In an accrual-based accounting system, the acquisition or construction of a capital asset does not effect net assets. Likewise, expenditures to acquire or construct capital assets are not expenses, and should not be included in the government-wide statement of activities.

Eliminate expenditures for debt service principal payments. From an accrual perspective, the payment of debt service principal has no effect on net assets. Consequently, debt service expenditures for principal payments are not expenses and should not be included in the government-wide statement of activities. The same approach should be taken to other financing uses reported in connection with current or advance refunding transactions.

Eliminate other financing sources, uses and expenditures associated with debt service. From an accrual perspective, debt issuance has no impact on net assets, but rather affects only accounts reported on the statement of position (debt payable, premiums, discounts, issuance costs, difference between the carrying value and reacquisition cost of refunded debt). Accordingly, all other financing sources, uses, and expenditures associated with the issuance of debt should not be included in the government-wide statement of activities.

Include donations of capital assets. Government funds do not report the donation of capital assets not held for resale. Such donations are, however, a transaction that must be reported in an accrual-based government-wide statement of activities.

Restate sales of capital assets on an accrual basis. Governmental funds report the full amount of the proceeds from a capital asset sale as either “other revenue” (if it is immaterial) or “other financing source”. From an accrual perspective, however, the sale of capital assets should be reported on the government-wide statement of activities only to the extent that there is a disparity between the amount of the sales proceeds and the carrying value of the asset sold (a gain or loss). Accordingly, other revenue and other financing sources arising from the sale of capital assets in governmental funds should be replaced by gains or losses in the government-wide statement of activities.

Eliminate revenues and expenditures related to prior periods. Governmental funds report revenue in the current period for amounts deferred in prior years because they were not considered available at that time. Likewise, governmental funds report expenditures during the current period in connection with accrued liabilities that arose in prior periods, including accrued interest, compensated absences, claims and judgments, special termination benefits, landfill closure and postclosure care costs, operating leases with scheduled rent increases, and the government's net pension obligation as an employer. Revenues and expenditures related to transactions and events of prior periods should not be included as revenues and expenses in the accrual-based government-wide statement of activities.

Make all regular accrual adjustments. The regular closing process to prepare accrual-based financial statements routinely involves adjustments for the following items:

Recognition of *revenues earned but not yet available* **(that is, earned but unavailable deferred revenue)**

Recognition of ***expenses incurred during the period but not yet paid*** (including interest payable, claims and judgment, compensated absences, special termination benefits, landfill closure and postclosure care costs, operating leases with scheduled rent increases, and the government's net pension obligation as an employer)

Recognition of ***depreciation expense*** on depreciable capital assets

Recognition of the ***amortization of issuance costs, premiums, discounts***, and the difference between carrying amount and reacquisition cost of refunded debt.

Recognition of expense for ***inventory consumed*** during the period.

Consolidation of Interfund activity. There are three ways for funds of the board of education to interact, leading to the need for consolidation:

Interfund loan - One fund may loan money to another fund (interfund loans)

Interfund transfer - One fund may furnish resources to another fund with no expectation of repayment

Interfund reimbursement **-** One fund may reimburse another fund for costs incurred on its behalf

While all three types of interfund activity affects the statement of position, all of them do not affect amounts reported in the statement of activities.

Eliminate the interfund receivables and payables in the government-wide statement of net assets. For example, there may be an interfund receivable and payable between the general fund and the special revenue fund. In that case, neither would be reported in the governmental activities of the government-wide statement of net assets.

Interfund loans and the statement of activities. Except for interest (if any), interfund loans affect only the statement of net assets. Therefore, interfund loans do not need to be considered in preparing the statement of activities.

Interfund reimbursements and the statement of activities. Perhaps the most common example of an interfund reimbursement is the allocation of indirect costs to the special revenue fund. From a GAAP financial reporting perspective, interfund reimbursements should be treated as the allocation of expenditure from one to another with no net effect on the total amount of expenditure reported, thereby avoiding the need for consolidation. For internal bookkeeping and budgetary purposes, however, many governments account for interfund reimbursements as a revenue and expenditure. In that case, GAAP require that related interfund revenues and expenditures be eliminated in both the government-wide financial statements and the fund financial statements.

Interfund transfers and the statement of activities. Interfund transfers should be consolidated by eliminating both the transfer in and transfer out from the statement of activities.

21. **<u>Notes to the Financial Statements</u>:** A template is provided for your convenience in completing the required notes to the financial statements, but remember that the financial statements and notes are each entity's representation of their financial condition as of year-end. Modify or revise the notes as necessary to fit your particular situation, complete only the notes needed and delete or discard the rest. Do not submit blank notes with the financial statements that are submitted to this office.

22. **<u>Fund Descriptions</u>:** The following funds descriptions are provided to clarify usage in these instructions:

General Current Expense Fund – The general fund is a governmental fund type that is used to account for all financial resources except those that are required to be accounted for in another fund. The fund typically serves as the chief operating fund of a government. For school districts in the State, the fund is entitled the General Current Expense Fund.

Special Revenue Fund – A governmental fund type used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Special Revenue Fund – American Reinvestment and Recovery Act (ARRA) – A governmental fund type used to account for ARRA funds that are legally restricted to expenditures for specified purposes.

Debt Service Fund - A governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Fund – One of three governmental funds used by school districts in the State to account for financial resources used for the acquisition or construction of major capital facilities. This fund is used to account for financial resources for a specific capital construction project.

Permanent Improvement Fund – Another one of three funds used by school districts in the State and established under the provisions of West Virginia Code §18-9B-14 to account for the proceeds of the regular levy dedicated for this purpose, unexpended balances of other funds transferred to the fund, and any other financial resources dedicated for the support of building and permanent improvement projects.

Bond Construction Fund – The third capital projects fund used by school districts in the State to account for the proceeds of bond levies passed for the purpose of constructing major capital facilities.

Fiduciary Funds - Funds used to report assets held in a trustee or agency capacity for others and which, therefore, cannot be used to support the government's own programs. The fiduciary funds category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Agency Funds - One of four types of fiduciary funds. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-purpose Trust Funds - A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

23. **<u>Budgetary Comparison Schedules:</u>** A budgetary comparison schedule must be prepared for each fund maintained by the entity, except fiduciary fund statements. According to GAAP, budgetary comparison schedules for the general current expense and special revenue funds are considered "required supplementary information" and their placement in the financial statements is immediately following the notes to the financial statements; budgetary comparison schedules for all other funds for which a budget is adopted are considered "supplementary information" and their placement is after the "required supplementary information". The budgetary comparison schedules do not need to be included in the newspaper publication, but they must be submitted to this office as a part of the financial statements.

    The budgetary comparison schedules must show the original budget, the final budget, actual results, and a variance column that compares actual results of operations for the year to the final budget.

    NOTE: The original budget column consists of the amounts budgeted in the proposed budget submitted to the State Board of Education for approval prior to the beginning of the fiscal year.

24. **<u>Fiduciary Fund Statements:</u>** Various county boards are responsible for accounting for a variety of funds that are to be reported as fiduciary funds. These may include: school activity funds, RESAs or MCVC funds, scholarship funds, or retirement trust funds.

    <u>School Activity Funds:</u> The financial activities of the individual schools are to be accounted for as an agency fund. Since all county boards and MCVCs have school activity funds, all county boards and MCVCs must complete the "Statement of Fiduciary Net Assets" as well as the "Schedule of Changes in School Activity Funds".

    The "Schedule of Changes in School Activity Funds" summarizes the financial activity of the individual schools in the county. The schedule shows the beginning cash balance, all collections, all disbursements, and the ending cash balance for each school. The total cash balance for all schools is the amount reported in the "Statement of Fiduciary Net Assets". The source for the information presented in this schedule is the individual school annual financial statements.

    <u>RESA and MCVC Funds</u>: For the county boards that serve as fiscal agents for the RESAs and MCVCs, the financial activity of these entities are also to be reported as an agency fund in the financial statements of the county boards. These county boards must complete the "Statement of Fiduciary Net Assets".

    <u>Scholarship Funds</u>: For the boards of education that have scholarship funds that are material in nature, a determination must be made as to whether the funds are administered by the board or by a third party. If administered by the board, the scholarship fund must be reported as a private-purpose trust using the "Statement of Fiduciary Net Assets" and the "Statement of Changes in Fiduciary Net Assets". If administered by a third party, only the "Statement of Fiduciary Net Assets" is to be completed.

    <u>Retirement Trust Funds</u>: For those county boards that provide a supplemental retirement benefit to their retired employees under the authority of West Virginia Code §18-7A-2 and account for the funds as a separate fund, the fund must be reported as a retirement trust fund in the "Statement of Fiduciary Net Assets" and the "Statement of Changes in Fiduciary Net Assets".

25. **<u>Summary of Generally Accepted Accounting Principles</u>:** The following is a partial summary of generally accepted accounting principles that must be considered in preparing the government-wide as well as the fund basis financial statements, but this list should not be considered all inclusive. In addition, if any comments below are determined to be in conflict with GAAP, as prescribed by the Governmental Accounting Standards Board (GASB), GASB pronouncements will take precedence.

Accounts Payable - This account allows for the recording of any liabilities that a board may have, other than salaries and related withholdings payable, for which the goods or services were received on or before June 30 but not paid as of June 30.

Accrual basis of accounting – A method of accounting that recognized the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing or related cash flows.

Allowance for uncollectible taxes - The allowance for uncollectible taxes for the current year should be based on historical collection data and should equal the allowances reflected in the Levy Order and Rate Sheet.

Arbitrage – Classically, the simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

Basic financial statements – The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.

Capital Assets – Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasurers, 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. All county boards, RESAs and MCVCs must present capital assets at historical cost or estimated historical cost and maintain an inventory control system on WVEIS. Failure to meet this requirement could result in a qualified audit opinion on the financial statements and/or a reportable condition or material weakness.

Capital Grants – Grants and contributions that are restricted for the purchase, construction, or renovation of capital assets associated with a specific program.

Cash - Cash is to be presented net of all outstanding checks, except deferred salary checks and related withholdings, if the withholdings are not remitted to the federal and state agencies until the salary checks are distributed. Deferred salary checks, and the related withholdings, issued as of June 30 that are not to be distributed until July and August are to be added back to the cash balance. In addition, any other checks written but held at June 30 are to be included in the cash balance reported in the financial statements in a similar manner. Be certain to maintain a supporting schedule of these checks for audit purposes.

The amount reported as cash must include the balances as of June 30, 2008 in all bank accounts that are not restricted as to access, such as savings and checking accounts, NOW accounts and sweep accounts.

Deferred Revenue – Revenues received that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

Due From Other Funds - The amount reported as interfund receivables should be those transfers between funds that have not been repaid as of June 30.

Due To Other Funds - This category is the offsetting entry for those interfund transfers that have not been repaid as of June 30. The amount in Due From Other Funds and the amount in Due to Other Funds should equal.

Expenditures - All funds expended or liabilities incurred during the fiscal year for which payments are to be made out of current available revenues must be recorded as expenditures in the fund basis statements for the current year.

Fund Balance - The beginning fund balance listed on the FY 09 WVDE 11-10-10 must agree to the audited fund balance at June 30, 2008. The note describing a restatement of fund balance should be used only when an adjustment to the audited fund balance is necessary. The audited fund balance should need only to be adjusted for those unusual items that were received in FY 09 as a result of prior year activity.

Investments - The amount reported as investments should be the total of the balances in accounts that normally have restrictions as to access, such as certificates of deposit, balances on deposit with the Municipal Bond Commission, the Consolidated Investment Fund, etc.

Interest receivable - Interest receivable should reflect all interest income earned during the year that has not been posted to bank statements during the year. This includes interest earned on investments with the Consolidated Investment Fund, certificates of deposit and other investment instruments. These amounts should be recorded as FY 09 revenue.

Intergovernmental receivables - state aid to schools - The June 30, 2010 state aid to schools payment must be included as FY 09 revenue. This amount is to be reflected in the statement of assets, liabilities and fund balance as a receivable if it is not received by June 30, 2010. The June 30, 2008 payment should have been reflected as revenue for the preceding fiscal year. The total amount reported as revenue from state aid to schools for FY 08 should agree with the allowance in the Final Computations under the Public School Support Program, regardless on whether the final payments are received by June 30.

Intergovernmental receivables - PEIA allocation - The July and August state allocation should be reported as FY 09 revenue. The amount is to be reflected in the statement of assets, liabilities and fund balance as a receivable.

Intergovernmental receivables - reimbursements - The amount reported under this category should reflect the total amount of federal and state reimbursements for which claims for reimbursements have been filed but have not been received as of June 30. Corresponding revenue should be accrued in the statement of revenues collected, expenditures paid and changes in fund balance. Reimbursements receivable will be computed without taking the amount of encumbrances outstanding into consideration.

To account for the special projects receivables correctly, the adjusting journal entries that were made at June 30, 2008 to book the special projects accrued revenues as of June 30, 2008, using the special projects receivables accrued revenue codes, must be reversed during FY 09 and an entry must be made to book the special projects receivables at June 30, 2010, using the same accrued revenue account codes. In this manner, the net change in the receivables will be properly accounted for in the revenue section of the Statement of Revenues, Expenditures and Changes in Fund Balances. Refer to the Accounting Procedures Manual for a more detailed explanation, if needed.

Modified accrual basis of accounting – Basis of accounting according to which: (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

Operating Grants - Grants and contributions that are provided from parties outside the reporting government's taxpayers or citizenry, as a whole that are used to reduce the net cost of the function to be financed from the government's general revenues.

Operating Transfers In - All transfers in (revenue source code 052XX) should be moved from total revenues to this line item. Total operating transfers out should equal the total operating transfers in and net to zero.

Operating Transfers Out - All interfund transfers out (program/function 761XX) and intrafund transfers out (program/function 76271) should be moved from the expenditure section to this line. The total operating transfers out should equal the total operating transfers in and net to zero.

PEIA Premiums Payable - This category is the amount that is due to PEIA for the employer premiums for July and August due for those employees who have fulfilled virtually all of the terms of their contract agreement.

Program Revenue – Revenues derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues. Program revenues are divided into two categories: charges for services and grants and contributions. Grants and contributions are further divided into operating grants and capital grants.

Program-Specific Grants and Contributions – Revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

Reserved for encumbrances - Reserved for encumbrances is to be used to report the total of funds that have been legally obligated by the board as of June 30. This normally occurs at the time a purchase order is issued or a contract is signed.

Reserved for special projects - This account was used in the special revenue fund to report the total funds on hand at June 30 that were received for specific purposes and may be expended only for those purposes, but beginning with the financial statements for FYE 09, this account is not to be used. Use instead "Deferred revenue".

Reserved for capital projects - This is an optional classification that can be used to identify those funds that are legally obligated for capital improvement projects. The obligation requirements are identical to those for reserved for encumbrances.

Reserved for excess levies - This account is to be used in the general current expense fund to report the total funds on hand at June 30 that were received through the excess levy and may be expended only for specific purposes.

Revenues - All funds received or earned during the fiscal year or all revenues that were earned but payments are not expected to be received within 60 days after year-end are to be reflected as revenue in the fund basis statements for FY 09. Revenues earned for which payments are not expected within the 60 day period are to be reported as deferred revenue.

Salaries (and related withholdings) payable - The amount that is to be reported under this account is the total of the deferred July and August salary checks that were printed prior to June 30. For those county boards that do not remit the withholdings until the checks are distributed, the withholdings should be included in the total reported (including the employee's share of PEIA premiums). For those county boards that do remit the withholdings prior to June 30, the withholdings should be excluded from the amount reported. In this case, the phrase "and related withholdings" should be deleted.

Taxes receivable - Taxes receivable at year end should reflect the gross property taxes to be collected for the year, as reflected in the Levy Order and Rate Sheet that will be collected no later than 60 days after the end of the fiscal year. Taxes receivable should not include the allowance for uncollectible taxes and discounts, plus it should not include the amount of current year taxes collected during the year. Taxes receivable also should not include any taxes levied for collection during the subsequent fiscal year that are collected during the months of July and August.

A county board may select a shorter period than 60 days for recording receivables, such as 30 days, but cannot exceed the 60 day period. Property taxes that are projected to be received after this period are to be reported as deferred revenue. The amount reflected as taxes receivable should be included in current year revenue; deferred revenue are not to be included in current year revenue.

Unreserved fund balance-designated - This account is to be used to record the total of funds that have been designated by the county board to be used for a specific purpose but for which no legal obligation exists as of June 30. Such designations must be established by board action and the projects must be identified in the notes to the financial statements. Designations may include funds set aside for the purchase of land, capital improvements or repairs, or the establishment of a new instructional program.

Notes: (1) Do not include in this category funds used to balance the FY 09 proposed budget. (2) According to generally accepted accounting principles, the designated portion of a fund balance is to be categorized as a part of the unreserved fund balance.

Unreserved fund balance-undesignated - This amount is to be used to report the remaining portion of the fund balance that is not reserved or designated for specific purposes.

Workers' Compensation Payable - The amount that should be reported under this account at year-end should be the amount of the premiums due for the period ending June 30 that have not been paid as of that date.