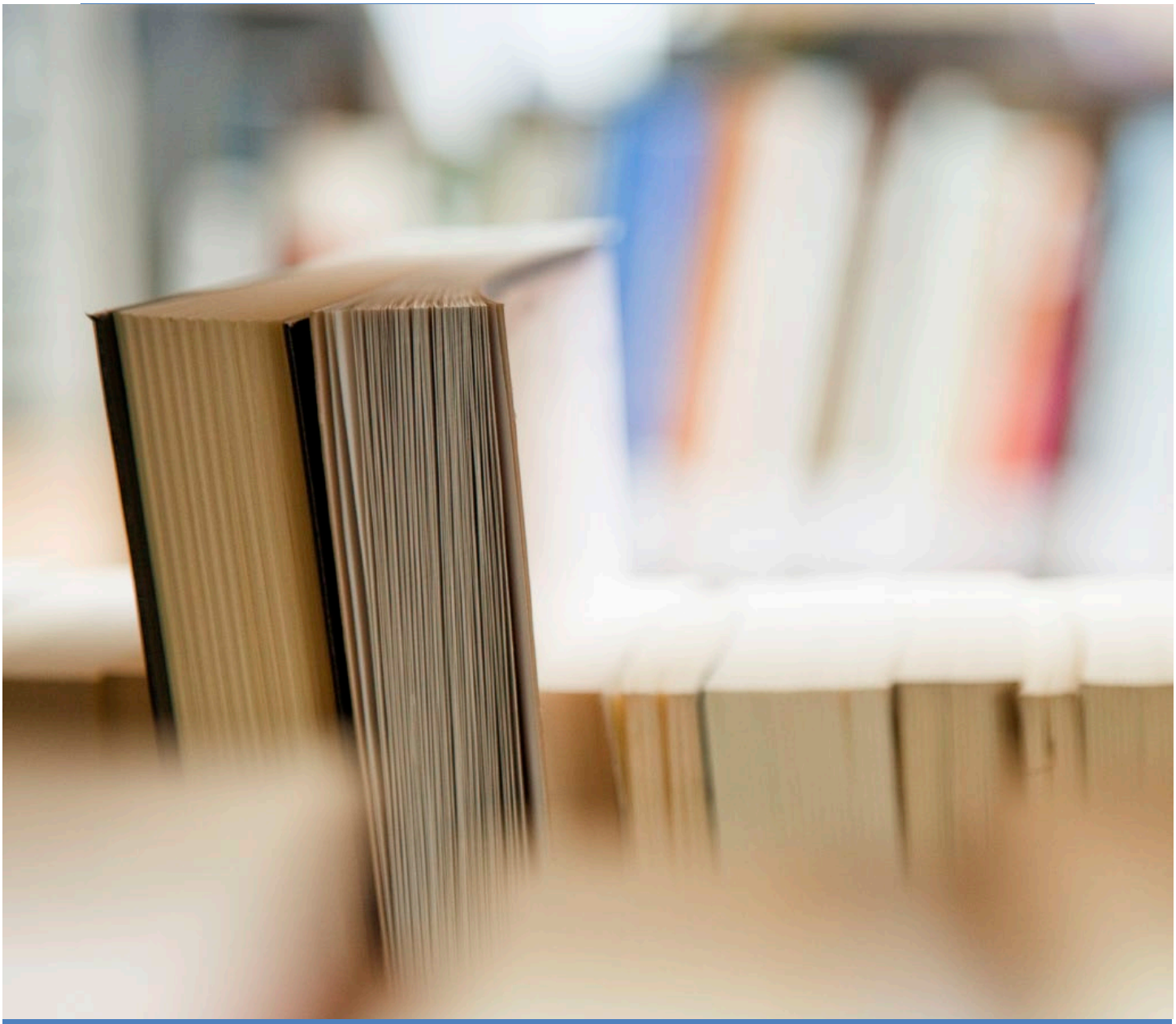

Annual Comprehensive Financial Report (ACFR) Guidance

Revised: July 1, 2025

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For additional guidance, please contact the Statewide Financial Statement Section at 850-413-5511 or sfrs@myfloridacfo.com.

Checklist Item 1 - Funds in Balance

GLs 1XXXX – 7XXXX and 8XXXX – 9XXXXX

The trial balance for every fund is in balance by the agency's closing date.

All trial balances are in balance, meaning that debits must equal credits. The sum of General Ledger (GL) accounts 1XX – 7XX must net to zero, and the sum of estimated revenues and estimated expenditures GL accounts 8XX through 9XX must net to zero.

Every trial balance or fund must balance to comply with checklist item 1.

To verify compliance with Checklist Item 1, review the "*Checklist 01 - Balance Report"* available under **TB Validations** within the Workiva Closing Packages.

Checklist Item 2 - Intra-Fund Balances

GLs 161XX, 162XX, 169XX, 257XX, 351XX, 352XX, 356XX, 359XX, 457XX, 655XX, 657XX, 755XX, and 757XX

Intra-**fund** balances are amounts in due to/from, transfers in/out, and advance GLs that have offsetting amounts in other fund(s) ***within the same agency***. All Intra-fund balances and transfers **must** be in balance and in agreement with Form 3B – Intra by the due date outlined on the Agency Calendar.

Checklist Item 2 requires both fund1/fund2 amounts reported on Form 3B – Intra must reconcile and agree to the penny, and all Form 3B – INTRA GL balances must agree with amounts reported in the trial balance GLs.

- Intra-fund (within the same agency) amounts must be supported by completing the *Form 3B - ALL AGENCY FUNDS* in the Agency Closing Package on the Workiva platform. Complete the Fund1, Fund1 GL, Amount, and by indicating in the Fund2 field the other fund(s) within the agency with related amounts.
- To verify the Intra-fund fund1/fund2 agreement, refer to Form 3B – Fund1/Fund2 Mismatch sheet in the Agency Closing Package on the Workiva Platform.
  - The Form 3B – Fund1/Fund2 Mismatch sheet will be empty if all fund1/fund2 balances agree.
  - If mismatches are included on the Form 3B – Fund 1/Fund2 Mismatch sheet, the *Form 3B – ALL AGENCY FUNDS* must be updated and corrected until all funds agree.
- To verify *Form 3B -ALL AGENCY FUNDS* are complete and the Form 3B GL amounts agree with the trial balance GL amounts, refer to the *Form 3B – Validations All Funds* sheet in the Agency Closing Package on the Workiva platform.
  - If no differences are present in the Difference column, no further work is required.
  - If differences are noted, either an adjustment is required to agree the trial balance with the amounts included in *Form 3B – ALL AGENCY FUNDS* or the *Form 3B – ALL AGENCY FUNDS* needs to be corrected to agree the Form with the trial balance.

Checklist Item 3 - Inter-Fund Balances

GLs 163XX, 251XX, 353XX, 356XX, 451XX, 518XX, 519XX, 652XX, 656XX, 659XX, 752XX, 756XX, and 759XX

Inter-fund balances are amounts in due to/from, transfers in/out, and advance GL codes that have offsetting amounts in fund(s) at ***another state agency***. Inter-fund balances and transfers must be reconciled, recorded accurately in agency trial balances, including any adjustments necessary to agree with other agencies, and in agreement with Form 3A – INTER by the due date outlined on the Agency Calendar.

Checklist Item 3 requires both fund 1/fund 2 amounts reported on Form 3A – INTER must reconcile and agree to the penny with the amounts reported by the other agency; and Form 3A - INTER GL code balances by fund must agree with amounts recorded in the trial balance GL codes.

- Inter-fund (with other agencies) amounts must be supported by completing the *Form 3A - ALL AGENCY FUNDS* in the Agency Closing Package on the Workiva platform. Complete the Fund1, Fund1 GL, Amount, and by indicating in the Fund2 field the other fund(s) within the agency with related amounts.
- To verify the Inter-fund fund1/fund2 agreement, refer to Form 3A – Fund1/Fund2 Mismatch sheet in the Agency Closing Package on the Workiva Platform. The Form 3A – Fund1/Fund2 Mismatch sheet will be empty if all fund1/fund2 balances agree. If mismatches are included on the Form 3A – Fund 1/Fund2 Mismatch sheet, agencies must work together to determine the Form 3A – ALL AGENCY FUNDS data that needs to be updated and corrected until all funds agree.
- Inter-fund amounts reported in the agency's trial balances must agree with amounts reported in *Form 3A- ALL AGENCY FUNDS*.
- To verify *Form 3A -ALL AGENCY FUNDS* are complete, and the Form 3A GL amounts agree with the trial balance GL amounts, refer to the *Form 3A – Validations All Funds* sheet in the Agency Closing Package on the Workiva platform. If no differences are present in the Difference column, no further work is required. If differences are noted, an adjustment is required to agree the trial balance with the amounts included in *Form 3A – ALL AGENCY FUNDS*.

- The following fund numbers are funds managed by the Bureau of Financial Reporting. Confirmation of these funds is completed through the SFRS team. Please e-mail SFRS at sfrs@myfloridacfo.com, and the SFRS team will report the offsetting entries to these funds on Form 3A – ALL AGENCY FUNDS. **Please do not reach out to the DFS Bureau of Accounting Team for confirmation of these funds.**

439000-10-1-000902	439000-74-2-081001	439000-74-2-188003	439000-74-2-643001
439000-10-1-000905	439000-74-2-139001	439000-74-2-274001	439000-74-2-643002
439000-10-1-000942	439000-74-2-139002	439000-74-2-323001	439000-80-9-439001
439000-10-1-000943	439000-74-2-188001	439000-74-2-370001	439000-90-9-439001
439000-10-1-000948	439000-74-2-188002	439000-74-2-577001	

- Trust Fund Loans are not required on Form 3A – ALL AGENCY FUNDS. These are closed out before June 30. Therefore, the activity that occurred during the fiscal year is not necessary for financial reporting. However, if these activities are reported on Form 3A – ALL AGENCY FUNDS, the activities must net to zero.

What is a transfer?

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

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

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

- Administrative Health Insurance Assessment (AHIA) transactions between DMS
- Payments to the DFS for Workers' Compensation.
- Payments to the Department of Commerce for Re-employment Assistance.
- Return of funds that were accounted for as transfers in/out when they were received/sent (e.g., unused grant funds returned to the grantor)
- Insurance claims received from DFS.
- Insurance recoveries received from the Division of Risk Management. Insurance Recoveries must be recorded with a GL 659. Insurance Recoveries are recoveries of expenses. You can perform an Intrafund transaction to debit your revenue and credit your expense.

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

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

Checklist Item 4 - Cash Balances

GLs 121XX, 122XX, 124XX, and 224XX

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

To verify compliance with Checklist Item 4, review the "*Checklist 04 – Cash Balance Report"* available under **TB Validations** within the Workiva Closing Packages.

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

To verify compliance with Checklist Item 4, review the *"Checklist Item 04 – Unverified Deposits"* available under **TB Validations** within the Workiva Closing Packages.

Use Treasury's report, "unverified deposits," to confirm deposits made but not verified.

Additional Information: Refer to the following for information to assist in this process:
CFO Memo No. 07 - Accounting for Cash Receipts at Year End

Entry examples are available in the Unverified Deposits section of the "Year-End Receipts Processing" presentation.

Checklist Item 5 – Investments in State Treasury

GLs 141XX, 143XX, 144XX, 225XX, and 241XX

Treasury investment balances for all funds in GL codes 141XX, 144XX, 225XX, and 241XX must agree with those reported by State Treasury by agency closing date.

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

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

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

To verify compliance with Checklist Item 5, review the *"Checklist Item 05 – Investments with State Treasury Pool 1"* and *"Checklist Item 05 – Investments with State Treasury Pool 2"* available under **TB Validations** within the Workiva Closing Packages.

Checklist Item 6 - Beginning Equity

GLs 549XX and 55XXX (Governmental) 539XX and 535X (Proprietary)

Current year (CY) beginning fund balance and net position amounts have been adjusted, as appropriate, to prior year's (PY) ending fund balance and net position amounts for all funds by agency closing date.

After the ACFR is published each year, the Statewide Financial Reporting Section (SFRS) provides the AGNCYBS FLAIR Report to each agency. This report provides the final post-audit balance sheets for each fund. These balances are the beginning balances required for the current year.

Agencies must adjust beginning equity to equal the balances shown on the year-end report. Therefore, your agency's beginning fund balances and net positions must reconcile with CY

ending balances. Exclude the balances in GLs 518XX, 519XX, 532XX, 542XX, 543XX, 545XX, 553XX, and 555XX from the CY beginning to PY ending reconciliation. These GLs are used to record changes in the beginning fund balance or net position due to corrections, equity transfers, reporting entity, or account principles.

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

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

Proprietary Funds (SWGF = 50 and 60)

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

To verify compliance with Checklist Item 6, review the *"Checklist Item 06 – Equity Check Report"* available under **TB Validations** within the Workiva Closing Packages.

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

A change in accounting principle results from either a **change** from one generally accepted accounting principle to another that is justified on the basis that the newly adopted accounting principle is preferable, or the implementation of new pronouncements.

A change in accounting estimate occurs when the inputs change. Inputs include data, assumptions, and measurement methodologies. Changes in inputs result from a change in circumstance, new information, and more experience. Change in measurement methodology should be justified on the basis that the new methodology is preferable based on qualitative characteristics of financial reporting.

A change to or within the financial reporting entity occurs upon an addition or removal of a fund due to the movement of continuing operations within the primary government, including its blended component units (CU); a change in the fund presentation as major or non-major; an addition or removal of a CU (except for acquisitions, mergers, and transfers of operations, and Statement 90 CUs); or a change in CU presentation as blended or discrete.

A correction of an error results from mathematical mistakes, misapplication of accounting principles, oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date. Facts that could reasonably be expected to have been obtained and considered at that time about conditions that existed as of the financial statement date.

Immaterial corrections of an error adjustments, or adjustments made by SFRS to an agency's funds during the financial statement preparation process are not considered a correction of an error.

For ACFR, the **materiality threshold** is **$1 million**. Accounting changes and error correction adjustments under this threshold should be run through the current year's operations. Balances in an accounting change or error correction GLs 532XX, 542XX, 553XX, 543XX, 555XX, or 545XX must be ***supported by Form 28*** – Error Correction, Changes in Accounting Principle, Changes to/within Reporting Entity in the Workiva Agency Closing Package to explain the balances. A validation page is provided for Form 28 in the Workiva Agency Closing Package to provide assurance that the balance for each GL code within the trial balance matches the amount(s) reported on Form 28. If a variance exists, either the Form must be updated, or an adjustment must be entered and posted to update the trial balance.

Checklist Item 7 - Collections, General Revenue

GL 546XX

All revenues reported in general revenue funds (State Fund 1) that will be accounted for in the General Revenue Unallocated fund have been closed out to Collections, General Revenue (GL 546XX) by the agency's closing date.

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

	Debit	Credit
Revenue is received:		
546XX Collections, General Revenue	XXX	
6XXXX Revenue Account		XXX
Year-end close-out of GL 546XX:		
6XXXX Revenue Account	XXX	
546XX Collections, General Revenue		XXX

To verify compliance with Checklist Item 6, review the *"Checklist Item 07 – General Revenue Report"* available under **TB Validations** within the Workiva Closing Packages.

Recording Receivables in General Revenue Funds

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

Package. A validation page is provided for Form 4 in the Workiva Agency Closing Package to provide assurance that the balance for GL 356XX matches what is recorded on Form 4. If a variance exists, either the Form must be updated, or an adjustment must be entered and posted to update the trial balance.

If a trust fund within the same agency owes General Revenue, a "Due to General Revenue" GL 356XX should be recorded in the trust fund, and a Form 4 completed in the Workiva Agency Closing Package. This is not an intrafund due to/from within the same agency. A validation page is provided for Form 4 in the Workiva Agency Closing Package to provide assurance that the balance for GL 356XX matches what is recorded on Form 4. If a variance exists, either the Form must be updated, or an adjustment must be entered and posted to update the trial balance.

Checklist Item 8 - Depreciation

GLs 265XX, 268XX, 273XX, 275XX, 277XX, 283XX, and 289XX

Depreciation has been run in FLAIR for all capital assets at least one day before the agency's closing. For all agencies using a system other than FLAIR, amounts have been properly reported by agency closing.

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

Utilize the *"Trial Balance by Fund"* available under **TB Validations** within the Workiva Closing Packages to analyze accumulated depreciation GLs (265XX, 268XX, 273XX, 275XX, 277XX, 283XX, and 289XX) to determine if there were changes in amounts from PY to CY. Instances where there is no change from PY to CY may require additional research for justification or adjustment.

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

1) ***CFO Memorandum No. 13*** (2023-2024) ***CAPITAL ASSET GUIDANCE AND RULES FOR TANGIBLE PERSONAL PROPERTY*** on the website.
2) ***Capital Assets and Long-Term Debt Accounting Entries*** document on the website under "Assets and Property."
3) ***Florida Department of Financial Services FLAIR Procedures Manual,*** Asset Management, Chapter 500, *Chapters 517-519.*

Checklist Item 9 - Fund Balance Reporting

GLs 561XX, 562XX, 17XXX, and 191XX

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

Balances in GL 561XX – Inventories and Prepaid Items must be offset by the amounts recorded in GLs 17XXX – Non-spendable inventories and 191XX - Prepaid items. The sum of all balances in 561XX, 17XXX, and 191XX must net to zero. If not, analytics and an adjustment are required.

Balances in GL 562XX – Long-term Receivables and Advances must be offset by offsetting general ledger balances. If GL 562XX and the offsetting balances do not net to zero, analytics and an adjustment are required.

To verify compliance with Checklist Item 9, review the *"Checklist Item 09 – Non Spendable", "Checklist Item 09 – LT Receivables",* and *"Checklist Item 09 – Deficit Ending Equity"* available under **TB Validations** within the Workiva Closing Packages.

Any fund with a deficit ending equity balance reported on "Checklist Item 09 – Deficit Ending Equity requires research to verify that the fund's ending equity should be a debit balance. If it is determined that the balance is incorrectly reporting a debit balance, an adjustment to correct the deficit should be prepared and posted.

Checklist Item 10 – Net Investment in Capital Assets

GLs 536XXX, 26XXX, 27XXX, 28XXX, & 29XXX

All GL 536XX - Net Investment in Capital Assets for proprietary funds (SWGFs 50 and 60) are properly recorded in the trial balance by the agency's closing date.

Refer to instructions on **Form 24 – Net Invested in Capital Assets** in the Workiva Agency Closing Package and **CFO Memorandum No. 13 – CAPITAL ASSET GUIDANCE AND RULES FOR TANGIBLE PERSONAL PROPERTY** on the website.

Net Investment in Capital Assets is calculated as follows:

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

To verify compliance with Checklist Item 10, review the "Validations" worksheet, "*Checklist Item 10 – Net Investment in Capital Assets"* available under **TB Validations,** and the Form 24-Investment in Capital Assets trial balance/form balance agreement validation within the Workiva Closing Packages.

Checklist Item 11 - Compensated Absences

GLs 386XX and 486XX

All GL 386XX- Compensated absences - short-term and GL 486 - Compensated absences - long-term for applicable funds have been properly calculated and reported in agency records and on Form 49 – Compensated Absences by the due date outlined on the Agency Calendar.

All GL 386XX- Compensated absences - short-term and GL 486 - Compensated absences - long-term for applicable funds are calculated within Workiva. The calculations are based on the "***Report 5: Agency Leave Liability GASB 101*** *leave liability report"* provided by PeopleFirst and agencies

that do not use PeopleFirst. Calculated amounts are used to populate *Form 49 - Compensated Absences* within the Workiva Agency Closing Package.

Each agency must utilize the "*Report 5: Agency Leave Liability GASB 101 leave liability report" or "Agency Provided Leave Liability Reports"* to verify Form 49 – Compensated Absences generated with accurate balances.

In addition, each agency must record compensated absences adjustments in the SWMA application to agree GL 386 and GL 486 trial balances to the Form 49 – Compensated Balance amount. Finally, verify that the correct balances are recorded within your agency's trial balances.

Compensated absences must be recorded as follows:

Governmental Funds (SWGF 10, 20, 30, 40, or 72)
Short-term portion:

- 60-day leave payout (between July 1 and August 31) are recorded in GL 386XX in the appropriate governmental fund (SWGF 10, 20, 30, 40, or 72)
- 305-day leave usage and payout (between September 1 and June 30) are recorded in GL 386XX in Long-term Debt Fund (SWGF 90)

Long-term portion:

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

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

Proprietary and Fiduciary Funds (SWGF 50, 60, 71, 76)
The short-term portion must be recorded in 386XX, and the long-term portion must be recorded in GL 486XX in the Proprietary/Fiduciary Fund.

To verify compliance with Checklist Item 11, review the Form 49- Compensated Absences trial balance/form balance agreement validation within the Workiva Closing Packages.

Checklist Item 12 - Capital Assets

GLs 622XX, 721XX, 722XX, 723XX, 724XX, 727XX

All revenues and expenditures recorded in the following GL codes:

- 622XX – Sale of Fixed Assets
- 721XX – Operating Capital Outlay (OCO) Expenditures
- 722XX – Fixed Capital Outlay (FCO) Expenditures
- 723XX – Installment Purchase Acquisitions
- 724XX – RTU Leased Assets - Acquisitions
- 727XX – RTU SBITA Assets – Acquisitions

in the operating fund or governmental fund (GAAFR 10, 20, 30, 40, 72, or 74) **must** be offset in the fixed asset account (GAAFR 80) with the same amount by the agency's closing date.

All revenues and expenditures in GL codes (only use for items capitalized) GLs 622XX, 721XX, 722XX, 723XX, 724XX, and 727XX that are recorded in governmental fund (SWGF 10, 20, 30, 40, 72 or 74) **must** have an exact offsetting balance within the Capital Asset Fund (**SWGF 80)**.

Do **not** use GL codes 721XX, 722XX and 723XX in governmental funds (SWGF 10, 20, 30, 40, 72 or 74), to record disbursements for property items that are not going to be capitalized and reported as capital assets by the state of Florida, even if the state may be using the item. Amounts recorded in these GL codes during the fiscal year that are not capitalized should be reclassified (by category) to GL code 711XX - Expenditures, Current.

Amounts recorded in GL codes 721XX, 722XX, and 723XX should make-up the increases column of the *Form 19 - Changes in Capital Assets* within the Workiva Agency Closing Package.

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

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

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

Additional Information: Refer to **CFO Memorandum No. 13** – **Capital Asset Guidance and Rules For Tangible Personal PROPERTY** and **CAPITAL ASSETS AND LONG-TERM DEBT ACCOUNTING ENTRIES** document located on the website.

To verify compliance with Checklist Item 12, review the "Validations" worksheet, "*Checklist Item 12 – Capital Asset Accounts"* available under **TB Validations,** and the Form 19- Changes in Capital Assets trial balance/form balance agreement validation within the Workiva Closing Packages.

Checklist Item 13 - Long-Term Debt

GLs 691XX, 693XX, 694XX, 695XX, 731XX, 733XX, 795XX

All revenues and expenditures recorded in the following GL codes:

- 693XX – Installment Purchase Note Proceeds
- 694XX – Lease Inceptions
- 695XX – Proceeds of Refunding Bonds
- 731XX – Principal Retirement
- 733XX – Advance Refunding Escrow Payment
- 795XX – Payments of Refunded Bond Escrow Agent
- 691XX - Bond Proceeds (balance is offset by a debit amount at the State Board of Administration)

in the operating fund or governmental fund (GAAFR 10, 20, 30, 40, 72, or 74) **must** be offset in the long-term debt account (GAAFR 90) with the same amount by the agency's closing date.

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

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

Additional Information: Refer to the ***Capital Assets and Long Term Debt Accounting Entries*** document.

To verify compliance with Checklist Item 13, review the "Validations" worksheet, "*Checklist Item 13 – Long Term Debt Accounts"* available under **TB Validations,** and the Form 20 - Changes in Long Term Debt trial balance/form balance agreement validation within the Workiva Closing Packages.

Checklist Item 14 - Analytical Procedures

Analytical procedures are to be performed for all funds to identify invalid GL's, atypical GL balances, inconsistent GL usage from the prior year, and over-constraint of equity.

The analytical process involves establishing expectations for financial information, determining reasons the financial information may differ from expectations, and if necessary, taking appropriate actions to make corrections.

Use the following reports available under **TB Validations,** within the Workiva Closing Package, for each analytical process. These **must** be reviewed before closing and in conjunction with your post-closing adjustments. The reports are as follows:

- *Checklist Item 14 - Atypical GL Balance*
- *Checklist Item 14 – Invalid GL*
- *Checklist Item 14 - Equity Constraints vs Total Ending Equity*
- *Trial Balance by Fund*

Please use the Trial Balance by Fund throughout the closing process to assist with:

- Identifying GL's used in CY, but not in the PY.
- Identifying GL balances, by fund, that have not changed from the PY.

Checklist Item 15 - Other Guidance

The Other Guidance section of the Annual Comprehensive Financial Report Guidance Document was reviewed for applicability, and appropriate actions taken by the agency's closing date.

Form 52 – New Fiduciary GL is required for all new 5-digit fiduciary GL codes for fiduciary funds (SWGFs 71, 73, 74, 76, 77, and 79) by the due date in the Agency Calendar.

Checklist Item 16 - Fund Questionnaires

A fund questionnaire for each new fund established, activated, or an existing fund that has been re-evaluated has been completed and submitted to SFRS by the due date in the Agency Calendar.

The DFS-A1-1832 Fund Questionnaire is used for the determination of a new fund's type, GAAFR SWF Group, restrictions, and program interest; and the re-determination of an existing fund to confirm or update the fund type, GAAFR, and SWF Group.

The DFS-A1-1833 Reporting Entity Determination is used to determine the classification of entities that are established by law to support, provide services, partner with, or work on joint ventures with the State or agency. This form is completed when a potential component unit is identified by review of new statutes and laws. If an entity is determined to be a component unit, either blended or discretely presented, a fund questionnaire will be required to set up the fund.

Both forms must be completed accurately and completely. The statute that established the entity must be referenced. If the fund or entity has restrictions imposed by donors, contracts, bond covenants, etc.; the source should be submitted with the form(s).

Checklist Item 17 - Statewide Financial Statement Forms

All applicable statewide financial statement forms for the primary government must be completed and submitted by the due date(s) on the Agency Calendar. Amounts reported on all forms must agree with the applicable GLs in the trial balance for each fund. All forms must be complete and accurate.

Agency Closing Packages are available in the Workiva platform. Completion of the Forms in the Agency Closing Packages is required of all agencies. Agency Closing Packages include Agency Required (P-Forms) forms, As Necessary Agency forms, CU Required (CUR) forms, and CU As Necessary forms. Access to Workiva is required for Agency Forms Packages. Each form is due according to the due date on the Agency Calendar.

All P-forms are required to be submitted by each agency. If there is a delegation of authority for signed forms, the written document giving such authority must be submitted with the form. All signed forms and delegation of authority documentation are uploaded in the Agency Forms Packages as an attachment.

To verify compliance with Checklist Item 17, review the "Validations" worksheet. "Validations" provides a complete list of Forms to be completed in the Forms Packages and validation checks for review. In addition, review the validations and analytics included in each Form, and the Form's parent worksheet for each form of the Forms Packages balance/form balance agreement validation within the Workiva Closing Packages.

Checklist Item 18 - Component Units

Audited financial statements, adjustments, and applicable statewide financial statement forms for component units with a fiscal year-end *before* June 30th must be completed and submitted **by the agency's closing date,** and component units with a fiscal year-end of June 30th must be completed and submitted **by September 30th.**

Agency Closing Packages are available in the Workiva platform. Completion of the Forms in the Agency Closing Packages is required of all agencies. Agency Closing Packages include CU Required (CUR) forms and CU As Necessary forms. Access to Workiva is required for Agency Forms Packages.

All audited financial statements are submitted by uploading the statements in the Agency Forms Packages as an attachment.

To verify compliance with Checklist Item 18, review the "Validations" worksheet. "Validations" provides a complete list of Forms to be completed in the Forms Packages and validation checks for review. In addition, review the validations and analytics included in each Form, and the Form's parent worksheet for each form of the Forms Packages balance/form balance agreement validation within the Workiva Closing Packages.

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

The SEFA Form and related SEFA Checklist have been accurately completed and submitted by the due date in the Agency Calendar. Reconciliation between the agency's financial statements and expenditures reported on the SEFA Form was completed before submission.

Agency Closing Packages are available in the Workiva platform. The SEFA Workbook is included in the Agency Closing Packages. Completion of the SEFA Workbook is required of all agencies, even if no federal awards were expended.

To verify compliance with Checklist Item 19, complete the SEFA Data worksheet, Loan worksheet, Reconciliation worksheet, Checklist worksheet, and review the "Review Status" worksheet. Ensure the Review Status worksheet reflects "Ready to Submit" in green and no items are noted as "needs revision" before selecting "Complete" and submitting the SEFA Worksheet.

Checklist Item 20 - Consideration of Fraud in Financial Reporting

The Consideration of Fraud in Financial Reporting Certification (CFFRC) in accordance with Statements of Auditing Standards (SAS) No. 122, Section 240 has been signed by the agency head and submitted by the due date on the Agency Calendar.

The "CFFRC" form is in accordance with Statements on Auditing Standards (SAS) 122, Section AU-C 240, and must be signed by the agency head or a delegation of authority attesting that controls are in place to prevent and detect fraud for the fiscal year-end of June 30. In the event that

agency management is aware of instances of fraud that may have a material effect on the agency's financial statements, this information must be timely provided to SFRS in writing by the agency.

Agency Closing Packages are available in the Workiva platform. Completion of the CFFRC in the Agency Closing Packages is required of all agencies. Access to Workiva is required for Agency Forms Packages. If there is a delegation of authority for CFFRC, the written document giving such authority must be submitted with the form. The signed CFFRC and, if necessary, the delegation of authority documentation are uploaded in the Agency Forms Packages as an attachment.

To verify compliance with Checklist Item 20, review the "Validations" worksheet.
"Validations" provides a complete list of Forms to be completed in the Forms Packages.

Checklist Item 21 - Budgeted Revenue Amounts

All final budgeted revenue amounts (estimated revenues) have been properly recorded in GLs 8XXXX and 9XXXX by the agency's closing date.

Note: the final budget is the original budget adjusted by all budgetary reserves, transfers, allocations, supplemental appropriations, and other legally authorized charges.

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

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

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

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

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

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

To verify compliance with Checklist Item 21, review "*Checklist Item 21 – Final Budgeted Revenues"* and "*Trial Balance by Fund"* available under **TB Validations**.

Checklist Item 22 - Component Units GASB Notification

Component units have received timely notification of the state's Governmental Accounting Standards Board (GASB) implementation schedule, and a copy of the notification has been provided to SFRS by the due date in the Agency Calendar.

An A&A memo is provided annually to Agencies regarding this checklist item, to include the *GASB Implementation Schedule* for the current fiscal year and the *State of Florida Component Units List*. Agencies are responsible for providing (*by e-mail*) the GASB Implementation Schedule and reporting requirements to their CUs and cc: SFRS (sfrs@myfloridacfo.com). This e-mail will certify when the CUs received the GASB notification. The Implementation Schedule and State of Florida CU List are on the Division of Accounting and Auditing website.

Checklist Item 23 - Revolving Funds

Revolving funds have been properly recorded by the agency's closing date.

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

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

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

Revolving Fund Established from a Trust Fund:
Ensure that amounts are not double-reported in the source fund and the revolving fund (i.e., cash).

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

To verify compliance with Checklist Item 23, review "*Trial Balance by Fund"* available under **TB Validations** to ensure the revolving funds only have balances in general ledger codes 111XX, 112XX or 451XX, amounts are not double-booked in the source fund and revolving fund, and that general ledger codes 168XX and 358XX have a zero balance.

Checklist Item 24 - Interfund Loans Receivables and/or Payables

All interfund loans have been properly recorded by the agency's closing date.

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

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

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

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

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

ENTRIES FOR ACCRUALS POSTED DURING THE FISCAL YEAR[1]

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

ENTRIES FOR ACCRUALS POSTED AT YEAR-END[2]

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

To verify compliance with Checklist Item 24, review "*Trial Balance by Fund"* available under **TB Validations** to ensure all interfund loans have been properly recorded.

Checklist Item 25 - Public Deposit Requirements

All public deposits are in a Qualified Public Depository (QPD), and compliance with public deposit program requirements established in Chapter 280, F.S., has been confirmed. We certify that we have an original, signed *Public Depositor Identification & Acknowledgement Form* (DFS-

J1-1295) for each deposit account, and have filed our *Annual Report* (DFS-J1-1009) as of last November. (Response of N/A is only appropriate if no responsibility exists for public deposits.)

This confirms that *ALL* public deposits are in a QPD and the agency is in compliance with the public deposit program established in Chapter 280, Florida Statutes. QPDs are banks and savings associations that have been granted the authority to hold Florida public deposits, and the list is on file with the Department of Financial Services, Division of Treasury.

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

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

Note: If an agency is not in compliance, then it could potentially have to be stated in the Annual Comprehensive Financial Report as a "Custodial Credit Risk" in Note 3 – Deposits and Investments.

To verify compliance with Checklist Item 25, review the Validations worksheet, "*Trial Balance by Fund"* available under **TB Validations**, and the *Form 17 – Deposits* validations in the Agency Closing Package on Workiva.

Other Guidance

Late Payment Interest

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

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

Residual Equity Transfers

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

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

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

Residual Equity Transfer should not be used when combining funds within the same agency and the same GAAFR fund type. When an agency is combining funds within the same statewide fund type, it should record this as a transfer within the agency or division.

Escheat Property

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

Private Purpose Trust Fund - Where the revenue from escheat property should be recorded.
(430000-71-2-007001 Unclaimed Property Trust Fund)

Ultimate Fund - The fund where the escheat property (monies) or the monies received after the non-monetary escheat property is auctioned off/cashed, ultimately is sent from the Expendable Trust Fund.
(480000-20-2-543001 State School Trust Fund)

When to Record Revenue?
Revenue from escheat property in the Expendable Trust Fund is only recognized for cash items. Any items (i.e., autographed baseballs, jewelry, collectibles etc.) or investment instruments received should not be recorded as revenue until they are converted to cash.

Cash sent by other state funds to the Expendable Trust Fund as escheat property should be recorded as a "Transfer between Funds".

Liability for Estimated Returns to Claimants
A liability representing the best estimate of the amount ultimately expected to be reclaimed and paid to claimants or their heirs should be established in the Expendable Trust Fund.

To record this liability, revenue should be reduced, and a liability "Deposits Payable" G/L 331XX should be increased.

Subsequent payments to claimants are to be used to reduce the liability. This liability may differ from an amount specified by law to be held for payment to claimants.

Funds sent to the Ultimate Fund

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

Year End Reporting

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

Year-end Entries

Record a Liability for amounts expected to be returned to claimants.

Example Entries to record the advance:

Private Purpose Trust Fund		DR	CR
251XX	Advances to Other Funds	XXX	
759XX	Transfers to Other Dept.		XXX
(Reduce the amount of the Transfers Out)			

Ultimate Fund			
659XX	Transfer in from Other Dept.	XXX	
451XX	Advances from Other Funds		XXX
(Reduce the amount of the Transfers In)			

Accounting for Risk Financing

The State must consider the following kinds of risk:

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

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

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

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

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

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

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

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

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

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

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

Insurance funds - Casualty Type

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

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

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

Health Insurance

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

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

Accrual of Taxes Receivable

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

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

Proprietary Fund Type Revenue and Expense

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

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

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

In proprietary fund types, operating activities generally result from providing goods or services, and include all transactions involved in delivering those goods or services. In the state of Florida, the goods or services include, but are not limited to:

- Licensing
- Permitting
- Testing
- Regulating
- Loan programs
- The Florida Lottery
- The Florida Turnpike and other toll facilities
- Reemployment Assistance
- Training
- Sale of surplus property

- Motor pool
- Facilities rental
- Telephone/Suncom
- Aircraft

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

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

Late payment interest is not an interest expense. Therefore, late payment interest must be charged to the same GL used to record the original expense payment that caused the late interest to be assessed.

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

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

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

Capital Grants and Contributions - Governmental and Proprietary

Capital grants and contributions include revenues or capital assets received from other governments, organizations, or individuals that are restricted for state capital purposes (i.e., to purchase, construct, or renovate state capital assets associated with a specific program). Capital assets are defined as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital grants and contributions also include donated materials and services used in the construction of state capital assets.

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

Governmental Funds	Proprietary Funds
GL Code 621XX -Capital Grants and Contributions	GL Code 687XX – Capital Grants and Contributions

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

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

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

Revenue and Expense/Expenditure Recognition

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

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

Receivables and revenue recognition

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

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

The modified accrual method of accounting used by governmental funds (SWGF 10, 20, 30, 40, 72, or 74) relates to when revenue is recognized, not when receivables should be recorded. **Deferred Inflows-Unavailable Revenue** exists when you have a receivable and are unable to recognize/accrue revenue in a governmental fund because of time constraints in the collection process. The modified accrual method used in governmental funds requires that amounts be earned

and available to finance current expenditures. The availability requirement is met only if collection occurs within 60 days of the fiscal year-end. If this criterion is not met, the amount is recorded in the governmental funds as GL 473XX Deferred Inflows – Unavailable Revenues. However, since the entity-wide perspective is based on full accrual, the deferred amounts would be recognized as revenue in the government-wide statements.

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

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

Expenditure/Expense recognition vs. Advances to outside entities

A prepaid charge is when an agency has disbursed funds that the recipients of the cash have not earned at the end of the fiscal year. Essentially, an advance has been made to someone outside the reporting entity. For example, monies have been provided to a local government to build a building. Once the building is completed, they must account for the money provided and return any that was not used or used improperly. These advances should not be recorded as an expenditure/expense. They should appropriately be recorded as an "advance to" GL 255XX or "prepaid charges" [GL's 193XX (current) or 252XX (noncurrent)]. When your agency receives documentation supporting the use of the funds by the outside party, then an expenditure/expense should be recognized.

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

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

Expenditure/Refunds

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

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflow of resources is defined as a consumption of net assets by the government that applies to a future reporting period and has a positive effect on net position, similar to assets.

Deferred inflow of resources is defined as an acquisition of net assets by the government that applies to a future reporting period and has a negative effect on net position, similar to liabilities.

Net position is defined as the residual of all other financial statement elements presented in the Statement of Net Position.

The Financial Statement order is as follows:

Statement of **Net Position** includes:
- Assets
- **Deferred outflows of resources**
- Liabilities
- **Deferred inflows of resources**
- Net position:
  - Net investment in capital assets
  - Restricted
  - Unrestricted

State Treasury Investment Pool Interest and Administrative Fee

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

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

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

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

	Debit	Credit
Governmental Funds (10, 20, 30, 40, or 72)		
Interest and Dividends Receivable (153XX)	$1,000	
Interest and Dividends (615XX)		$1,000
Due to Other Funds (353XX) *		$ 20
Expenditures Current (711XX)	$ 20	
Proprietary and Certain Fiduciary Type Funds (50, 60, 71, 73, 76 or 77)		
Interest and Dividends Receivable (153XX)	$1,000	
Interest (615XX/686XX)		$1,000
Due to Other Funds (353XX) *		$ 20
Amortization and Fiscal Charges (785XX)	$ 20	
Agency Funds (74)		
Interest and Dividends Receivable (153XX)	$1,000	
Due to Other Funds (353XX) *		$ 20
Accounts Payable		$ 980

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

Impairment of Capital Assets and Insurance Recoveries

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

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

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

The events or changes in circumstances that lead to impairments are not considered normal and ordinary. That is, at the time the capital asset was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the capital asset. Furthermore, the events or changes in circumstances affecting a capital asset that may indicate impairments are

prominent; that is, conspicuous or known to the agency. Agencies are not required to perform additional procedures to identify potential impairment of capital assets beyond those already performed as part of their normal operations.

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

Indicators of Potential Impairment

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

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

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

Impairment Test

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

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

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

Measurement of Impairment

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

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

Restoration Cost Approach

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

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

Service Units Approach

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

service provided by the capital asset before the event or change in circumstance to the service provided after the event or change in circumstance using the service units approach.

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

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

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

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

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

Insurance Recoveries

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

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

Journal Entry Examples

SWGF 80

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

		DR	CR
711XX	Expenditures	XXX	
272XX	Buildings & Building Improvements		XXX

SWGF 80

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

		DR	CR
719XX	Extraordinary Items	XXX	
272XX	Buildings & Building Improvements		XXX

SWGF 50 or 60

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

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

SWGF 50 or 60

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

		DR	CR
788XX	Extraordinary Items	XXX	
272XX	Buildings & Building Improvements		XXX

SWGF 10, 20 or 74

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

		DR	CR
122XX	Cash	XXX	
692XX	Insurance Recoveries - Other Financing Source		XXX

SWGF 90

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

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

SWGF 10, 20 or 74

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

		DR	CR
12XXX	Cash	XXX	
719XX	Extraordinary Items		XXX

SWGF 50 or 60

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

		DR	CR
122XX	Cash	XXX	
681XX	Insurance Recoveries - Non-operating Revenue		XXX

SWGF 50 or 60

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

		DR	CR
12XXX	Cash	XXX	
788XX	Extraordinary Items		XXX

Notes:

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