GENERAL INSTRUCTIONS

Reminder: A reference to the other agency's JV must be included in the explanation section of your agency's JV, if recording Due to Other Funds (balance sheet account 2003) or Due From Other Funds (balance sheet account 1203). More than one fund can be included on the same JV; however, only include transactions that are with one other agency on the same JV. If only your agency is involved then both sides of the transaction must be on the same JV. If one side of the transaction has already been recorded then include an explanation (i.e. the Financial Reporting Section of the Comptroller's Office has requested this JV and we have information about the transaction already). JV's will not be processed and will be returned if both sides of the transaction cannot be matched.

Enclosed is a "Comparative Balance Sheet" for accounting years 2009 and 2008 for all funds except funds 0100, 0200, 1200, and outside bank accounts. The 2008 column reflects the amounts reported in the State's audited 2008 Comprehensive Annual Financial Report (CAFR) and cannot be adjusted. Errors in the 2008 balances must be corrected with a prior period adjustment to the 2009 balances. All journal entries making prior period adjustments should include an explanation of what the adjustment should have been (debit what and credit what), which fiscal year it should have been recorded, and proper documentation. The 2009 column should be reviewed to determine the adjustments and accruals that are needed to report 2009 on a GAAP basis. If changes are required, please submit adjusting journal vouchers.

Fund Number and Fund Types

Some of the enclosed guidance for adjustments and accruals varies depending on whether the type of fund involved is included in a governmental or proprietary fund category. The governmental fund category includes the General Fund, special revenue, debt service, capital project, and permanent fund types. The proprietary fund category includes enterprise and internal service fund types. Some agencies also use fiduciary fund categories, which include pension, private-purpose trust, and agency fund types. The fund type and fund number can be found in the heading of the **"Comparative Balance Sheet"** on the fourth line. The heading includes a series of codes in brackets before the fund name similar to the following:

[R-R6-364-**0285]** Regulatory Board Fund

The first code, R, indicates the fund type as listed in the table below, and the last code, 0285, is the fund number. The Office of the State Comptroller in preparing the *CAFR* uses the other two codes.

Governmental Fund Category	Proprietary Fund Category	Fiduciary Fund Category
C = Capital Projects Fund	E = Enterprise Fund	A = Agency Fund
D = Debt Service Fund	I = Internal Service Fund	P = Pension Fund
G = General Fund		U = Private-Purpose Trust Fund
M = Permanent Fund		
R = Special Revenue Fund		

Journal Voucher Number

Journal vouchers should be numbered as follows:

JV aaa **FR9**waaayyyy

aaa	Your agency number
FR	stands for **F**inancial **R**eporting
8	stands for fiscal year **2009**
w	use an A for adjustment and accrual journal vouchers; use R for reversing journal vouchers
aaa	your agency number
yyyy	optional for departmental use

For example, assume agency 412 is preparing a journal voucher to adjust amounts recorded as capital leases. The journal voucher would be numbered as follows:

JV 412 FR9A4120001

Comptroller Generated CAFR Entries

The Financial Reporting Section will obtain and will make the necessary accruals and adjustments for salaries payable and compensated absences from GHRS and CAS records. These accruals will be done on journal vouchers with "SP" or "CA" in the fifth and sixth position of the JV number. In addition, we will make entries to your fund(s) to reclassify vouchers payable (2001) to balance sheet account 2004 Due to Other Governments for any payments made to other governments during the 13th period. . All of these entries will have no effect on your cash, budget, or current operations, and are for *CAFR* reporting purposes only. Unlike past years, we will no longer make entries to record board items; departments must make those entries.

Federal Receivables, Payables, Revenues and Expenditures

Recipients of reimbursement type or expenditure-driven type federal grants

1. Recognize a receivable (1205-Due From Other Governments) and revenue when allowable costs have been incurred.
2. Governmental funds should record revenue not received within 60 days of the end of the year as deferred revenue.
3. Federal grants received in advance for use in the following period should also be recorded as deferred revenue.

Providers of reimbursement type or expenditure-driven type programs

1. Recognize a payable and an expense when sub recipients or beneficiaries incur allowable costs.
2. Payments for use in the following year should be reported as advances.
3. Recognition should not be delayed until reimbursement for the allowable costs is filed and should not be delayed until financial status or progress reports are filed. Therefore, the payable should include an estimate of claims incurred but not reported.

Inability to determine the exact amount of federal receivables and payables does not relieve a department of the requirement to accrue them. When exact amounts cannot be determined, reasonable estimates should be made annually. Failure to make such estimates results in the need to make prior period adjustments in subsequent years, which indicates an internal control weakness in a department's accounting procedures.

Prior Year Refunds

GASB Statement No. 33, paragraph 26, states that "after a nonexchange transaction has been recognized in the financial statements, it may become apparent that (a) the eligibility requirements are no longer met (the transaction was recognized as a government-mandated or voluntary nonexchange transaction) or (b) the recipient will not comply with the purpose restrictions within the specified time limit.

1. In these circumstances, if it is probable that the provider will not provide the resources or will require the recipient to return all or part of the resources already received:
    a. The recipient should recognize a decrease in assets (or an increase in liabilities) and an expense for the amount expected to be cancelled or reclaimed.
    b. The provider should recognize a decrease in liabilities (or an increase in assets) and a revenue for the amount expected be cancelled or reclaimed.
2. If a drawdown in the current year has been reduced because of a contravention (as described in paragraph 26), then the agency will need to prepare a JV to debit 1600 06 (Prior Year Refunds) and credit the appropriate revenue source code. This is for repayments of federal revenue that have been recognized in previous fiscal years.
3. If the federal revenue has been recognized in the current fiscal year, then reducing the appropriate revenue source code is correct.
4. The amount refunded to the State from the recipient should be in revenue source code 0828 (Refund of prior year federal receipts) if it was an expenditure of a previous year.

Loss Contingencies

Loss contingencies are existing conditions that may create a legal obligation in the future, but arises from past transactions or events. Liabilities for claims and judgments arising from loss contingencies should be recognized when (a) information available prior to the issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements, and (b) the amount of the loss can be reasonably estimated.

The 2005 AICPA Audit and Accounting Guide, Audits of State and Local Governments, paragraph 6.34, provides guidance on reporting certain loss contingencies associated with intergovernmental grant revenues subject to adjustment. For example, if intergovernmental grant revenues are subject to adjustment because there are questioned costs other than not meeting eligibility requirements or purpose restrictions are identified during a grant compliance audit, the government should consider whether a loss contingency exists. OMB Circular A-133 defines a questioned cost as a cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement document governing the use of Federal funds, including funds used to match Federal funds; (2) where the costs at the time of the audit are not supported by adequate documentation; or (3) where costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the same circumstances. Inadequate documentation might result in a loss, although the cost was incurred and the eligibility requirements were met.

It is the responsibility of each agency to determine the liabilities for their agency, and to determine if the liabilities are the result of loss contingencies. Each agency should determine whether a liability (or decrease in receivables) should be recorded, or whether disclosure (for example, disclosure of a material violation of a finance-related legal or contractual provision) is required.

1. Proprietary funds should record the liabilities for loss contingencies in the fund financial statements.
2. Governmental funds should not record the loss contingencies in the governmental fund, but should prepare a government-wide JV as mentioned in the following section.
3. The governmental funds should record the repayment to the federal government resulting from a previous year's loss contingencies in object/subobject code 1600 06.

Long-term Payables and Similar Items in Governmental Funds

GAAP reporting requirements generally do not permit the reporting of long-term items directly in a governmental type fund. Instead, long-term items are reported on the CAFR through a special government-wide fund controlled by the Comptroller. Even though individual departments cannot make entries directly to the government-wide fund, we do need your assistance in identifying certain amounts that should be recorded. Please provide the amounts for prepaid expenses and long-term payables. Also, provide the amount of deferred revenue that is considered earned under the accrual basis of accounting although it was not available under the modified accrual basis of accounting. Please provide this information in the form of CAS only JVs to Fund 1899. Do not record these entries in your fund(s) and accounting system.

Inability to determine the exact amount of long-term items does not relieve a department of the requirement to accrue them. When exact amounts cannot be determined, reasonable estimates should be made annually. Failure to make such estimates results in the need to make prior period adjustments in subsequent years, which indicates an internal control weakness in a department's accounting procedures.

Capital Assets

NEW: The instructions for capital assets, particularly for additions, have been updated for governmental funds.

Personal property type capital assets are reported based on the records of the State Auditor, so departments need only comply with Auditor requirements in order to be reported correctly in the *CAFR*. Information on purchases of real property, along with any personal property legally exempt from the State Auditor requirements, has been captured during the year on the GCAS and GCAD tables, and reported to you on the monthly reports. Changes and corrections to the amounts on those reports should be made by JV by the end of November.

Real property type capital assets are reported based on the data recorded in CAS in the GCAS table and reported monthly to departments in the Governmental Capital Assets Summary report. The report or table should be reviewed periodically to ensure that all real property has been recorded for the correct amount, balance sheet and acquisition dates. When real property is sold, the disposal date should be entered on the GCAS table.

Derivative Investments

Certain note disclosures are required to be made about investments in derivatives. A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

1- It has (a) one or more underlyings and (b) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.

2- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

3- Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

If you believe your organization has investments that meet the definition of a derivative, please contact Serena McMurtrey at 242-2275 for more information on what note disclosures are required.

Donor-restricted endowments

GAAP requires the following note disclosures about donor-restricted endowments:

- The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the governing board, and how those amounts are reported in net assets.
- State law regarding the ability to spend net appreciation.
- The policy for authorizing and spending investment income, such as a spending-rate or total-return policy.

If your fund is investing donor-restricted endowments, please submit the above information.

Board Items

Board items are deposits made to the State Treasury by September 30 but the CR document was not processed through the Comptroller's Office until October 1 or later. The Comptroller's Office will not make the entries for board items unless it is a cash receipt prepared by the Receipts Section of the Comptroller's Office (agency 910). The Department of Revenue will make the entries for cash receipts prepared by their department (agency 019). Each department must make their own entries unless the Receipts Section or the Department of Revenue makes the entry. If your agency had board items, a list of those items is enclosed along with instructions on the entry to make.

Cash In Transit

Cash in transit exists when cash was under the department's control but a deposit to the State Treasury was not made by the end of September. Some examples of evidence that your agency had cash in transit include:

- Cash, checks or other receipts posted in the agency's check log on or before September 30, 2009
- Cash, checks or other receipts in the agency's mailbox on or before September 30, 2009
- Cash, checks or other receipts in the agency's unopened mail on or before September 30, 2009
- Cash, checks or other receipts in opened mail but not posted to the check log on or before September 30, 2009
- Cash, checks or other receipts in a bank lockbox on or before September 30, 2009 (or record as a board item)
- Alabama Interactive receipts for transactions on or before September 30, 2009

An accrual journal voucher and a reversal JV are required for recording cash in transit. The accrual JV should be coded with "13 09" in the accounting period and budget FY blank. Debit balance sheet account 1004 Cash in Transit and credit the appropriate revenue source code in the amount of the revenue. Also, the reversal JV needs to be prepared with the accounting period blank and "09" in the budget FY. For the reversal, credit balance sheet 1004 Cash in Transit and debit the appropriate revenue source code in the amount of the revenue. The gross amount of the Alabama Interactive receipts should be recorded to the revenue source codes and the credit card fees and/or Alabama Interactive fees should be recorded as account type 22 expenditures with the net amount recorded to 1004 Cash in Transit. If there is a bad check or bad Alabama Interactive charge for any of the cash in transit then do not include these bad checks or charges in the cash in transit JV's. If it is determined later that there was a bad check or charge then a JV can be prepared for the "13 09" accounting period with the budget FY blank by crediting balance sheet account 1006 Cash- Reductions for Bad Checks and debiting the revenue. A reversal would be needed with the accounting period blank and "09" in the budget FY. If an expenditure was involved then use account type 22.

Be Prepared for October and November Cash Receipts – Prior BFY

Funds which are on the modified accrual basis of accounting are required to report receivables that are collected within 60 days of the end of the fiscal period, and accrual basis funds record all receivables that are collectable. The "October and November Cash Receipts - Prior BFY" report will include October and November 2009 cash receipts which are coded to Budget Fiscal Year 2009 will be mailed to each agency in December 2009. These may need to be recorded in accounting fiscal year 2009 for CAFR purposes. Also, you may receive a "Cash Receipts - Prior Year Transaction Number" report which includes FY10 cash receipts with FY09 transaction numbers. *It is recommended that each agency make their own list as receipts are posted in October and November 2009 and determine if these are receivables because this may save you time once you receive the reports from the Comptroller's Office*. When each agency receives the report(s), they will need to review their records and determine if any of the receipts from the two reports are September 30, 2009 receivables which have not been recorded for accounting fiscal year 2009 for the CAFR. If these have been recorded as board items or cash in transit then these should not be recorded as receivables. If these do need to be recorded as September 30, 2009 receivables then prepare an accrual JV and a reversing JV. The proper balance sheet accounts must be used; if these are interfund transactions then use the balance sheet accounts for Due To and From Other Funds. Use account type 22 for expenditure codes since the accounting records are being corrected to agree with the budget records. Normally, account type 24 is used for accruals but if the receivable is also accrued for the budget then account type 24 should not be used.