

# Office of the Comptroller Directive No. 1-09

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# Office of the Comptroller Directive No. 1-09

## Directive Compliance Guidelines for State Agencies

### Introduction

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#### Subject

This Directive addresses State agencies' responsibilities for submitting financial statement templates and other financial information to the Department of Accounts (DOA).

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#### Purpose

To provide guidance to State agencies for submitting the following items to DOA to assist in the preparation of the Commonwealth's Comprehensive Annual Financial Report (CAFR):

- Financial statement templates (**Attachments 9-13**)
- Other attachments
- Supplemental information

Financial statement templates (**Attachments 9-13**), other attachments, and supplemental information must be prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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#### SAS 112

Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 112), states that the identification by the auditors of a material misstatement is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. This includes misstatements involving estimation and judgments. This also includes restatements of previously issued financial statements to reflect a correction of a material misstatement. This applies to whether the auditors or the agency discovers the restatement. (**Note:** This does not apply to a change in accounting principle to comply with a new accounting principle or a voluntary change from one GAAP to another.) Agencies must ensure controls are in place to avoid material misstatements and / or misclassifications in the financial statement template(s).

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## Introduction, Continued

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### Agency compliance

Agencies are required pursuant to §2.2-803 and §2.2-813 of the *Code of Virginia* (1950), as amended, to submit financial statement templates and / or other financial information for the following reasons:

- The financial information required by this Directive is necessary for DOA to prepare the CAFR.
  - The bond rating agencies use the CAFR to determine Virginia's bond rating. Maintaining an unqualified opinion on the CAFR is critical to Virginia retaining its AAA bond rating.
  - The bond rating agencies require that parts of the CAFR be included in bond offering statements.
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### Applicability

This Directive applies to **all State agencies**.

**Exemption** – This Directive does **not** apply to those **commissions** and **boards** that receive one annual appropriation disbursement from the Commonwealth.

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### Policy

For year-end closing, financial statement template, other attachment, and / or supplemental information preparation, all State agencies must comply with the following guidelines. These are described in detail on the following pages:

- Reconciliation to CARS
- Preparation of Attachments
- Preparation of GAAP Basis Financial Statement Templates (**Attachments 9-13**)
- Supplemental Information

Additionally, agencies must comply with the requirements contained in the **Authoritative Literature / Guidance for Preparation of GAAP Basis Fund Financial Statement Templates**, which can be found on DOA's website at [www.doa.virginia.gov](http://www.doa.virginia.gov). Click on the "Financial Statement Directives" link.

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## Introduction, Continued

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**Effective date** The Directive is effective for the fiscal year ended June 30, 2009, and thereafter. This Directive rescinds and replaces Office of the Comptroller Directive No. 3-08, *Directive Compliance Guidelines for State Agencies*.

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**Failure to comply** If an agency fails to comply with the requirements of this Directive, the Comptroller may disclose such failure in the *Quarterly Report on Statewide Financial Management and Compliance*.

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**Directive availability** This Directive is available at [www.doa.virginia.gov](http://www.doa.virginia.gov). Fiscal officers are notified via e-mails. The Commonwealth Accounting and Reporting System (CARS) users are notified via the CARS Broadcast Screen.

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## Introduction, Continued

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### Submission information

Except as noted on specific attachments, DOA **requires** the agency to e-mail financial statement templates (**Attachments 9-13**), other attachments, and / or supplemental information.

DOA will also notify agencies if submissions do not meet the specified standards. If a submission is deemed unacceptable and rejected by DOA, the agency will be provided a new due date to resubmit the information in a manner that adequately addresses the deficiencies noted by DOA.

As in previous years, e-mail submissions are required for all submissions unless an individual submission indicates otherwise. Agencies should only submit **one** copy of each submission to DOA. Please note the e-mail addresses below:

| Submission                    | E-mail Address   |
|-------------------------------|--|
| Financial Statement Templates | <a href="mailto:finrept-agyatt@doa.virginia.gov">finrept-agyatt@doa.virginia.gov</a>   |
| Other Attachments             | <a href="mailto:finrept-agyatt@doa.virginia.gov">finrept-agyatt@doa.virginia.gov</a>   |
| Supplemental Information      | <a href="mailto:finrept-agysupp@doa.virginia.gov">finrept-agysupp@doa.virginia.gov</a> |
| All other correspondence      | <a href="mailto:finrept@doa.virginia.gov">finrept@doa.virginia.gov</a>                 |

DOA will e-mail a confirmation of receipt for each electronic submission. Agencies should follow up with DOA if the agency does not receive a confirmation. **Agencies should not submit paper copies of e-mailed attachments.**

Agencies should copy the Auditor of Public Accounts (APA) on all e-mail submissions at: [APAFinRept@apa.virginia.gov](mailto:APAFinRept@apa.virginia.gov).

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## Introduction, Continued

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### Revision requirements

If revisions are made to the attachments subsequent to DOA acknowledgement of receipt **and** acceptance of the original submission, then perform the following steps:

1. Include “**REVISED – date**” in the **subject line** of the e-mail as well as in the **file name**. Resubmit the revised attachment; and
2. Ensure that the **Revision Control Log** tab has been completed.

Each time a revision is submitted, the **Certification** tab should be updated with new signatures and dates.

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## Reconciliation to CARS

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### What is required?

The following requirements apply to the reconciliation of CARS:

- Reconcile, where appropriate, all internally prepared accounting records, data submission logs, and other accounting data to reports produced by CARS. Reconciling includes posting adjustments to CARS so it agrees to the reconciled balance. For further information see CAPP Topic 20905, *CARS Reconciliation Requirements*.
  - Perform and certify these reconciliations to DOA monthly and at fiscal year-end. When agencies certify that the reconciliation was performed, they are certifying that:
    - On monthly reconciliations, all necessary corrections identified as a result of the reconciliation have been included as an “exception” with the confirmation OR will be submitted on an Agency Transaction Voucher (ATV) or Inter-Agency Transaction (IAT). Any correction that can be made on an ATV or IAT may not appear as an exception. The agency should process any necessary ATVs or IATs and not submit those items with the confirmation. Agency reconciliation procedures should be sufficient so that, after the agency processes all correcting ATVs and IATs and after DOA processes exceptions submitted with the confirmation, the fiscal officer can certify that CARS balances will be correct. These corrections must be submitted within two weeks following the exception register due date. For May, this will be mid-July.
    - On the June fiscal year-end reconciliation certification all corrections must be submitted by the final reconciliation due date as communicated in DOA’s annual fiscal year-end closing procedures memorandum to agencies. All corrections must be posted to the fiscal year for which the certification is applicable.
- Note:** Agencies are prohibited from certifying the monthly and year-end confirmations unless all balances specified on the CARS confirmation are accurate or will be corrected within the timelines outlined in CAPP Topic 20905.
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## Preparation of Attachments

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### Purpose and requirements

Most agencies are not required to prepare financial statement templates (**Attachments 9-13**). Agencies that are not required to prepare financial statement templates for specified funds are required to submit other attachments for DOA to gather financial information needed for the CAFR.

- Attachments must comply with applicable GASB Statements.
- Attachments must be in the format provided in this Directive.

Once again, except as otherwise noted on specific attachments, DOA requires the agency to e-mail the submissions to DOA. **Agencies should not submit paper copies of e-mailed attachments**. All attachments must be sent to DOA and copied to the APA **except** for **Attachment 30**, Report of Financial Condition, which must be sent **only** to the APA.

**To prevent rounding errors, ALL dollar amounts reported to DOA must be whole numbers that are rounded to the nearest dollar. The attachments require whole numbers.**

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### Overall changes

A detailed listing of changes and items of interest was e-mailed to fiscal officers and is posted on DOA's website at [www.doa.virginia.gov](http://www.doa.virginia.gov). Click on the "Financial Statement Directives" link.

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## Preparation of Attachments, Continued

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### Government-wide revenue classification per GASBS No. 34

As in the prior year, information from last year's submissions and CARS activity was analyzed and is posted on DOA's website at [www.doa.virginia.gov](http://www.doa.virginia.gov) as the **GASBS No. 34 Government-wide Revenue Classification Table**. Click on the "Financial Statement Directives" link. When completing attachments that require **GASBS No. 34** government-wide revenue classifications, refer to this table for proper classification.

Review of this table is required in **Attachment 1** and DOA must be notified if changes are needed.

**Note: This table will be available in mid-July 2009.**

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### Fund descriptions spreadsheet

As in the prior year, a listing by agency and fund / fund detail with a description of the funds activity is posted on DOA's website at [www.doa.virginia.gov](http://www.doa.virginia.gov) as the **Fund Description Spreadsheet**. Click on the "Financial Statement Directives" link. It is important that each fund's usage be up-to-date so it can be properly classified in the CAFR.

Review of this table is required in **Attachment 1** and DOA must be notified if changes are needed.

**Note: This table will be available in early-July 2009.**

**It is very important that the agencies take care when reviewing the funds descriptions list. The list will be an integral part of the analysis that DOA performs to implement GASBS 54, Fund Balance Reporting and Governmental Fund Types Definitions, effective for FY2011. If any fund description does not contain a reference to the authorizing legislation, please ensure it is added. If there is no authorizing legislation for the fund, please add a statement to that effect.**

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### New attachments

**Attachment 19**, Pollution Remediation, will be used to obtain information to comply with **GASBS No. 49**, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

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## Preparation of Attachments, Continued

**Due dates** The attachment due dates are detailed below:

| <i>Prior Year Attachment</i> | <i>Current Year Attachment</i> | <i>Attachment Name</i>   | <i>Due Date</i>   |
|------------------------------|--------------------------------|--|-------------------|
| 1                            | 1                              | Checklist to Determine Information Required by Comptroller's Directive         | July 16           |
| 2                            | 2                              | Contact Survey   | July 16           |
| 3                            | 3                              | <b>GASBS No. 14</b> Checklist Modified to Reflect <b>GASBS No. 39</b>          | July 23           |
| 4                            | 4                              | <b>2008</b> Off-Balance Sheet Financial Obligations Update                     | July 23           |
| 5                            | 5                              | Energy Performance Contracts   | July 30           |
| 6                            | 6                              | Leave Liability Statement – CIPPS and Non-CIPPS Users                          | July 30           |
| 7                            | 7                              | Schedule of Outstanding Installment Purchase Obligations                       | July 30           |
| 8                            | 8                              | Schedule of Inventory on Hand as of June 30                                    | July 30           |
| 9                            | 9                              | Governmental Fund Financial Statement Template                                 | August 13         |
| 10                           | 10                             | Enterprise Fund Financial Statement Template                                   | August 13         |
| 11                           | 11                             | Internal Service Fund Financial Statement Template                             | August 13         |
| 12                           | 12                             | Private-purpose Trust Fund Financial Statement Template                        | August 13         |
| 13                           | 13                             | Agency Fund Financial Statement Template                                       | August 13         |
| 14                           | 14                             | Capital Asset Accounting and Control System (FAACS) Analysis                   | August 13         |
| 14A                          | 14A                            | Impairment of Capital Assets   | August 13         |
| 15                           | 15                             | Federal Schedules  | August 13         |
| 16                           | 16                             | <b>GASBS No. 33</b> Expenditure and Revenue Analysis                           | August 13         |
| 17                           | 17                             | <b>GASBS No. 38</b> Short-term Debt  | August 13         |
| 18                           | 18                             | Insurance Recoveries   | August 13         |
| N/A                          | 19                             | Pollution Remediation  | August 13         |
| 19                           | 20                             | Internal Service Funds – Conversion to Government-wide Statement of Activities | August 20         |
| 20                           | N/A                            | Management Discussion and Analysis   | N/A               |
| 21                           | 21                             | Schedule of Prepayments as of June 30  | August 27         |
| 22                           | 22                             | Receivables as of June 30  | August 27         |
| 23                           | 23                             | Schedule of Retainage Payable  | August 27         |
| 24                           | 24                             | Schedule of Cash, Cash Equivalents, and Investments as of June 30              | August 27         |
| 25                           | 25                             | Donor-restricted Endowments  | August 27         |
| 26                           | 26                             | <b>GASBS No. 33</b> Federal Fund Analysis – Non-reimbursement Grants           | September 17      |
| 27                           | 27                             | Government-wide Payables and Other Accruals as of June 30                      | September 17      |
| 28                           | 28                             | Direct Billed Central Services   | September 17      |
| 29                           | N/A                            | Internal Control Statement   | N/A               |
| 30                           | 29                             | Adjustments  | October 15        |
| 31                           | 30                             | Report of Financial Condition  | October 15        |
| 32                           | 31                             | Supplemental Information – Revision Control Log                                | As revisions made |
| 33                           | 32                             | <b>2009</b> Off-Balance Sheet Financial Obligations                            | January 21, 2010  |

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# Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13)

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## Introduction

This section is divided into the following areas:

- Agencies required to submit templates
- General financial statement template guidelines
- Guidelines for financial statement template work papers

Information on specific GASB Statements is available on DOA's website at [www.doa.virginia.gov](http://www.doa.virginia.gov) in the document entitled **Authoritative Literature / Guidance for Preparation of GAAP Basis Fund Financial Statement Templates**. Click on the "Financial Statement Directives" link.

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## Agencies required to submit templates

Agencies listed on the following pages are required to submit GAAP basis financial statement templates (**Attachments 9-13**). In some instances, templates are required only for specific fund(s) within an agency. The table on the following pages indicates the specific reporting requirements for each agency.

**If the agency is not listed on the following pages and has off-CARS activity, then the agency must notify Doug Page, Assistant Director of Financial Reporting, at (804) 225-3136 or John Sotos, Assistant Director of Financial Reporting, at (804) 225-2111, or Sharon Lawrence, Director of Financial Reporting, at (804) 225-2414. The agency may be required to prepare GAAP basis financial statement templates in accordance with this Directive.**

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

### Agencies required to submit templates (Continued)

| Agency / Fund   | Fund Type  | Attachment Number                  |
|---|--|------------------------------------|
| <b>Department of Accounts (See Supplemental Information section)</b><br>Line of Duty OPEB   | Fiduciary  | Separate Communication             |
| <b>Department of Agriculture</b><br>Milk Commission – Producer Recovery / Equalization Fund   | Agency   | 13                                 |
| <b>Department of Alcoholic Beverage Control</b>   | Enterprise   | 10                                 |
| <b>Department of Aviation</b><br>Aviation LGIP Funds  | Agency   | 13                                 |
| <b>Department for the Blind and Vision Impaired</b><br>Special Revenue Fund<br>Virginia Industries for the Blind  | Special Revenue<br>Enterprise  | 9<br>10                            |
| <b>Department of Conservation and Recreation</b><br>State Parks Projects Fund<br>Chippokes Plantation Farm Foundation   | Special Revenue<br>Special Revenue   | 9<br>9                             |
| <b>Department of Corrections (See Supplemental Information section)</b><br>Commissary Fund<br>Inmate & Ward Trust Fund  | Special Revenue<br>Agency  | 9<br>13                            |
| <b>Department of Environmental Quality</b><br>Title V Air Pollution Permit Fund   | Enterprise   | 10                                 |
| <b>Department of General Services</b><br>eVA<br>Newborn Screening / Consolidated Laboratory<br>Fleet Management<br><br><b>Property Management</b> (Real Estate Services, Maintenance & Repair)<br><br><b>General Services</b> (Virginia Distribution Center, Consolidated Laboratory Water Testing, Office of Graphic Communications, Federal Surplus Property, State Surplus Property, Engineering Services) | Enterprise<br>Enterprise<br>Internal Service<br><br>Internal Service (Combining)<br><br>Internal Service (Combining) | 10<br>10<br>11<br><br>11<br><br>11 |
| <b>Department of Housing and Community Development</b><br>Virginia Individual Development Account Trust Fund (Fund 0726)  | Agency   | 13                                 |

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

### Agencies required to submit templates (Continued)

| Agency / Fund   | Fund Type        | Attachment Number |
|---|------------------|-------------------|
| <b>Department of Human Resource Management (See Supplemental Information section)</b> |                  |                   |
| Local Choice Health Care  | Enterprise       | 10                |
| Health Insurance Fund   | Internal Service | 11                |
| Workers' Compensation   | Internal Service | 11                |
| <b>Department of Juvenile Justice</b>   |                  |                   |
| Commissary Fund   | Special Revenue  | 9                 |
| Donation Trust Fund   | Special Revenue  | 9                 |
| J. Bryan Trust Fund   | Special Revenue  | 9                 |
| Inmate and Ward Trust Fund  | Agency           | 13                |
| <b>Department of MHMR and SAS – Local Funds:</b>                                      |                  |                   |
| Special Revenue Fund  | Special Revenue  | 9                 |
| Permanent Fund  | Permanent        | 9                 |
| Canteen and Local Activity Fund   | Enterprise       | 10                |
| Non-patient Agency Fund   | Agency           | 13                |
| Patient / Resident Fund   | Agency           | 13                |
| <b>Department of Mines, Minerals, and Energy</b>                                      |                  |                   |
| Mined Land Deposit Trust Fund   | Agency           | 13                |
| <b>Department of Motor Vehicles</b>   |                  |                   |
| All Off-CARS funds (contractor deposits)  | Agency           | 13                |
| <b>Department of Professional and Occupational Regulation</b>                         |                  |                   |
| Contractor's Transaction Recovery Act Fund  | Special Revenue  | 9                 |
| Virginia Real Estate Transaction Recovery Fund  | Special Revenue  | 9                 |
| <b>Department of Transportation</b>   |                  |                   |
| GLA 540 – Guarantee Deposits  | Agency           | 13                |
| <b>Department of Veterans Services</b>  |                  |                   |
| Virginia War Memorial Foundation  | Special Revenue  | 9                 |
| Off-CARS Sitter Barfoot Veterans Care Center Resident Fund                            | Agency           | 13                |
| Off-CARS Virginia Veterans Care Center Resident Fund                                  | Agency           | 13                |
| <b>Gunston Hall</b>   |                  |                   |
| Off-CARS Museum Collections Fund  | Special Revenue  | 9                 |
| <b>Library of Virginia</b>  |                  |                   |
| Virginia Shop   | Enterprise       | 10                |

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

### Agencies required to submit templates (Continued)

| Agency / Fund   | Fund Type                          | Attachment Number |
|---|------------------------------------|-------------------|
| <b>Rehabilitation Center for the Blind and Vision Impaired</b><br>Virginia Rehabilitation Center for the Blind<br>Trust Fund          | Special Revenue                    | 9                 |
| <b>Science Museum of Virginia</b><br>Gift Shop Enterprise Fund  | Enterprise                         | 10                |
| <b>State Lottery Department</b>   | Enterprise                         | 10                |
| <b>Virginia College Savings Plan</b><br>Virginia Prepaid Education Program<br>Virginia Education Savings Trust and College<br>America | Enterprise<br>Private-purpose      | 10<br>12          |
| <b>Virginia Correctional Enterprises</b>  | Internal Service                   | 11                |
| <b>Virginia Employment Commission</b><br>Unemployment Compensation  | Enterprise                         | 10                |
| <b>Virginia Information Technologies Agency</b><br>Wireless E-911 Service Board<br>VITA   | Enterprise<br>Internal Service     | 10<br>11          |
| <b>Virginia Museum of Fine Arts</b><br>Special Revenue Fund<br>Gift Shop & Food Services  | Special Revenue<br>Enterprise      | 9<br>10           |
| <b>Virginia School for the Deaf, Blind, and Multi-Disabled at Hampton</b> – All Off-CARS Funds:<br>Agency Fund                        | Agency                             | 13                |
| <b>Virginia State Bar</b><br>Clients' Protection Fund<br>Administration Finance Fund  | Special Revenue<br>Special Revenue | 9<br>9            |
| <b>Woodrow Wilson Rehabilitation Center</b><br>Off-CARS Agency Fund   | Agency                             | 13                |

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

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### General financial statement template guidelines

The following guidelines apply to the GAAP basis financial statement templates that agencies prepare and submit to DOA:

- Prepare all financial statement templates in accordance with GAAP as prescribed by GASB.
- A GAAP Master List is available on DOA's web site at [www.doa.virginia.gov](http://www.doa.virginia.gov). Click on "Financial Statement Directives." This non-authoritative listing has been added for informational purposes to assist in financial statement template preparation.
- Unless specific funds are listed, the agency must present all funds maintained by the agency regardless of whether the funds are recorded on CARS. This includes all trust, local, and endowment funds.
- Report materials and supplies inventories on the financial statement templates using the consumption method.
- Report prepayment balances as of June 30 on the financial statement template using the consumption method.
- Record any applicable lag pay accruals in the financial statement templates. At a minimum, this will require recording of the July 1 (June 10-24 pay period) and a portion of the July 16 (June 25-30 pay period) paychecks. These amounts should be recorded on the salary / wage line item.

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

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### General financial statement template guidelines, (continued)

Use the criteria in **GASBS No. 14**, as modified to reflect **GASBS No. 39**, *Determining Whether Certain Organizations Are Component Units*, to evaluate which organizations are included in the financial reporting entity.

- **Attachment 3** outlines the requirements of **GASBS No. 14**, as modified to reflect **GASBS No. 39**.
- Return the completed **Attachment 3** for each organization evaluated by **July 23, 2009**.
- Be aware of legislative changes for fiscal year 2009.

Refer to the **Authoritative Literature / Guidance for Preparation of GAAP Basis Fund Financial Statement Templates** on DOA's website at **www.doa.virginia.gov** for further guidance on preparation of the financial statement templates.

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## Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13), Continued

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### Guidelines for financial statement template work papers

The following guidelines apply to the preparation of financial statement template work papers:

- Prepare work papers that clearly support the preparation of the financial statement templates.
- Fully reconcile work papers to final CARS closing reports.
- Provide an adequate crosswalk and audit trail from the work papers to the financial statement template. For governmental funds, this must include the adjusting entries for converting from the fund statement information to the government-wide statement information.
- The following work papers are required but are not all-inclusive:
  - Trial balances of funds maintained on CARS
  - Trial balances of funds that are not maintained on CARS
  - Trial balances of government-wide financial statements
  - Reconciliation between government-wide financial statement information and fund statement information, including adjusting journal entries and supporting documentation
  - Itemized listing of capitalized fixed assets as of year-end which reconciles to the agency's internal accounting system and / or CARS, if applicable
  - Itemized listing of accounts receivable, allowance for doubtful accounts, and accounts payable

Work papers and agency supporting internal records should be ready for APA review by **August 13, 2009**.

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