

Attachment HE-10 Helpful Information
Comptroller's Directive No. 2-20
Directive Compliance Guidelines for Higher Education Institutions

Purpose: To provide general information to facilitate completion of the Attachment HE-10, Financial Statement Template, and address common DOA follow-up review questions.

General Items to Consider:

- Review the prior year communications with DOA, including correcting adjustments to the HE-10, to determine whether similar circumstances exist in the current year that will impact the financial statement template preparation.
- Ensure there are no negative balances reported on line items that should reflect positive balances. Previously, the following have been incorrectly reported:
 - Net Position – Total Restricted for Nonexpendable,
 - Net Position – Total Restricted for Expendable,
 - Accounts Payable – Other
 - Miscellaneous Revenues, and
 - Grants and Contributions not Restricted to Specific Programs
- Review each completed tab to ensure the information/amounts are reasonable, complete and contain no obvious errors.
 - For instance, a “yes” response on TAB 7, Part 5 regarding significant violations of finance-related legal or contractual provisions requires a description. If the description box is left blank, this represents an incomplete, and possibly inaccurate, response. In addition, typically the answer to this question is “no” rather than “yes.”
- Certain yellow input cells are prepopulated with “Answer Required” or a formula to populate “Answer Required” or “N/A” based on answers to prior questions. The “Answer Required” messages must be cleared before submission. If you cannot determine why there is an “Answer Required” message in a cell, contact DOA. If an answer to a preceding question needs to be changed from “no” to “yes” and a following question is applicable, the drop-down list is still available to change the “n/a” to the correct answer, if needed.
- Ensure answers/information that are keyed into the yellow input cells and those that automatically populate an “n/a” response are appropriate.
- After the HE-10 is submitted, ensure DOA is notified if anything is noted when completing the institution’s financial statements that will impact the HE-10.

Checklist Tab:

- Ensure the Checklist tab is read before completing the HE-10.
- Ensure the Checklist tab is completed after all other tabs (except the Certification tab). Some things to consider:

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Checklist Tab, *continued*:

- Ensure that the appropriate drop-down response is selected and appears reasonable in relation to other information being submitted.
- Ensure responses are reasonable in relation to other line items and information within the HE-10.
- Ensure agreement of amounts to other previously submitted attachments or other information.
- Review the informational amounts provided:
 - Ensure these amounts are correct.
 - If incorrect, make the required adjustments.
 - Ensure all applicable questions have responses.
- For item 8, ensure the Energy Performance Contracts have been reported as Installment Purchases.

Fluctuation Analysis:

- Ensure the explanation provided is sufficient to ensure any unexplained difference is below the fluctuation analysis scope. For FY 2020, the remaining unexplained variance should be **less than**:
 - \$3.9 million and 10% **OR** \$15.6 million
- Ensure the explanation provided includes reason(s) for the variance that are reasonable when considering the nature of the line item. For instance,
 - An increase in Miscellaneous Revenue states that the variance was due to increases in student housing fees. Additional information should be provided to clarify why the revenue is classified as Miscellaneous Revenue instead of Program Revenue-Charges for Services.
- Ensure that the explanation is consistent with other fluctuation explanations or other items reported on the template, footnote tabs or other attachments. For instance,
 - The explanation for a \$5 million increase in Net Position – Unrestricted line item may indicate there was an increase in unrestricted donations. However, there is no amount reported on the Grants & Contributions not Restricted to Specific Programs template line item **OR** there is an amount without a similar increase. This could indicate that the template includes a misclassification.

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Fluctuation Analysis, *continued*:

- If a Foundation fluctuation indicated that the capital asset balances were reduced due to a transfer to the institution, this would indicate that there was a **GASBS No. 48** transaction. The institution should ensure that the response regarding intra-entity transfers on Attachment HE-10 TAB 7 Part 13b is consistent with this explanation.
- Try to avoid using acronyms.
- Ensure explanation makes sense. For example, if there was a significant decrease, make sure the explanation is not for a significant increase.
- For HEI, ensure explanations for capital asset line items seem reasonable when compared to the increases and decreases shown on TAB 3 Part 1.

Elimination Entries:

- Ensure that significant elimination entries have been properly reported.
- Ensure elimination entries are reasonable when compared to the prior year.
- Consider whether it is appropriate to record an elimination entry in one year but not the other.
- Ensure that all significant differences between the current and prior year can be explained.
- Remember that the Elimination Entries column on the Combining FST tab is only for significant elimination entries among the foundations. The Elimination Entries to FST tab is for significant eliminations between the HEI and the foundations.
- Review the Combined Total on the FST tab to ensure the ending balance for all line items is appropriate after all eliminations have been posted. This would include ensuring the appropriate sign (for example, liabilities have credit balances, assets have debit balances). For example, if elimination entries are made to the Deposits Pending Distribution line item and the Combined Total amount on the FST tab for this line item is a negative rather than positive amount, this could be an indication the elimination entry was made to the incorrect template line item.

TAB 1A, GASBS 3:

- Ensure the total amount reported on TAB 1a Part 1 (cell C24) agrees to the total of amounts per Cardinal account 101010 **excluding** Funds 01000, 03220 and 09650.

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TAB 1A, GASBS 3, *continued*:

- Submit a reconciliation **if** Cash with Treasurer of VA line item **PLUS** Restricted Cash with Treasurer of VA line item **DOES NOT EQUAL** Cardinal account 101010 **excluding** Funds 01000, 03220 and 09650.
- Agree the Part 2 amounts to the Attachment HE-11 Detail tab Part 1a.
- Agree the Part 3 amounts, **excluding** nonnegotiable CDs, to the Attachment HE-11 Detail tab Part 3a.
- Agree nonnegotiable CDs to the Attachment HE-11 Detail tab Part 1.1a.

TAB 2, Receivables:

- Ensure the net receivables expected to be collected in greater than one year reported on the TAB 2 Part 1 is reasonable when compared to the noncurrent receivables reported on the HEI-Assets & Def. Outflows tab.

TAB 3, Capital Assets:

- Ensure the increase and/or decreases provided in Part 1 are reasonable and consistent with HEI fluctuation analysis explanations.
- Ensure Part 3 responses are consistent within the subparts. For instance,
 - If the response in Part 3.1A is “no,” the remaining questions in Part 3.1 and Part 3.2 should be blank.
 - Part 3.3 must always be completed.

TAB 5, LT Liabilities:

- Ensure that notes payable, **excluding VCBA Pooled Bonds**, includes the following in Part 1:
 - Type of note
 - Payee
 - Reason for note
 - Interest rate
 - Maturity date
- Ensure the deferred outflows/deferred inflows of resources for deferral on debt defeasance amounts are entered as **positive** amounts in Part 1b.
- Ensure that future interest payments are included in Part 2 for installment purchases.

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TAB 5, LT Liabilities, *continued*:

- If demand bonds and/or callable bonds because of a debt violation must be reported as a current liability in accordance with GASB Interpretation 1 and/or **GASBS No. 62**, report on the bonds payable – due within one year FST line item. For VCBA Pooled Bonds, report on the notes payable – due within one year FST line item.

TAB 6, Commitments:

- Ensure all amounts reported **exclude** significant intrafund transactions with blended or discretely presented foundations.
- Ensure amounts reported are consistent with commitments provided in the previous year.

TAB 7, Miscellaneous:

- Ensure that the appropriate drop-down response is selected and appears reasonable in relation to other information being submitted.
- Review the informational amounts provided and ensure the applicable questions have responses.
 - For instance, if an amount is reported on the Inventory FST line item, the amount should appear in the informational totals in Part 1. In this instance, Parts 1a to 1f must be completed. If no amount is reported on the Inventory FST line item, only Part 1e must be completed.
- Ensure amounts reported in Parts 9a, 9b, 10a, and 10b do not represent a FST misclassification.
 - For instance, if the description for the other liabilities amount is deferred rent and registration, ensure this does not represent amounts that should be classified as unearned revenue
- Ensure Deferred Outflows of Resources reported on the FST agrees to the total Deferred Outflows of Resources reported on the TAB 7 Part 17a.
- Ensure Deferred Inflows of Resources reported on the FST agrees to the total Deferred Inflows of Resources reported on the TAB 7 Part 17b.
- Ensure total Deferred Outflows of Resources on the Attachment HE-10a, **GASBS No. 68** Entries, for the AJE 1 plus AJE 2 equals the amount reported on the Attachment HE-10 TAB 7 Part 17a item 9.
- Ensure total Deferred Inflows of Resources on the Attachment HE-10a, **GASBS No. 68** Entries, for the AJE 1 equals the amount reported on the Attachment HE-10 TAB 7 Part 17b item 14.
- Ensure the Part 17 responses are complete and clear.
- Ensure no comment messages appear for Part 17c which may indicate inconsistent answers have been provided.

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TAB 7, Miscellaneous, *continued*:

- Ensure total Deferred Outflows of Resources on the Attachment HE-10b, **GASBS No. 75** Entries, for the AJE 1a to 1d plus AJE 2a to 2d on the TAB 1-VRS, equals the amount reported on the Attachment HE-10 TAB 7 Part 17a item 11.
- Ensure total Deferred Outflows of Resources on the Attachment HE-10b, **GASBS No. 75** Entries, for the AJE 1 plus AJE 2 on the TAB 2-DHRM, equals the amount reported on the Attachment HE-10 TAB 7 Part 17a item 12.
- Ensure total Deferred Inflows of Resources on the Attachment HE-10b, **GASBS No. 75** Entries, for the AJE 1a to 1d on the TAB 1-VRS, equals the amount reported on the Attachment HE-10 TAB 7 Part 17b item 16.
- Ensure total Deferred Inflows of Resources on the Attachment HE-10b, **GASBS No. 75** Entries, for the AJE 1 on the TAB 2-DHRM, equals the amount reported on the Attachment HE-10 TAB 7 Part 17b item 17.
- Ensure the Part 22a only includes unused lines of credit that are external to the Commonwealth and NOT Treasury loans/lines of credit with the Department of Treasury.

TAB 9, Net Investment in Capital Assets:

- Ensure amounts are reasonable in relation to other amounts provided.
 - If unspent proceeds on debt related to capital assets, excluding investment earnings, are included in the calculation, also include the accounts/retainage payable amount to be repaid with the unspent proceeds and ensure the unspent proceeds amount is not less than the payable amount.
 - Compare unspent proceeds on TAB 9 to restricted SNAP funds on TAB 1A Part 6a.
 - For instance, unspent proceeds of \$28.1 million on TAB 9 may be reasonable when compared to restricted SNAP funds of \$28.3 million reported on Tab 1A, Part 6a, since unspent proceeds on TAB 9 must exclude investment earnings.
- If the unspent proceeds on debt related to capital assets, excluding investment earnings, are included in the calculation, the answer should be “yes” for the question that asks if investment earnings were excluded from the amount.
- Ensure amounts are included in appropriate categories.
- If there is an amount to be included in the calculation for which there is no specific line, classify as “Other” and provide a description.
- When keying amounts pursuant to **GASBS No. 65** on TAB 9:
 - Key Deferral on Debt Defeasance – loss as a **positive** amount
 - Key Deferral on Debt Defeasance – gain as a **negative** amount

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TAB F1, Cash, Cash Eqv, and Inv:

- Ensure amounts reported in the “other” category should not be reclassified to one of the more descriptive categories.
 - For instance, if the word “partnership” is included in the “other” description, determine whether it would be more appropriate to include this amount in the “partnerships” category.

TAB F3, Receivables:

- Ensure the net receivables expected to be collected in greater than one year is reasonable when compared to the noncurrent receivables reported on the Foundations-Assets tab.
- If contributions receivable are reported, provide the discount rate used to determine present value.
 - If more than one discount rate was used, provide the highest and lowest rates used.

TAB F6, Commitments:

- Ensure all amounts reported **exclude** significant intrafund transactions with the HEI or other foundations.
- Ensure amounts reported are consistent with commitments provided in the previous year.

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TAB F7, Miscellaneous:

- Ensure that the appropriate drop-down response is selected and appears reasonable in relation to other information being submitted.
- Provide responses to the Part 1b if audited financial statements were not used to complete HE-10 for foundations to include when the audit is expected to be completed and if significant adjustments are anticipated.
- Review the informational amounts provided for Part 2 and ensure the informational amounts are correct and the answers are appropriately completed.
 - If there are no informational totals, ensure all responses are “n/a”.
 - If there are informational totals, ensure that at least one response is “yes” if the descriptions provided are appropriate.
 - Contact DOA if the descriptions provided are not appropriate.
- Review the informational amounts provided for Part 3 and ensure the informational amounts are correct and the answers are appropriately completed. For example, if there is a “yes” answer and no informational totals for the Long-Term Liabilities-Trust and Annuity Obligations template line items, this may indicate a possible misclassification. Keep in mind the following regarding Part 3:
 - If there are no informational totals, ensure all responses are “n/a”.
 - If there are informational totals, ensure the responses are “yes” if the descriptions provided are appropriate.
 - Contact DOA if the descriptions provided are not appropriate..
- Ensure amounts reported in Parts 5a, 5b, and 6 do not represent a Combining FST misclassification.
- Ensure Part 4a responses are reasonable based on the foundation year-end dates.
 - For foundations with a 6/30 fiscal year end, ensure the Part 4a response is “n/a”.
 - For foundations with a 3/31 or 12/31 fiscal year-end, ensure the Part 4a response is either “yes” or “no”.
 - If there are any “yes” responses, ensure Tab F8 is completed.
- Ensure Part 4b responses are reasonable based on the foundation year-end dates.
 - Ensure that an “n/a” response is only provided if:
 - There is only one foundation
 - All foundations have the same year-end date
 - If there are any “yes” responses, ensure Tab F8 is completed.

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TAB F8, Intrafund:

- Ensure TAB F8 is completed for any “yes” responses provided in TAB F7 Parts 4a and/or 4b to disclose the significant intrafund activity/balances between the HEI and the foundations and/or among the foundations that cannot be eliminated because of different year-ends.

TAB F10, Net Investment in Capital Assets:

- If the unspent proceeds on debt related to capital assets, excluding investment earnings, are included in the calculation, also include the accounts/retainage payable amount to be repaid with the unspent proceeds and ensure the unspent proceeds amount is not less than the payable amount.
- Ensure amounts are included in appropriate categories.
- If there is an amount to be included in the calculation for which there is no specific line, classify as “Other” and provide a description.
- If the unspent proceeds on debt related to capital assets, excluding investment earnings, are included in the calculation, the answer to the question in Note C should be “yes” which indicates investment earnings were excluded from the amount.

Reconciliation tabs: CAFR Format (FST) to HEI's format for HEI and Foundation amounts (SNP & SRECNP – Supplemental Item 7):

- Ensure there are no error messages on the HEI and Foundation reconciliation tabs. (Exception: If the HEI does not issue financial statements and does not complete the HEI reconciliation tabs, the “Error” messages on the HEI reconciliation tabs can be ignored.)
- Ensure row line item titles and row line item total amounts agree to the SNP & SRECNP.
- Ensure the classifications are reasonable between the SNP & SRECNP and the HE-10 after making any required reclassifications.
 - Examples of items that might require reclassifications
 - HE-10 – Contributions Receivable; SNP & SRECNP – Prepaid Expenses
 - HE-10 – Program Revenue Operating Grants & Contributions; SRECNP – Rental Income, Net
- Ensure Investment Earnings meeting the criteria for program revenue is reported on the appropriate HE-10 line item.

Certification tab:

- Make sure each tab is complete, reasonable compared to the prior year, and contains no “Error” and “Answer Required” messages.
- Answer the questions on the Certification tab.
- Preparers and reviewers must type their names and check the applicable boxes.