

## 21.01.01 Financial Accounting and Reporting

June 22, 1998  
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### Regulation Statement

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The purpose of this regulation is to: (a) identify financial accounting and reporting requirements as prescribed by state law; (b) provide a general description of required accounting standards; (c) define the type and frequency of mandatory financial reports; and (d) prescribe the responsibilities for administration of the financial accounting and reporting function within The Texas A&M University System (system).

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### Reason for Regulation

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This regulation establishes financial accounting and reporting standards and responsibilities for the system and its members.

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### Procedures and Responsibilities

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#### 1. GENERAL

- 1.1 The state comptroller of public accounts (CPA), as authorized by the Texas Education Code, has prescribed that the financial accounting and reporting requirements of state institutions and agencies shall be maintained in accordance with Generally Accepted Accounting Principles (GAAP) and shall incorporate, as much as possible, the provisions of the *Financial Accounting and Reporting Manual for Higher Education* published by the National Association of College and University Business Officers. With the exception of modifications necessitated by the Appropriations Act and/or other state statutes or federal laws, the financial accounts of the system and its members must be maintained and presented in formal financial reports in accordance with GAAP and as recommended in the *Financial Accounting and Reporting Manual for Higher Education*.
- 1.2 Responsibility for the general supervision and coordination of financial accounting and reporting within the system is assigned to the System Office of Budgets and Accounting (SOBA) which will:

- (a) issue such directives as are deemed necessary to ensure that the financial accounting and reporting provisions are maintained in accordance with GAAP, the *Financial Accounting and Reporting Manual for Higher Education*, the Appropriations Act, and other applicable state and federal laws and regulations, and that directives of the Board of Regents (board) are complied with in a consistent and effective manner throughout the system;
  - (b) monitor the financial accounting and reporting system requirements, and recommend new or modified processes and procedures where appropriate;
  - (c) prescribe the minimum content of monthly financial reports;
  - (d) direct the preparation and publication of The Texas A&M System Combined Annual Financial Report;
  - (e) lead the System Accounting Policies and Procedures Committee (APPC). The APPC is charged with developing and implementing consistent accounting and reporting regulations and procedures for the system and addressing other system-wide accounting and business issues. Each system member business office is represented on the committee; and
  - (f) direct the preparation and distribution of other reports as required.
- 1.3 The chief financial officer (CFO) of each system member is directly responsible for the effective performance of the financial accounting and reporting duties assigned to the member. The CFO is responsible for assuring member compliance with accounting standards and reporting requirements, including establishing and documenting a system of internal controls.

## 2. FINANCIAL ACCOUNTING

- 2.1 The financial accounting model of the system and its members is based on the principles and practices of fund accounting – a methodology by which resources are classified in accounting records and internal reports according to purposes and limitations as to use imposed by sources outside the system, or as directed by the board. The current account structure used within the system is composed of six fund groups. Each fund group is treated as a separate accounting entity with a self-balancing set of accounts consisting of assets, in some cases liabilities, net assets, and where appropriate, revenue and expense accounts.
- 2.2 The business office responsible for maintaining the official books of record of the system member is the central office of accounting control for all member fiscal transactions.
- 2.2.1 It is the responsibility of the CFO to instruct and assist account administrators concerning the records of financial transactions maintained by departments and similar administrative units.
- 2.2.2 It is the responsibility of each account administrator to keep such records as are necessary to furnish accurate information on sales, transfers, other credits, expenditures, other charges, and encumbrances. Records maintained by the account administrator should be limited to those necessary to supplement

business office records, in accordance with System Regulation *61.99.01, Retention of State Records.*

2.3 Statements showing transactions recorded in each account must be prepared monthly by the business office and forwarded to each account administrator who is responsible for comparing records of his/her office to those of the business office and promptly reporting any differences to the business office. In addition to ensuring that transactions are processed correctly, departmental accounting is intended to provide up-to-date financial information for departmental officials and to ensure that expenditures and/or encumbrances do not exceed budget allocations.

### 3. UNIFORM STATEWIDE ACCOUNTING SYSTEM (USAS)

The CPA has prescribed an accounting, responsibility reporting, and appropriations control system for state institutions and agencies. The system and its members are considered “reporting agencies” for USAS purposes; USAS is not the internal accounting system for the system. Each system member must comply with the requirements of the *State Comptroller’s Manual of Accounts* and such other instructions regarding USAS as may be issued by the CPA for all funds deposited with and/or disbursed from the state treasury.

### 4. MONTHLY FINANCIAL REPORT

4.1 A financial report will be issued monthly for each system member by the business office. This report will include information regarding revenues, expenditures and balances, and a general ledger trial balance. A copy of this report will be made available to SOBA upon request.

4.2 The purposes of the monthly financial report are to summarize the financial status of each system member account and serve as a management information reference for the executive and financial officers of the System Offices and system members. Each system member CFO is authorized to include such additional financial data as is considered necessary to meet this purpose.

4.3 In addition to the summary financial report described above, the academic institutions are encouraged to maintain proprietary basis reports of expenses and revenues and a comprehensive balance sheet for the results of operations of auxiliary enterprises and service departments. These reports will be utilized in management decisions regarding such activities.

4.4 System members will provide SOBA with propriety basis statements for any auxiliary enterprise or service department of the system member upon request.

4.5 The monthly closing process for each system member will be performed in accordance with the schedule provided by SOBA. For system members who are using a financial system other than the Financial Accounting Management Information System (FAMIS), a complete record of financial information will be transmitted to FAMIS as part of the monthly closing process.

## 5. ANNUAL FINANCIAL REPORT

- 5.1 Section 2101.011 of the Texas Government Code specifies that the system will publish annually a complete financial report in accordance with standards established by the CPA. Copies of the report must be furnished to the Governor, House Appropriations Committee, Senate Finance Committee, CPA, State Auditor, Texas Higher Education Coordinating Board, Legislative Budget Board (LBB), Legislative Reference Library, and the State Publications Clearinghouse, by November 20<sup>th</sup> of each year.
- 5.2 The report, which is a joint effort of SOBA and the business offices of the system members, is prepared in accordance with GAAP and as recommended in the *Financial Accounting and Reporting Manual for Higher Education*. It is the responsibility of SOBA to determine the content and format of presentation, establish the production timetable, review and approve the reports submitted by the business offices, prepare the system combined statements, and publish and distribute the consolidated report. Each business office that maintains the official books of record of a system member is responsible for preparing the annual financial report of that member or for coordinating with the CFO for that member in connection with the preparation of the report. The CFO is responsible for the completeness and accuracy of each report prepared under his/her jurisdiction and for furnishing the report in accordance with the established due dates. Upon completion of the member's annual financial report, the system member's chief executive officer (CEO) and CFO will submit a certification of the report.
- 5.3 The state auditor is charged by statute with auditing the accounts and records of the state and rendering his/her official opinion regarding the fairness with which the statewide financial statements present the true financial situation of the state. The system combined annual financial report is subject to review by the state auditor; however, a separate opinion is not issued on the system financial report.

## 6. ACCRUED PAYABLES AND BINDING ENCUMBRANCES REPORT

Each system member is required to submit a quarterly report on accrued payables and binding encumbrances for current and prior years' appropriations. Upon receiving the report, the state comptroller will lapse any excess prior years' appropriations authority but may later re-open the appropriations account to pay valid claims submitted by the member.

## 7. AUTOMATED BUDGET AND EVALUATION SYSTEM OF TEXAS (ABEST)

The LBB has prescribed a state-wide budget system. Each system member must comply with reporting and reconciliation requirements as issued by the LBB.

## 8. OTHER FINANCIAL REPORTS

Internal financial reports considered essential for effective administration by the system member and those external reports required by outside agencies will be prepared under the direction of the system member CFO. Such reports issued at the system level will be prepared under the direction of SOBA.

## 9. AUDITING

Financial accounts and reports are subject to audit by the system internal audit staff, state auditor, and, in some operations, by federal and private agencies. Policies of the system pertaining to audits are presented in System Policy 10.01.

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### **Related Statutes, Policies, or Requirements**

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[Texas Government Code §2101.011. \*Financial Information Required of State Agencies\*](#)

[System Regulation 61.99.01, \*Retention of State Records\*](#)

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### **Definitions**

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Fund accounting is maintained by fund groups. Each fund group has specific definitions and is self-balancing. The following are the fund group definitions:

Current funds – funds expendable for current operating purposes.

Unrestricted current funds – operating funds available for any current purpose. These funds are reported in three categories:

- (a) Educational, research, extension, administration, regulatory, forestry, and general – activities that represent the primary functions of the system members.
- (b) Designated funds – resources that have been designated by the board or management (assuming delegation by the board) to be used for specific activities and service departments. (See System Regulation 21.01.05, *Service Departments*.)
- (c) Auxiliary enterprises – activities which primarily furnish goods and services to students, faculty or staff, and which charge a fee that is directly related to, although not necessarily equal to, the cost of the service, e.g., dormitories, dining halls and bookstores.

Restricted current funds – operating funds available for current purposes, the use of which has been restricted by external agencies or persons.

Loan Funds – funds available for loans to students, faculty and staff.

Endowment and similar funds

Endowment funds – funds for which a donor or other external agency has stipulated, as a condition of the gift, that the principal is to be maintained inviolate and in perpetuity, and that only the income from the investments of the funds may be expended.

Funds functioning as endowment – funds that the board, rather than a donor or other external agency, has determined are to be retained and invested. The principal and income of restricted funds functioning as endowments have been restricted as to use by the donor or external agency; however, the principal and income of unrestricted funds functioning as endowments may be totally utilized at the discretion of the board.

Term endowment funds – endowment funds, in which all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event, as defined by the donor.

### Annuity and life income funds

Annuity funds – funds donated to an institution under a deferred-giving agreement with the condition that the institution is required to pay to the donor or designated individuals a fixed amount for a specified time or until the time of death of the annuitant.

Life income funds – funds that are similar to annuity funds, except that the institution is required to pay to the donor or designated individuals only the income earned by the assets of the funds after deduction of appropriate management expenses.

### Plant funds

Unexpended plant funds – funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Funds for renewals and replacements – funds accumulated to be used for the renewal and replacement of plant assets.

Funds for the retirement of indebtedness – funds to meet debt service charges and the retirement of indebtedness on institutional plant assets.

Investment in plant – the total carrying value of all plant properties and facilities except those real properties that are the investment of endowment funds.

### Agency Funds

Funds held by the institution as custodian or fiscal agent for others, e.g., student organizations. (See System Regulation 21.01.07, *Agency Funds*.)

Generally Accepted Accounting Principles (GAAP) – accounting principles as defined by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

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## **Contact Office**

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