

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	1

PURPOSE AND OBJECTIVES

Loss liabilities are loss situations for which the State knows at June 30 that it must make future payments. Loss contingencies are situations involving uncertainty as to possible loss. The uncertainty will be resolved when certain events occur or fail to occur. Commitments are situations where the State is bound by a contract or other irrevocable promise to pay money or provide goods or services to a party outside State government.

The State prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP). GAAP require the State to record a liability for all known and some potential losses. GAAP also require disclosures in the notes to the financial statements for significant commitments and for certain potential losses.

Governmental Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires that we evaluate the need to record a loss liability whenever an agency has risk(s) that it has not transferred to a third party, such as the Insurance Reserve Fund. Under GASB 10, for example, agencies must undertake such an evaluation if a deductible is associated with the insurance policy covering an asset.

Other closing packages gather information on actual and potential losses related to:

- o Grant disallowances.
- o Litigation.
- o Compensated absences.
- o Leases.

Also, the Capital Assets Overview Questionnaire (GAAP Form 3.8.1) gathers information regarding outstanding *construction* commitments as defined under Key Terms in Section 3.8 of this manual.

In addition:

- o The Accounts Payable Closing Package gathers information regarding known obligations to vendors at June 30.
- o The capital assets closing packages gather information regarding asset retirements (including property losses).

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	2

- o The revenues closing packages gather information regarding losses that result from uncollectible receivables.
- o The Claims Closing Package gathers information regarding claim liabilities of certain claim-paying programs, such as the Workers' Compensation Fund, and of State agencies that self-insure risk.

This closing package will gather information from State agencies regarding other miscellaneous loss liabilities, miscellaneous loss contingencies, and significant miscellaneous commitments that exist at June 30. For example, loss liabilities or loss contingencies reportable in this closing package may arise from insurance deductibles or guarantees of others' debts (loan guarantee programs), and significant miscellaneous commitments (greater than \$2 million) may arise from outstanding contractual balances.

AGENCY ACTION REQUIRED

Complete the forms in this closing package only for situations not reported in other closing packages.

- o Complete the Miscellaneous Loss Liabilities, Loss Contingencies, and Commitments Closing Package if either:
 - Your agency's *liabilities* at June 30 (that were not reported on other closing packages) totaled \$100,000 or more.
 - Your agency's *commitments (other than construction commitments)* at June 30 totaled more than \$2 million.
- o Identify miscellaneous loss liabilities (including those related to risk), miscellaneous loss contingencies, and significant miscellaneous commitments to be reported. (See definitions of Miscellaneous Loss Contingency, Miscellaneous Loss Liability, Miscellaneous Commitments, and Significant Miscellaneous Commitments as well as the "General Instructions--Miscellaneous Loss Liability Report Form (GAAP Form 3.16.1)" section below.)
- o For each miscellaneous loss liability at June 30:
 - Complete a Miscellaneous Loss Liability Report Form (GAAP Form 3.16.1).
 - Return it to the Comptroller General's Office no later than August 15. If you can return it earlier, please do so.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	3

- o For each miscellaneous loss contingency at June 30:
 - Complete a Miscellaneous Loss Contingency Report Form (GAAP Form 3.16.2).
 - Return it to the Comptroller General's Office no later than August 15. If you can return it earlier, please do so.
- o For each major miscellaneous loss situation that occurs during the six months after June 30 (July 1 through December 31):
 - Complete a Miscellaneous Loss Contingency Report Form (GAAP Form 3.16.2).
 - Return it to the Comptroller General's Office as soon as possible.
- o For each significant miscellaneous commitment outstanding at June 30:
 - Complete a Significant Miscellaneous Commitments (Other Than Construction Commitments) Report Form (GAAP Form 3.16.3).
 - Return it to the Comptroller General's Office no later than August 15. If you can return it earlier, please do so.

KEY TERMS

Claim-Paying Program. State claim-paying programs accept risks instead of paying insurance companies to accept these risks. Claim-paying programs do one or both of the following:

- o Contract with private insurance carriers to process and/or pay claims.
- o Pay claims directly.

The State Unemployment Compensation Program and the Victims' Compensation Fund are not claim-paying programs for closing package purposes.

Current Liability. Current liabilities at June 30 are liabilities that an agency expects to pay by June 30 of the next fiscal year.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	4

Liability. A liability is an obligation resulting from past events that will (or is likely to) result in future payments and/or reductions in revenue.

Long-Term Liability. Long-term liabilities at June 30 are liabilities that are expected to be paid *after* June 30 of the next fiscal year.

Miscellaneous Commitments. Commitments arise from contracts and other irrevocable promises to pay money or provide goods and services to a party outside State government. Commitments represent the amount of the unperformed portions of the contracts or promises at June 30. (A commitment becomes a liability when the contract is performed.) Miscellaneous commitments do not include construction commitments as defined in the Key Terms of Section 3.8 of this manual. An example of a miscellaneous commitment is where an agency has a contract with a software company to develop an in-house accounting system. Agencies should report only miscellaneous commitments for which contracts were signed or promises were made on or before June 30 of the current fiscal year and the unperformed amounts of all commitments for the agency at June 30 totaled more than \$2 million.

Miscellaneous Loss Contingency. Loss contingencies are situations involving uncertainty as to possible loss. The uncertainty will be resolved when certain events occur or fail to occur. Loss contingencies may result from litigation, grant/entitlement audit disallowances, and uncollectible receivables. Other closing packages, however, cover these situations. An example of a miscellaneous loss contingency reportable within this closing package is the potential loss resulting from guarantees of others' debts (loan guarantee programs).

Miscellaneous Loss Liability. Loss situations that represent known liabilities at June 30 are loss liabilities. Loss liabilities may result from such things as litigation or grant audit disallowances. Other closing packages, however, cover these situations. Also, some losses (such as uncollectible receivables) cause decreases in assets rather than increases in liabilities. Other closing packages also address these losses. Examples of miscellaneous loss liabilities reportable within this closing package include known losses resulting from insurance deductibles and guarantees of others' debts. (Also see the definition of Liability.)

Probable. A future event is probable if the event is likely to occur.

Reasonably Possible. A future event is reasonably possible if the chance of its occurrence is greater than remote but less than probable.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	5

Remote. A future event is remote if the event has only a slight chance of occurring.

Risk Financing. Risk financing is an element of risk management that involves implementation of plans for paying the costs of losses when they occur. Some risk financing options that are available to organizations are to:

- o Insure risk by paying premiums to an insurance company or to a State claim-paying program (such as the Insurance Reserve Fund) which accepts the risk and agrees to pay the premium-paying organization in the event of a covered loss.
- o "Self-insure" risk.

Risk Management. Risk management is the process of managing an organization's activities to minimize the adverse effects of certain losses. Organizations are subject to risks of loss arising from events such as:

- o Damages to or destruction of assets from causes such as fire, natural disasters, theft, vandalism, etc.
- o Injuries to employees.
- o Torts (wrongful acts, injuries, or damage, not involving a breach of contract, for which civil actions can be brought).

Self-Insurance. Self-insurance is the retention of risk of loss by an entity rather than transferring that risk to a third party through the purchase of an insurance policy. Self-insurance is sometimes accompanied by the setting aside of assets to pay the costs of losses when they arise. In reality, self-insurance is no insurance.

Significant Miscellaneous Commitments: An agency should report significant miscellaneous commitments if it has miscellaneous commitments (see above) with total unperformed amounts of more than \$2 million at June 30.

Subsequent Event. Subsequent events are events or transactions that both:

- o Occur after June 30 but before the State issues its financial statements.
- o Have a material effect on the statements and/or the auditor's report.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	6

Governments must disclose subsequent events in their financial statements.

Subsequent Period. The subsequent period is the time after June 30 but before the State issues its financial statements. The State plans to issue its financial statements by December 31. For practical purposes, therefore, the subsequent period is the six months from July 1 through December 31. Governments must disclose on their financial statements any material events that occur during the subsequent period.

ACCOUNTING PRINCIPLES AND POLICIES

Accounting Standards—Recording and Reporting of Liabilities

Loss situations that represent known liabilities at June 30 are loss liabilities. Potential loss situations that depend on the occurrence of other events are loss contingencies. Under GAAP the State must show all material liabilities existing at June 30 on its financial statements. If your agency has miscellaneous loss liabilities at June 30 of \$100,000 or more, you should complete the Miscellaneous Loss Liability Report Form (GAAP Form 3.16.1). Likewise, if your agency has miscellaneous loss contingencies at June 30 of \$100,000 or more, you should complete the Miscellaneous Loss Contingency Report Form (GAAP Form 3.16.2).

Governmental Accounting Standards Board (GASB) Codification Section 2200.116 requires that liabilities of Governmental, Enterprise, and Internal Service Funds with maturities greater than one year be reported in two components in the government-wide financial statements—"the amount due within one year and the amount due in more than one year." Enterprise, Internal Service, and Trust Funds are reported in a similar manner within the fund financial statements.

The reporting of Governmental funds in the fund financial statements, however, is governed by Codification Section 1600.129, which defines Governmental fund current liabilities as "the amount left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources." Long-term liabilities of Governmental Funds are recorded only in the government-wide financial statements, not in the fund financial statements.

Liabilities of Trust and Agency Funds are recorded only in the fund financial statements, not in the government-wide financial statements.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	7

Accounting Standards—Loss Contingencies and Subsequent Events

Generally Accepted Accounting Principles (GAAP) for loss contingencies appear in:

- o Governmental Accounting Standards Board (GASB) Codification Sections 1500.114 and C50.101 through 149.
- o Financial Accounting Standards Board (FASB) Statement 5, "Accounting For Contingencies" as revised and interpreted.

Major loss contingencies that arise after June 30 but before the State issues its financial statements are subsequent events. GAAP for subsequent events are defined in:

- o Governmental Accounting Standards Board (GASB) Codification Section 2300.106f and C50.148.
- o Various Statements on Auditing Standards (SAS's) and related interpretations (issued by the American Institute of Certified Public Accountants).

GAAP for risk management and insurance issues are defined in GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Accounting Standards—Significant Commitments

GASB Codification Section 2300.106k requires the State to disclose significant commitments existing at June 30.

State Policies—Liabilities to be Recorded

Based on the above, the State's policy is to:

- o Record a liability for material loss liabilities (including risk-related loss liabilities) at June 30.
- o Record a liability for material loss contingencies at June 30 if it appears that:
 - A loss to the State is probable.
 - It is practical to estimate the amount of the probable loss.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	8

State Policies—Current vs. Long-Term Liabilities

The State's policy is to use a one-year availability period (see GASB Codification Section 1600.129) for purposes of reporting its Governmental funds. Accordingly, for all practical purposes, the definitions of current and long-term liabilities contained in *Governmental Accounting Standards Board (GASB) Codification* Section 2200.116 apply across all fund types and activities. Specifically, current liabilities are those "due within one year," and long-term liabilities are those "due in more than one year."

State Policies—Disclosures

With respect to loss contingencies, the State's policy is to:

- o Disclose loss contingencies at June 30 that do not meet the conditions requiring a liability to be recorded, yet a loss is reasonably possible.
- o Disclose major loss situations that arise during the subsequent period.
- o Disclose commitments in excess of \$2 million existing at June 30.

Usually, the State will neither disclose nor record liabilities for situations where the chance of loss to the State is remote. An exception is that the State will disclose guarantees of others' debts even if the probability of loss is remote. This is a required disclosure.

WORKING PAPERS

All working papers may be subject to audit. The agency should keep copies of the completed Miscellaneous Loss Liability Report Forms (GAAP Form 3.16.1), Miscellaneous Loss Contingency Report Forms (GAAP Form 3.16.2), and Significant Miscellaneous Commitment Report Forms (GAAP Form 3.16.3). In addition, the agency should keep any documents that support data reported on those forms. Appropriate documentation and the level of detail will vary according to circumstances.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	9

GENERAL INSTRUCTIONS--MISCELLANEOUS LOSS LIABILITY REPORT FORM (GAAP FORM 3.16.1)

- o Identify miscellaneous loss liabilities (including those related to risk) to be reported. An example of a risk-related loss that should be reported follows:

Agency X guarantees loans made by other agencies to small businesses. At June 30, loans totaling \$150,000 made by these small businesses were in default and are considered uncollectable. Agency X, therefore, must report a \$150,000 liability at June 30 on a Miscellaneous Loss Liability Report Form (GAAP Form 3.16.1).

- o For each miscellaneous loss liability totaling \$100,000 or more that was known at June 30:
 - Complete a Miscellaneous Loss Liability Report Form (GAAP Form 3.16.1).
 - Return it to the Comptroller General's Office no later than August 15. If you can return it earlier, please do so.
- o Do not complete Miscellaneous Loss Liability Report Forms (GAAP Form 3.16.1) for situations you report in other closing packages.
- o Round all dollar amounts on the Form to the nearest whole dollar.
- o Use separate Miscellaneous Loss Liability Report Forms (GAAP Form 3.16.1) for separate loss situations. Also use multiple Forms if multiple funds are responsible for payment in a loss situation. Make as many copies of the Form as necessary.
- o The person who completes and signs the Form should keep a copy. The Comptroller General's Office will telephone this person if there are any questions.
- o Exhibit 3.16 (A) shows a sample completed Miscellaneous Loss Liability Report Form (GAAP Form 3.16.1). Detailed instructions for completing the Form follow the Exhibit.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

MISCELLANEOUS LOSS LIABILITIES, LOSS CONTINGENCIES, AND COMMITMENTS CLOSING PACKAGE

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	10

STATE OF SOUTH CAROLINA
MISCELLANEOUS LOSS LIABILITY REPORT FORM
At June 30, 2002 (1)

EXHIBIT
3.16 (A)

Agency:	(2)	<u>A99</u>		<u>Sample Agency</u>			
		Code		Name			
Prepared:	(3)	<u>8/10/02</u>	By:	<u>J. P. Junior</u>	Title:	<u>Accountant I</u>	Phone: <u>734-1234</u>
		Date		Employee Name			
Approved:	(3)	<u>8/11/02</u>	By:	<u>I. M. Senior</u>	Title:	<u>Dir. of Accounting</u>	Phone: <u>734-2345</u>
		Date		Employee Name			
(4) Description of situation: <u>The Sample Agency guarantees loans made by other agencies to small businesses. At June 30, 2002, loans totaling \$150,000 were in default and were considered uncollectible. Because of the loan guarantee program, Sample Agency will be required to pay the \$150,000 since none of this amount is covered by insurance.</u>							
GAAP Fund Code:		<u>2058</u>	(5)	GAAP Fund Name:	<u>Sample Loan Guarantee Program—Earmarked</u>		
					(6)		
Description							Dollar Amount
Loss liability that the agency paid or plans to pay during STARS FM 13 of the current fiscal year							(7) \$ 5,000
Loss liability that the agency plans to pay during STARS FM 01 – FM 12 of the next fiscal year							(8) \$ 130,000
Loss liability that the agency plans to pay from future resources (i.e. beyond the next fiscal year.)							(9) \$ 15,000
GAAP Fund Total							(10) \$ 150,000

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	11

COMPLETING THE MISCELLANEOUS LOSS LIABILITY REPORT FORM (GAAP FORM
3.16.1)

REF	EXPLANATION
(1)	Enter the fiscal year for which this Form applies.
(2)	Enter the agency name and three-character STARS agency code.
(3)	Complete all information regarding preparation of this Form. The Finance Director or Executive Director should approve the Form before sending it to the Comptroller General's Office. The agency should retain a copy of the completed Form.
(4)	Describe: <ul style="list-style-type: none"> o The nature of the loss. o When the loss became known. o Name, business address, and telephone number of the State's attorney(s) or other expert(s), if applicable. o Any other related information.
(5)	Enter the name of the GAAP fund (see Appendix A) responsible for payment.
(6)	Enter the four-digit GAAP fund code (see Appendix A).
(7)	Enter the portion of the current miscellaneous loss liability at June 30 that your agency will pay (or has already paid) during STARS FM 13 of the current fiscal year from this GAAP fund.
(8)	Enter the portion of the current miscellaneous loss liability at June 30 that your agency plans to pay during STARS FM 01 through FM 12 of the next fiscal year.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	12

REF

EXPLANATION

-
- (9) Enter the long-term portion of the miscellaneous loss liability at June 30 (i.e., the portion that your agency plans to pay in years beyond the next fiscal year).
- (10) Enter the total miscellaneous loss liability at June 30. The amount entered must equal the sum of amounts (7), (8) and (9).

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	13

GENERAL INSTRUCTIONS--MISCELLANEOUS LOSS CONTINGENCY REPORT FORM (GAAP FORM 3.16.2)

- o Identify miscellaneous loss contingencies to be reported.
- o Determine if the miscellaneous loss contingency for your agency was \$100 thousand or more at June 30. If so:
 - Complete a Miscellaneous Loss Contingency Report Form (GAAP Form 3.16.2).
 - Return it to the Comptroller General's Office no later than August 15. If you can return it earlier, please do so.
- o For each major miscellaneous loss situation that arises between July 1 and December 31:
 - Complete a Miscellaneous Loss Contingency Report Form (GAAP Form 3.16.2).
 - Return it to the Comptroller General's Office as soon as possible.
- o Do not complete Miscellaneous Loss Contingency Report Forms (GAAP Form 3.16.2) for situations you report in other closing packages.
- o Round all dollar amounts on the Forms to the nearest whole dollar.
- o Use a separate Miscellaneous Loss Contingency Report Form (GAAP Form 3.16.2) for each loss contingency. Make as many copies of the Form as necessary.
- o The person who completes and signs the Form should keep a copy. The Comptroller General's Office will telephone this person if there are any questions.
- o Exhibit 3.16 (B) shows a sample completed Miscellaneous Loss Contingency Report Form (GAAP Form 3.16.2). Detailed instructions for completing the Form follow the Exhibit.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

MISCELLANEOUS LOSS LIABILITIES, LOSS CONTINGENCIES, AND COMMITMENTS CLOSING PACKAGE

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	14

STATE OF SOUTH CAROLINA
MISCELLANEOUS LOSS CONTINGENCY REPORT FORM

EXHIBIT
3.16 (B)

Agency:	(1)	<u>A99</u>		<u>Sample Agency</u>			
		Code		Name			
Prepared:	(2)	<u>8/10/02</u>	By:	<u>J. P. Junior</u>	Title:	<u>Accountant I</u>	Phone: <u>734-1234</u>
		Date		Employee Name			
Approved:	(2)	<u>8/11/02</u>	By:	<u>I. M. Senior</u>	Title:	<u>Dir. of Accounting</u>	Phone: <u>734-2345</u>
		Date		Employee Name			

GENERAL INFORMATION

- (3) Information as of: 6 / 30 / 02 __ / __ / __ (between 7/1 and 12/31)
- (4) Description of situation: The Sample Agency guarantees student loans made by private lenders to resident students. The U.S. Department of Education ordinarily reinsures all of these guarantees. If the default rate exceeds 5% of loans in repayment status, however, they insure only 90%. The default rate has never exceeded 2%.
- (5) The probability that this situation will result in a loss to the State is best described as (check one):
 probable reasonably possible remote
- (6) Comments (if any) on probability of loss: Since the default rate is currently about 2%, we believe that the probability of an uninsured loss is remote.
- (7) Estimated future loss (minimum to maximum): Approximately \$0 to \$3,255,000
(maximum assumes 100% default rate)
If you cannot estimate the loss amount, please describe why: _____
- (8) GAAP Fund(s) responsible for payment if the State loses its case:
- | GAAP Fund Code | GAAP Fund Name | Percent |
|----------------|---|--------------|
| <u>2057</u> | <u>Student Loan Guarantee Fund--Earmarked</u> | <u>100 %</u> |
| | | |

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	15

COMPLETING THE MISCELLANEOUS LOSS CONTINGENCY REPORT FORM (GAAP
FORM 3.16.2)

REF	EXPLANATION
(1)	Enter the agency name and three-character STARS agency code.
(2)	Complete all information regarding preparation of this Form. The Finance Director or Executive Director should approve the Form before sending it to the Comptroller General's Office. The agency should retain a copy of the completed Form.
(3)	Check one block to indicate whether this form provides year-end or subsequent period data. For year-end data, fill in the year. If the Form describes subsequent period data, enter the date that the situation arose.
(4)	Describe: <ul style="list-style-type: none"> o The nature of the loss contingency. o When the possible loss became known. o Name, business address, and telephone number of the State's attorney(s) or other expert(s). o Any other related information.
(5)	Check the block that <u>best</u> describes the probability that the situation will result in a loss. Please check one and only one block. See Key Terms for definitions.
(6)	Enter additional comments, if any, regarding the probability of loss.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	16

REF

EXPLANATION

-
- (7) Estimate the loss amount. Enter the estimated minimum and maximum dollar amounts. Note that these are estimates based on the best information available to your agency's management. If there is some reason why you cannot estimate the loss amount, please indicate the reason(s).
- (8) Enter the four-digit GAAP fund code and name of the fund(s) responsible for payment if the State suffers a loss. (See Appendix A.) If multiple GAAP funds are responsible, list all funds and show the percentage split if possible.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	17

GENERAL INSTRUCTIONS—SIGNIFICANT MISCELLANEOUS COMMITMENTS (OTHER THAN
CONSTRUCTION COMMITMENTS) REPORT FORM (GAAP FORM 3.16.3)

- o Identify miscellaneous commitments (see Key Terms).
- o Determine if the total outstanding miscellaneous commitments for your agency at June 30 exceeded \$2 million. If so:
 - Complete a separate Significant Miscellaneous Commitments (Other Than Construction Commitments) Report Form (GAAP Form 3.16.3) for each commitment.
 - Return form(s) to the Comptroller General's Office no later than August 15. If you can return it earlier, please do so.
- o Do not complete Significant Miscellaneous Commitments (Other Than Construction Commitments) Report Forms (GAAP Form 3.16.3) for situations you report in other closing packages (such as construction commitments reported in the Capital Assets Overview Questionnaire—GAAP Form 3.8.1).
- o Round all dollar amounts on the Forms to the nearest whole dollar.
- o Use a separate Significant Miscellaneous Commitments (Other Than Construction Commitments) Report Form (GAAP Form 3.16.3) for each commitment. Make as many copies of the Form as necessary.
- o The person who completes and signs the Form should keep a copy. The Comptroller General's Office will telephone this person if there are any questions.
- o Exhibit 3.16 (C) shows a sample completed Significant Miscellaneous Commitments (Other Than Construction Commitments) Report Form (GAAP Form 3.16.3). Detailed instructions for completing the Form follow the Exhibit.

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	18

STATE OF SOUTH CAROLINA
SIGNIFICANT MISCELLANEOUS COMMITMENTS
(OTHER THAN CONSTRUCTION COMMITMENTS)
REPORT FORM
At June 30, 2002 (1)

EXHIBIT
3.16 (C)

Agency:	(2)	<u>A99</u>		<u>Sample Agency</u>		
		Code		Name		
Prepared:	(3)	<u>8/10/02</u>	By:	<u>J. P. Junior</u>	Title: <u>Accountant I</u>	Phone: <u>734-1234</u>
		Date		Employee Name		
Approved:	(3)	<u>8/11/02</u>	By:	<u>I. M. Senior</u>	Title: <u>Dir. of Accounting</u>	Phone: <u>734-2345</u>
		Date		Employee Name		
<p>(4) Description of commitment: <u>The Sample Agency signed a contract on May 12, 2002,</u> <u>with Acme Software Company to develop an accounting system totaling \$6 million.</u> <u>Acme has completed only half of the work as of June 30, 2002.</u></p>						
<p>(5) Commitment amount remaining at June 30: <u>\$3 Million</u></p>						

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

**MISCELLANEOUS LOSS LIABILITIES, LOSS
CONTINGENCIES, AND COMMITMENTS CLOSING
PACKAGE**

REFERENCE	3.16
ISSUE DATE	7-1-2002
PAGE	19

COMPLETING THE SIGNIFICANT MISCELLANEOUS COMMITMENTS (OTHER THAN
CONSTRUCTION COMMITMENTS) REPORT FORM (GAAP FORM 3.16.3)

REF	EXPLANATION
(1)	Enter the fiscal year for which this Form applies.
(2)	Enter the agency name and three-character STARS agency code.
(3)	Complete all information regarding preparation of this Form. The Finance Director or Executive Director should approve the Form before sending it to the Comptroller General's Office. The agency should retain a copy of the completed Form.
(4)	Describe: <ul style="list-style-type: none"> o The nature of the commitment. o When the contract was signed or the promise was made. o Name or describe the external party that the contract is with. o Date (if any) by which the commitment terminates. o Any other related information.
(5)	Enter the amount of the commitment that remained unperformed at June 30. Exclude any amounts that your agency owed for goods/services received on or before June 30.