

STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL

GAAP CLOSING PROCEDURES MANUAL

GRANT/CONTRIBUTION REVENUES CLOSING PACKAGE	REFERENCE	3.3
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PURPOSE AND OBJECTIVES

Some State agencies receive assistance from the Federal government, corporations, foundations, or others. Such assistance includes grants to support specific programs such as education or Medicaid. Grantors may provide funds to agencies for:

- o Operating expenses (operating grants).
- o Acquisition or construction of capital assets (capital grants).
- o Indirect costs associated with administering the programs.

These revenues are Grant Revenues. For this closing package, however, amounts that your agency passed through (see KEY TERMS) to other State subfunds or agencies are not Grant Revenues. **(Only end recipients of grant funds within State government will report amounts in this closing package).**

Grantors fund State agency programs in different ways. For example:

- o Some grant programs incur costs then bill the grantor for reimbursement.
- o Some programs provide for advance payments or permit State agencies to draw against letters of credit as they incur eligible expenditures.
- o Some grant programs provide for cost-sharing or matching funds or impose other requirements on the State.

In addition to directly expending program funds as the end recipient of grant funds, individual State agencies may:

- o Pass through grant funds to other State agencies (subrecipients).
- o Pass through grant funds to non-State organizations such as municipalities and counties (subrecipients).
- o Expend grant program funds directly under fee-for-service contracts (subcontracts).
- o Pay indirect cost to the State's General Fund.

The State uses Generally Accepted Accounting Principles (GAAP) in preparing its financial statements. GAAP requires that the State record on its financial statements:

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- o Grant and Contribution Revenue for the fiscal year ended June 30.
- o Grant and Contribution Receivables at June 30.
- o Deferred Revenue at June 30.
- o Capital Contributions for the fiscal year ended June 30.

This closing package relates only to revenue from grants and contributions. For information about tax revenues, see Section 3.2, Tax Revenues Closing Package. For miscellaneous revenues, see Section 3.4, Miscellaneous Revenues Closing Package. Other closing packages that relate to Medicaid are:

- o Section 3.5b, Refund Receivables Closing Package.
- o Section 3.12, Accounts Payable Closing Package.

If you complete the Grant/Contribution Revenue Closing Package, also please review Section 3.14, Grant Disallowances Closing Package.

Agencies should report donated capital assets in the capital assets closing packages (Sections 3.8 through 3.11 of this manual)—not in the Grant/Contribution Revenues Closing Package.

Likewise, agencies should report donated food commodities in the Inventories Closing Package—not in the Grant/Contribution Revenues Closing Package.

AGENCY ACTION REQUIRED

- o If the **combined** Grant and Contribution Revenue that your agency received during the fiscal year (**including** amounts that your agency passed through to grant subrecipients) totaled \$750,000 or more, complete a Grant/Contribution Receivables and a Deferred Revenue Summary Form (GAAP Form 3.3.1)
- o Return the completed forms to the Comptroller General's Office no later than September 30. If you can return them earlier, please do so.
- o If your agency passed through any grant funds to grant subrecipients (either State or non-State organizations):
 - Review your procedures to determine what STARS subfunds you now use to account for grant funds. (See the ACCOUNTING PRINCIPLES AND POLICIES section for use of proper subfunds.)

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- Review the "GAAP Funds" discussion in the ACCOUNTING PRINCIPLES and POLICIES sections below.
- Review the GAAP fund classification for each of your Federal subfunds.
- Contact the Comptroller General's Office:
 - * If you believe the GAAP fund classification for one or more subfunds should change.
 - * If you need new STARS subfunds to properly segregate pass-through grant activity for GAAP purposes.
- o Complete the Grant/Contribution Revenue Closing Package Reviewer Checklist (GAAP Form 3.3.2) before submitting the completed closing package and retain it with your working papers for audit purposes. **Do not submit the completed checklist to the Comptroller General's Office.**

KEY TERMS

Availability Period. When reported in the fund financial statements, Governmental funds recognize revenues as soon as they are both measurable and available. Revenues are considered to be available at June 30 if they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. The State considers Grant/Contribution Revenues to be available at June 30 if they are collected, or are expected to be collected, any time before the next June 30.

Basis of Accounting for Grant/Contribution Revenues. The basis of accounting determines when to recognize Grant/Contribution Revenues, Receivables, and Deferred Revenue in the financial statements.

- o *Enterprise, Internal Service, and Trust funds as reported on the fund financial statements; activities of Governmental, Enterprise, and Internal Service funds as reported on the government-wide financial statements.*
 - Recognize Grant/Contribution Revenue when your agency has met all applicable eligibility requirements.
 - Record Grant/Contribution Receivables at June 30 if, at that date, your agency has:
 - * Met the revenue recognition criteria above.

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* Not yet received the related cash from the grantor.

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Note: On the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1), you will be recording Current Receivables on the appropriate Current Receivables line and Non-Current Receivables on the appropriate Non-Current Receivables line.

-- Record Deferred Revenue at June 30 if:

* Your agency has received cash on or before June 30.

* At June 30, your agency had **not** yet met all applicable eligibility requirements.

Note: In this case, you will be recording Deferred Revenue on the appropriate Deferred Revenue line on the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1).

o *Governmental funds as reported on the fund financial statements.*

-- Recognize Grant/Contribution Revenue when:

* Your agency has met all applicable eligibility requirements.

* The grant funds or contributions are available. [Funds are considered available if they are received or are expected to be received within one year after June 30 (that is, by the end of June of the subsequent year).]

-- Record Grant/Contribution Receivables at June 30 if, at that date, your agency has:

* Met the revenue recognition criteria above.

* Not yet received the related cash from the grantor.

Note: On the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1), you

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will be recording Current Receivables on the appropriate Current Receivables line and Non-Current Receivables on the appropriate Non-Current Receivables line.

-- Record Deferred Revenue at June 30 if **either** of the following is true:

* Your agency has received cash on or before June 30 but has **not** yet met all applicable eligibility requirements.

Note: In this case, you will be recording Deferred Revenue on the appropriate Deferred Revenue line on the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1).

* Your agency **has** met all applicable eligibility requirements, but the grant funds or contributions are not yet available (that is, the funds were not yet received or expected to be received by June 30 of the next fiscal year).

NOTE: In this case, you will actually be recording both Grant/Contribution Receivables (for the amount of the grant or contribution due to the State at June 30) and Deferred Revenue (for the portion of the Grant/Contribution Receivables **not** expected to be received by the next June 30) on the appropriate Non-Current Receivables line on the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1). This step will be completed when you classify a receivable as a Non-Current receivable for the government-wide financial statements.

o *Agency Funds.*

Record Grant/Contribution Receivables (and equal liabilities) at June 30 if, at that date, your agency has:

-- Met all applicable eligibility requirements.

-- Not yet received the related cash from the grantor.

Capital Contribution/Donation. If the *contributor/donor* restricts the contribution/donation resources for capital purposes, the contribution/donation is a capital contribution/donation.

Capital Grant. If the *grantor* restricts the grant resources for capital purposes, the grant is a capital grant.

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Capital Purposes. Capital purposes include the acquisition, construction, or renovation of capital assets but do not include costs to repair or maintain existing capital assets. If a grant/contribution may be used either for operating or capital purposes, the grant/contribution is classified as operating even if your agency uses it for capital purposes.

The capitalization thresholds established by the Comptroller General's Office for the reporting of capital assets do not affect the classification of capital grants and contributions. In other words, a grant/contribution that is restricted for capital purposes must be reported as capital even if the cost of the asset being acquired falls below the capitalization threshold, resulting in your agency not reporting the acquired asset as a capital asset. The following example illustrates such a situation:

Assume your agency receives a \$25,000 grant, the proceeds of which are restricted for the purchase of a network server and four computers. The network server costs \$15,000, and the four computers cost \$2,500 each. Although the four computers would not be reported as capital assets because their cost does not exceed \$5,000 each, the grant would still be considered a capital grant.

Cash Conduit. The State serves as a cash conduit if it passes through grant funds to subrecipients but has **no** administrative or direct financial involvement in the program. The State **has** administrative or direct financial involvement, however, if it (a) monitors secondary recipients for compliance with program-specific requirements, (b) determines eligible secondary recipients or projects, even if using grantor-established criteria, (c) may exercise discretion in how the funds are allocated, (d) finances some direct program costs because of a grantor-imposed matching requirement, or (e) is liable for disallowed costs. If your agency serves as a cash conduit in passing through grant funds to a non-State entity, you should account for these pass-through funds in a GAAP Agency Fund (this is rare, however; see the "GAAP Funds" discussion in the ACCOUNTING PRINCIPLES AND POLICIES section of these instructions).

Deferred Revenue. Deferred Revenue is a liability account. Generally Accepted Accounting Principles require that we record Deferred Revenue if applicable. For Enterprise, Internal Service, and Trust funds, and for activities of Governmental, Enterprise, and Internal Service funds reported on the government-wide financial statements, we record Deferred Revenue if, at June 30, we have grant funds or contributions on hand but have not yet met the applicable eligibility requirements. For Governmental funds reported on the fund financial statements, we record Deferred Revenue if **either** of the following is true: (1) we have grant funds or contributions on hand but have **not** yet met the

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applicable eligibility requirements; or (2) we **have** met the applicable eligibility requirements, but the grant funds or contributions are not yet available (that is, the grant funds or contributions are not expected to be received by the next June 30).

Eligibility Requirements. An eligibility requirement is a condition, established either by enabling legislation or by a grantor or contributor, which must be met in order to qualify for grant funds or contributions. Eligibility requirements fall into four categories:

- o *Required Recipient Characteristics.* The grant or contribution recipients must possess the characteristics specified by the grantor. (for example, recipients must be state agencies).
- o *Time Requirements.* The time period specified by enabling legislation, the grantor, or the external contributor. (The time period during which the grant funds or contributions must be used or when use is first permitted.)
- o *Reimbursements.* The grant or contribution recipient must incur allowable costs under the applicable program to qualify for funds. **All Federal grants include this eligibility requirement** unless there is an indefinite time period during which the funds may be spent.
- o *Contingencies.* The grant or contribution recipient must perform certain actions prior to qualifying for funds (for example, meet matching requirements).

A grant or contribution may possess one or all four types of the above eligibility requirements.

Based on discussions with staff of the Governmental Accounting Standards Board, the Comptroller General's Office has determined that **all** Federal grants include the reimbursement eligibility requirement unless the grant has an indefinite time period during which the funds may be spent. That is, for the purposes of the Grant/Contribution Revenues Closing Package, **all Federal grants are considered reimbursement basis grants.** Expenditures, therefore, must be incurred prior to recognizing revenue or reporting a grant receivable.

If you have other grants, contributions, or donations for which you are unsure of how to identify eligibility requirements or how to determine whether your agency has met all applicable eligibility requirements, please contact the Central State Financial Reporting Division of the Comptroller General's Office for assistance in determining whether these items are reportable within the Grant/Contribution Revenues Closing Package.

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End Recipient. The end recipient is the agency that directly expends program funds for items such as goods, service, and contracts and/or remits indirect costs to the General Fund.

Grant. A grant consists of the transfer of cash or other assets from a governmental entity to either another governmental entity or to a private entity for the purpose of sharing program costs, subsidizing other entities, or reallocating resources. Grantors frequently establish *eligibility requirements* (see definition above) that must be met before grant funds may be accessed.

Operating grants, capital grants, and unrestricted grants are particular types of grants. (Also see the definitions of Operating Grant, Capital Grant, and Unrestricted Grant.)

Grantor. A grantor is an organization that provides grant funds to others. Examples of grantors that provide funds to State agencies include the Federal government, the Corporation for Public Broadcasting, and the Duke Endowment.

Grant/Contribution Receivables. Grant/Contribution Receivables at June 30 are amounts that grantors, contributors, or donors owe the State at June 30, including pledges. Also see ACCOUNTING PRINCIPLES AND POLICIES section for definitions of Current and Non-current Grant/Contribution Receivables.

Grant/Contribution Revenue. Grant/Contribution Revenues are amounts that the State receives from grantors, contributors, or donors. The *end recipient* within the State will report amounts in this closing package. For this closing package:

- o Grant/Contribution Revenues include amounts your agency receives to pay grant indirect costs to the State General Fund. Amounts other than indirect cost that your agency passes through (see KEY TERMS) to other State subfunds or agencies are not Grant/Contribution Revenues to your agency.
- o Amounts that your agency expends directly for goods/services under a grant or under a fee-for-service contract (subcontract) are not pass-through grants. In these cases, your agency is considered the end recipient of the grant funds.

Also see ACCOUNTING PRINCIPLES AND POLICIES.

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Measurable. A receivable or a revenue item is considered measurable if its amount can be reasonably estimated.

Operating Contribution/Donation. Operating contributions/donations include:

- o Contributions/donations that you may use only to finance operations.
- o Contributions/donations that you may use *either* to finance operations or to purchase/construct capital assets.

Operating Grant. Operating grants include:

- o Grants that you may use only to finance operations.
- o Grants that you may use either to finance operations or for capital purposes.

For additional information, please see the definition of *Capital Purposes* above.

Pass-Through Grants. To say that grant funds were *passed through* means that a State agency distributed the grant funds to grant subrecipients (either State agencies or non-State organizations such as municipalities and counties). Grant funds used to pay State or non-State organizations under fee-for-service contracts (subcontracts) are **not** pass-through grants.

Pledge. Pledges are promised donations or contributions of cash or other assets that nongovernmental entities, including individuals, voluntarily make to governments. (See ACCOUNTING PRINCIPLES AND POLICIES for additional information.)

Unrestricted Contribution/Donation. In an unrestricted contribution/donation, the contributor/donor provides funds that are not restricted for use in a particular program.

Unrestricted Grant. In an unrestricted grant, the grantor provides funds that are not restricted for use in a particular program.

ACCOUNTING PRINCIPLES AND POLICIES

Generally Accepted Accounting Principles relating to recognition of Grant/Contribution Revenues appear in:

- o *Codification of Governmental Accounting and Financial Reporting Standards, Section N50.*

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- o *Codification of Governmental Accounting and Financial Reporting Standards, Sections 1600.103 through 1600.115.*
- o *Codification of Governmental Accounting and Financial Reporting Standards, Sections 2200.138, 2200.139, and 2200.166.*
- o *AICPA's Audits of State and Local Governmental Units.*

The requirements of GAAP for recognizing Grant/Contribution Revenues, Receivables, and Deferred Revenues differ for different GAAP fund categories:

- o *Enterprise, Internal Service, and Trust funds as reported on the fund financial statements; activities of Governmental, Enterprise, and Internal Service funds as reported on the government-wide financial statements.*
 - Recognize Grant/Contribution Revenue when your agency has met all applicable eligibility requirements.
 - Record Grant/Contribution Receivables at June 30 if, at that date, your agency has:
 - * Met the revenue recognition criteria above.
 - * Not yet received the related cash from the grantor.

Current Grant/Contribution Receivables must be reported separately from Non-Current Grant/Contribution Receivables for these funds/activities. Current Receivables at June 30 are those expected to be collected on or before the next June 30 whereas Non-Current Receivables at June 30 are those expected to be collected after the next June 30.

Note: On the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1), you will be recording Current Receivables on the appropriate Current Receivables line and Non-Current Receivables on the appropriate Non-Current Receivables line.

- Record Deferred Revenue at June 30 if, at that date:
 - * Your agency had received the cash.
 - * Your agency had **not** yet met all applicable eligibility requirements.

Note: In this case, you will be recording Deferred Revenue on the appropriate Deferred Revenue line on the

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Grant/Contribution Receivables and Deferred Revenue
Summary Form (GAAP Form 3.3.1).

o *Governmental funds as reported on the fund financial statements.*

-- Recognize Grant/Contribution Revenue when:

- * Your agency has met all applicable eligibility requirements.
- * The grant funds or contributions are available at June 30. [Funds are considered available at June 30 if they are received or are expected to be received by the next June 30.]

-- Record Grant/Contribution Receivables at June 30 if, at that date, your agency has:

- * Met the revenue recognition criteria above.
- * Not yet received the related cash from the grantor.

Note: On the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1), you will be recording Current Receivables on the appropriate Current Receivables line and Non-Current Receivables on the appropriate Non-Current Receivables line.

-- Record Deferred Revenue at June 30 if **either** of the following is true:

- * Your agency has received cash on or before June 30 but has **not** yet met all applicable eligibility requirements.

Note: In this case, you will be recording Deferred Revenue on the appropriate Deferred Revenue line on the Grant/Contribution Receivables and Deferred Revenue Summary Form.

- * Your agency **has** met all applicable eligibility requirements but the grant funds or contributions are not yet available (that is, the funds were not yet received or expected to be received by June 30 of the next fiscal year).

NOTE: In this case, you will actually be recording both Grant/Contribution Receivables (for the amount of the grant or contribution due to the State at June 30) and Deferred Revenue (for the portion of the

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Grant/Contribution Receivable **not** expected to be received by the end of the *next* fiscal year) on the appropriate Non-Current receivables line on the Grant/Contribution Receivables and Deferred Revenue Summary Form. This step will be completed when you classify a receivable as a Non-Current Receivable for the government-wide financial statements.

o *Agency Funds.*

Record Grant/Contribution Receivables (and equal liabilities) at June 30 if, at that date, your agency has:

- Met all applicable eligibility requirements.
- Not yet received the related cash from the grantor.

Policies of the Comptroller General's Office require that agencies account for certain Grant Revenues in certain GAAP funds. Specifically:

- o Use GAAP Capital Projects, Enterprise, Internal Service or Trust Funds to account for capital grants. (See KEY TERMS for definition of Capital Grant.)
- o Use GAAP Agency Funds to account for certain grant funds that agencies receive and then pass through to non-State agencies only where the State acts as a cash conduit. (This is unusual. See "GAAP Funds" discussion below.)

The sections below outline specific State accounting and reporting policies for grant funds.

GAAP Funds--Grant Funds Passed Through to Other State Agencies

Some State agencies pass through grant funds to other State agencies. For example, one agency may:

- o Pass funds to other agencies to satisfy grantor requirements.
- o Receive a grant (such as a block grant) and decide to pass through part of it to other State agencies (grant subrecipients).

The State's policy is to use STARS subfund 5542 (Federal Interfund-Interagency) to account for any grant funds that one agency will pass through to other State agencies. Accordingly, the Comptroller General's Office asks that agencies establish and use STARS subfund 5542 (Federal Interfund-Interagency) for grants they will pass through to other State agencies. Amounts that your agency pays State

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or non-State entities under fee-for-service contracts are not considered pass-through grants.

GAAP Funds--Grant Funds Passed Through to Non-State Parties

Some State agencies receive grant funds that they pass through to non-State grant subrecipients. For some such programs, the State must pass through all of the money to non-State parties. In other cases, the State may choose to use some of the funds and pass through some to non-State parties.

In addition, the State's responsibilities vary by program. Depending on the program, the State may either retain or pass through to non-State parties part or all of its:

- o Accountability and legal responsibilities.
- o Risk of refund to the grantor in case of disallowances.

Section N50.128 of the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* provides guidance regarding what GAAP fund to use in accounting for such programs. Specifically, this paragraph states:

As a general rule, cash pass-through grants should be recognized as revenue and expenditures or expenses in the funds of the primary government and in the government-wide financial statements. In those infrequent cases in which a recipient government serves only as a cash conduit, the grant should be reported in an agency fund. A recipient government serves only as a cash conduit if it merely transmits grantor-supplied moneys without having administrative or direct financial involvement in the program.

(See KEY TERMS section for definitions of Pass Through Grants and Cash Conduit.)

Accordingly, the Comptroller General's Office has established the following policies.

- o Use a subfund that is a GAAP Agency Fund to account for grant funds passed through to non-State parties if your agency merely serves as a cash conduit (see KEY TERMS), but keep in mind that this situation occurs infrequently.
- o Otherwise, use subfunds that are not GAAP Agency Funds to account for grant funds passed through to non-State parties. (See Appendix A.) Many agencies use GAAP fund code 4005, Departmental General Operating--Federal, to account for these funds.

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GAAP Funds--General Information

After reviewing the above sections, check Appendix A to be sure:

- o You are using appropriate subfunds to record grant funds you receive.
- o Your STARS Federal subfunds have appropriate GAAP fund classifications assigned.

IF YOU NEED NEW STARS SUBFUNDS OR OTHER HELP IN THIS AREA, CALL THE CENTRAL STATE FINANCIAL REPORTING DIVISION OF THE COMPTROLLER GENERAL'S OFFICE.

Reportable Grant Receivables

Only *end recipients* of grant funds within State government should report receivable amounts on the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1).

Accordingly:

- o Report Grant/Contribution Receivables only for funds that you:
 - Use directly for supplies, use to pay for contracted services, etc., or pay to the State General Fund for indirect cost.
 - Pass through to parties outside State government.
- o Do not report Grant/Contribution Receivables for funds that you passed through (see KEY TERMS) to other State funds or agencies.

Reportable Medicaid Receivables

Report Medicaid receivables in this closing package only if they represent revenue receivable directly from **the Federal government**. If your agency receives Medicaid reimbursements from the South Carolina Department of Health and Human Services, any Medicaid reimbursement receivables at June 30 are not Grant/Contribution Receivables. Medicaid reimbursements are payments for contracted services, not Grant Revenues to your agency.

Medicaid Receivables or Payables Arising From Settlements of Provider Cost Reports

- o Do not report Medicaid amounts receivable from or payable to other State agency service providers in closing packages. (The Comptroller General's Office will record these interfund receivables/payables based on other data.)

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- o Report Medicaid amounts receivable from non-State service providers in the Refund Receivables Closing Package. (See Section 3.5b.)
- o Report Medicaid amounts payable to non-State service providers in the Accounts Payable Closing Package. (See Section 3.12.)

Amounts to Report or Disclose

Based on discussions with staff of the Governmental Accounting Standards Board, the Comptroller General's Office has determined that **all Federal grants include the reimbursement eligibility requirement** unless there is an indefinite time period during which the funds may be spent. If you have a Federal grant with an indefinite time period, please contact the Central State Financial Reporting Division of the Comptroller General's Office prior to submission of your agency's closing package.

Thus, for all Federal grants, you must first incur expenses before recognizing revenue or recording a receivable.

Do not report Grant Receivables for payroll expenditures incurred in June but paid in July. The Comptroller General's Office will prepare an adjusting entry to record receivables applicable to grant payroll accruals. Do include funds you have drawn before June 30 for the July 1 payroll, however, as receipts on the Grants Analysis Worksheet.

Pledges must be included in your agency's receivables at June 30 if the promise is verifiable and the resources are measurable and probable of collection at that date. Also, your agency must have met all applicable eligibility requirements of the pledge before including the amount in your agency's receivables. If you have any outstanding pledges that were **not** recorded as revenue because they were not measurable at June 30, Section N50.108 of *Governmental Accounting and Financial Reporting Standards* requires disclosure of such situations. Accordingly, you are asked to attach a description of any such situations to your Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1).

The following should help you determine amounts of Grant Receivables and Deferred Revenue to report on GAAP Form 3.3.1:

- o *Enterprise, Internal Service, and Trust funds as reported on the fund financial statements; activities of Governmental, Enterprise, and Internal Service funds as reported on the government-wide financial statements.*
- Recognize Grant/Contribution Revenue when your agency has met all applicable eligibility requirements.

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-- Record Grant/Contribution Receivables at June 30 if, at that date, your agency has:

- * Met the revenue recognition criteria above.
- * Not yet received the related cash from the grantor.

Current Grant/Contribution Receivables must be reported separately from Non-Current Grant/Contribution Receivables for these funds/activities. Current Receivables at June 30 are those expected to be collected on or before the next June 30 (i.e., within one year) whereas Non-Current Receivables at June 30 are those expected to be collected *after* the next June 30.

Note: On the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1), you will be recording Current Receivables on the appropriate Current Receivables line and Non-Current Receivables on the appropriate Non-Current Receivables line.

-- Record Deferred Revenue at June 30 if:

- * Your agency has received cash on or before June 30.
- * Your agency has **not** yet met all applicable eligibility requirements as of that date.

Note: In this case, you will be recording Deferred Revenue on the appropriate Deferred Revenue line on the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1).

o *Governmental funds as reported on the fund financial statements.*

-- Recognize Grant/Contribution Revenue when:

- * Your agency has met all applicable eligibility requirements.
- * The grant funds or contributions are available. [Funds are considered available at June 30 if they are received or are expected to be received by the next June 30.]

-- Record Grant/Contribution Receivables at June 30 if, at that date, your agency has:

- * Met the revenue recognition criteria above.

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* Not yet received the related cash from the grantor.

Note: On the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1), you will be recording Current Receivables on the appropriate Current Receivables line and Non-Current Receivables on the appropriate Non-Current Receivables line.

-- Record Deferred Revenue at June 30 if **either** of the following is true:

* Your agency has received cash on or before June 30 but has **not** yet met all applicable eligibility requirements at that date.

Note: In this case, you will be recording Deferred Revenue on the appropriate Deferred Revenue line on the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1).

* Your agency **has** met all applicable eligibility requirements at June 30 but the grant funds or contributions at that date are not yet available (that is, the funds were not yet received or expected to be received by June 30 of the next fiscal year).

NOTE: In this case, you will actually be recording both Grant/Contribution Receivables (for the amount of the grant or contribution due to the State at June 30) and Deferred Revenue (for the portion of the Grant/Contribution Receivable **not** expected to be received by the end of the next fiscal year) on the appropriate Non-Current receivables line on the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1). This step will be completed when you classify a receivable as a Non-Current Receivable for the government-wide financial statements.

o *Agency Funds.*

Record Grant/Contribution Receivables (and equal liabilities) at June 30 if, at that date, your agency has:

-- Met all applicable eligibility requirements.

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-- Not yet received the related cash from the grantor.

NOTE: Agency funds should be used only for funds passed through to non-State agencies where the State acts as a cash conduit. These funds are limited to those reported in Question 7 of the Master Closing Package (Section 2.0 of this manual).

Agency funds should not be used for any other pass-through activity. If you feel you may have this situation, please contact the Central State Financial Reporting Division of the Office of the Comptroller General.

Capital Grants

Use STARS capital projects subfunds to account for capital grants. (See KEY TERMS for definition of Capital Grant.) Most agencies use STARS subfund 5787 (Capital Projects--Federal) for this purpose if the Federal government is the source of the capital grant money.

Relationship Between Closing Package and Schedule of Expenditures of Federal Awards

The final closing package amounts should reconcile to your Schedule of Expenditures of Federal Awards plus or minus accounts payable and accounts payable reversals and non-Federal grants/contributions. Accounts payable reversals are those vouchers listed and attached to the Closing Package Control Checklist (GAAP Form 2.0.1) as a result of a "Yes" response to Question 20.

Payments to Grant Recipients/Subrecipients

In addition to Revenues, Receivables, and Deferred Revenues, Generally Accepted Accounting Principles also establish recognition criteria for Expenditures, Expenses, and Accounts Payable related to amounts due to grant recipients and/or subrecipients. Evaluate amounts due to grant recipients and/or subrecipients against the recognition guidelines noted in the Accounts Payable Closing Package in Section 3.12 of this manual (if payable to a non-State entity) and report amounts on that package as appropriate.

Illustrative Example

The South Carolina Department of Commerce has been awarded a \$5,000,000 grant to promote economic development in rural counties. The grant regulations specify that, in order to qualify for funding, grant recipients: (1) must be State governments, and (2) must first incur allowable costs. The grant award is for the period October 1, 2001, through September 30, 2002.

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As of June 30, 2002, Commerce has incurred costs of \$3,500,000 and has received \$2,500,000 in reimbursements. Commerce anticipates receiving all remaining reimbursements within the next fiscal year. Commerce records this grant in a subfund that is accounted for within GAAP Governmental funds.

Step 1: Identify and evaluate grant eligibility requirements.

In this case we have three eligibility requirements:

- 1) *Required characteristic of the recipient.* The grant regulations require that recipients are State governments. The South Carolina Department of Commerce is a State government agency and, therefore, has met this requirement.
- 2) *Time requirements.* The grant award specifies that the grant funds are available for expenditures from October 1, 2001, through September 30, 2002. We are computing the Grant Receivable/Deferred Revenue as of June 30, 2002; therefore, we are within the specified period. This eligibility requirement has been met.
- 3) *Reimbursements.* The grant regulations specify that recipients must first incur allowable costs to qualify for funding (i.e., reimbursement-basis grant). As of June 30, 2002, we have incurred costs of \$3,500,000. This is the maximum amount of revenue that may be recognized for this grant as of June 30, 2002. Because this grant is recorded in Governmental funds, we must analyze the availability of funds to determine the exact level of revenue that will be recognized at June 30, 2002.

Step 2: Calculate the Grant Receivable.

Because this is a reimbursement-basis grant, the level of costs incurred as of June 30, 2002, limits our Grant Receivable. (Note: Incurred costs include Accounts Payable at June 30.) For this example, our maximum allowable Grant Receivable at June 30 is \$3,500,000 (this equals the level of allowable costs incurred as of June 30). We must then subtract grant receipts through June 30 from our maximum allowable receivable. In our example, this results in the following calculation:

$$\$3,500,000 - \$2,500,000 = \$1,000,000$$

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Thus, on the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1), we should report Current Grant Receivables of \$1,000,000 for this grant because the Department estimates receiving all reimbursements by the next June 30.

As noted above, when calculating the Grant Receivable for a reimbursement-basis grant, the calculation should include relevant accounts payable and account payable reversal information.

Donated Capital Assets, Commodities, and Services

Agencies should report any donated capital assets in the capital assets closing packages (Sections 3.8 through 3.11 of this manual)—not within the Grant/Contribution Revenues Closing Package.

Likewise, agencies should report the receipt and distribution of contributed food commodities within the Inventories Closing Package (Section 3.6)—not within the Grant/Contribution Revenues Closing Package.

Generally Accepted Accounting Principles do not require or allow the State to record revenues when volunteers contribute/donate their services.

WORKING PAPERS

All working papers are subject to possible audit. The agency should keep copies of the completed summary forms. In addition, the agency should keep working papers to support each figure on the forms. For example, agencies should thoroughly document:

- o The eligibility requirements for each grant/contribution.
- o Whether and how the eligibility requirements for each grant/contribution have been met.
- o The source(s) of data for each amount.
- o The grant/contribution type (i.e., Operating, Capital, or Unrestricted).

In addition, you should retain:

- o Copies of cost reports you file with grantors.
- o Treasurer's receipts with related documentation.

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- o Correspondence or other documents relating to:
 - Grant awards.
 - Cash advances on grants.
 - Letter of credit draws.
 - Receipt of grantor reimbursement payments.

To aid you in properly computing the amounts to report on the summary forms and to help ensure that adequate documentation is maintained for audit purposes, we **require** that you prepare a working paper similar to the one shown in Exhibit 3.3 (A) for all grants/contributions that contain the reimbursement eligibility requirement. (All Federal grants contain the reimbursement eligibility requirement.) If you wish to use a format different from the one shown in Exhibit 3.3 (A), it **must**, at minimum, contain all of the information included in Exhibit 3.3 (A). This working paper should reconcile to your agency's Schedule of Expenditures of Federal Awards, plus or minus accounts payable and accounts payable reversals and non-Federal grants/contributions. (See discussion under "Relationship Between Closing Package and Schedule of Expenditures of Federal Awards" above.) Keep this working paper with copies of your completed summary forms. Do **not** submit it to the Comptroller General's Office.

Regardless of the working paper format, you should perform the calculations to determine the amount of Grant Receivable and/or Deferred Revenue to report at June 30 on a **grant-by-grant** basis for each GAAP fund. Do **not** net amounts between grants.

For example, suppose that you account for both Grant 1 and Grant 2 in GAAP Fund 4005 under a single program. Based on your calculations, grant 1 has a \$10,000 Grant Receivable at June 30 while grant 2 has \$9,000 of Deferred Revenue at June 30. On the appropriate Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1), you should report both a \$10,000 Grant Receivable and \$9,000 Deferred Revenue for GAAP Fund 4005--**NOT** the net amount (\$1,000 receivable).

NOTE: For all grant/contribution funds, you must document the amount of Grant/Contribution Receivables you expect to receive beyond June 30 of the next fiscal year, including an explanation of the reason(s) for the long delay in receiving these funds.

Keep these working papers with copies of your completed summary forms for audit purposes. Do **not** submit them to the Comptroller General's Office.

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AGENCY NAME Sample Agency
GRANTS ANALYSIS WORKSHEET
For the Year Ended June 30, 2002

Exhibit 3.3 (A)

Prepared By: J. P. Junior

GAAP Fund Code: 4005

GAAP Fund Name: Dept. General Operating - Federal

Date: 9/15/2002

Federal Grants	Grant Type (1)	Beginning Fund Balance (2)	(+) Grant Receipts through June 30 (3)	(-) STARS Expenditures (4)	(-) Accounts Payable at June 30 (5)	(+) Accounts Payable Reversals (6)	Eligibility? (7)	Grant Receivable at June 30 (8)	Grant Deferred Revenue at June 30 (9)		
<i>U.S. Dept. of Education -</i>											
<i>Title I, Public Library Services</i>											
<i>Grant No. W 0093-1010</i>	C	0	200,000	156,000	1,000	2,000	Y		45,000		
<i>Grant No. C 0092-1500</i>	O	253,000	250,000	1,000,000	5,000	2,000	Y	500,000			
<i>U.S. Dept of Education -</i>											
<i>Title III-Interlibrary Coop.</i>											
<i>Grant No. W 0092-0123A</i>	U	50,000	155,000	198,000	2,500	500	Y		5,000		
								(10)	(11)		
TOTALS --Capital								C	0	C	45,000
TOTALS --Operating								O	500,000	O	0
TOTALS --Unrestricted								U	0	U	5,000

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COMPLETING THE GRANTS ANALYSIS WORKSHEET

REF	EXPLANATION
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- (1) Enter Grant Type as either C (Capital Grant), O (Operating Grant) or U (Unrestricted Grant). Use STARS subfund titles as a guide.
- (2) Enter beginning fund balance. For Federal grants, this amount should agree to the beginning balances on the Schedule of Expenditures of Federal Awards.
- (3) Enter total grant receipts for the STARS fiscal year through June 30 per agency records.
- (4) Enter total grant expenditures for the STARS fiscal year per agency records.
- (5) If your agency completed an Accounts Payable Summary Form relating to grants, enter the amount of the accounts payable as it applies to each grant. These amounts will be obtained from your workpapers used in completing the Accounts Payable Summary Forms. For the South Carolina Department of Health and Human Services only: Include Medicaid accounts payable to non-State entities only. This amount should agree to the Medicaid portion of the Accounts Payable Summary Form working papers. The Comptroller General's Office will record an adjustment for Medicaid accounts payable to other State agencies.
- (6) If your agency listed and attached vouchers to the Closing Package Control Checklist as a result of a "Yes" answer to Question 20 of that checklist, enter the amount of the reversal as it applies to each grant. These amounts will be obtained from the working papers your agency used in completing that listing.
- (7) Has your agency met the required recipient characteristics, time requirements, and contingencies eligibility requirements for this grant, if applicable? Enter **Y** (Yes) or **N** (No). If your response is **N**, please contact the Central State Financial Reporting Division of the Comptroller General's Office for further instructions. NOTE: Maintain supporting documentation for your conclusion that identifies the requirements and how they have been met.

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EXPLANATION

Calculation of difference: Add columns (2), (3), and (6). Then subtract columns (4) and (5) from the result.

- (8) If the difference is a negative amount, enter the amount under column (8), "Grant Receivable at June 30." Be sure to verify that this amount combined with the amounts already received under this grant during the grant period does not exceed the grant award.
- (9) If the difference is a positive amount, then enter the amount under column (9), "Grant Deferred Revenue at June 30."
- (10) Total column (8) by grant type. For each total determine if it will be collected within the next fiscal year. Enter the portion of the total that will be collected within the next fiscal year on the appropriate Current Receivables line on the Grant/Contribution Summary Form. For the portion you estimate will not be collected within the next fiscal year, document why there is a delay in receiving these funds enter this portion of the total on the appropriate Non-Current Receivables line on the Grant/Contribution Summary Form.
- (11) Total column (9) by grant type. Enter totals in column (9) on the appropriate Deferred Revenue Line on the Grant/Contribution Summary Form.

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GENERAL INSTRUCTIONS--GRANT/CONTRIBUTION RECEIVABLES AND DEFERRED
REVENUE SUMMARY FORM (GAAP FORMS 3.3.1)

- o Complete Grant/Contribution Receivables and Deferred Revenue Summary Forms (GAAP Form 3.3.1) if your agency received \$750,000 or more in grants and contributions during the current fiscal year.
- Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1).
 - * Agency funds have GAAP codes x250 - x269.
 - * Complete a separate section of the Form for each GAAP fund that is not an Agency fund that your agency uses to record Grant or Contribution Revenues. Make as many copies as necessary of the blank Form.
 - * Exhibit 3.3 (B) shows a sample completed Form. Detailed instructions for completing the Form follow the Exhibit.
- o Complete data on a Form for each GAAP fund that receives any Grant or Contribution Revenue. (See Appendixes A and F for information about your agency's GAAP funds.) If you have no Grant/Contributions Receivables or related Deferred Revenue to report for a GAAP fund, enter zeros on the Form. By doing this, you certify that your review for Grant/Contributions Receivables and Deferred Revenue included all applicable GAAP funds.
- o Review the ACCOUNTING PRINCIPLES AND POLICIES section of this closing package carefully before you attempt to complete the Forms.
- o Only end recipients of grant funds within State government should report amounts on the Forms. That is:
 - Report amounts only for funds that you:
 - * Use directly for supplies, etc., or pay to the State General Fund for indirect cost.
 - * Pass through to parties outside State government.
 - Do not report amounts for grant funds your agency passed through (see KEY TERMS) to other State funds or agencies.
- o Report Medicaid receivables on the Form only if they represent revenue receivable from the Federal government. (See ACCOUNTING PRINCIPLES AND POLICIES.)

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- o Round all dollar amounts on the Forms to the nearest whole dollar.
- o Return the completed Forms to the Comptroller General's Office no later than September 30. If you can return them earlier, please do so.
- o The person who completes and signs the Forms should keep a copy. The Comptroller General's Office will telephone this person if there are any questions.

NOTE: Agency funds should be used only for funds passed through to non-State agencies where the State acts as a cash conduit. These funds are limited to those reported in Question 7 of the Master Closing Package (Section 2.0 of this manual).

Agency funds should not be used for any other pass through activity. If you feel you may have this situation, please contact the Central State Financial Reporting Division of the Office of the Comptroller General.

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STATE OF SOUTH CAROLINA
GRANT/CONTRIBUTION RECEIVABLES AND DEFERRED REVENUE
SUMMARY FORM
AT JUNE 30, 2002 (1)

EXHIBIT
3.3 (B)

Agency:	(2) <u>A99</u> Code	<u>Sample Agency</u>	
Prepared:	(3) <u>9/17/02</u> Date	By: <u>J.P. Junior</u> Employee Name	Title: <u>Accountant I</u> Phone: <u>734-1234</u>
Approved:	(3) <u>9/18/02</u> Date	By: <u>I.M. Senior</u> Employee Name	Title: <u>Dir. of Acctg.</u> Phone: <u>734-2345</u>
	<u>4005</u>	GAAP Fund Code	(4)
	<u>Dept. General Operating Federal</u>	GAAP Fund Name	(5)
<u>X</u>	Federal Revenue (0150)	(6)	
<u> </u>	Other Grants (0175)	(6)	
<u> </u>	Contributions and Donations (0400)	(6)	
			Amount
Operating Grants, Contributions & Donations - Restricted			
Current Receivables			\$ <u>500,000</u> (7)
Non-Current Receivables			\$ <u> -</u> (7)
Total Receivables			\$ <u>500,000</u> (7)
Deferred Revenues			\$ <u> -</u> (7)
Capital Grants, Contributions & Donations - Restricted			
Current Receivables			\$ <u> -</u> (8)
Non-Current Receivables			\$ <u> -</u> (8)
Total Receivables			\$ <u> -</u> (8)
Deferred Revenues			\$ <u>45,000</u> (8)
Unrestricted Grants, Contributions & Donations			
Current Receivables			\$ <u> -</u> (9)
Non-Current Receivables			\$ <u> -</u> (9)
Total Receivables			\$ <u> -</u> (9)
Deferred Revenues			\$ <u>5,000</u> (9)

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COMPLETING THE GRANT/CONTRIBUTION RECEIVABLES AND DEFERRED REVENUE
SUMMARY FORM (GAAP FORM 3.3.1)

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.
(4)	Enter the four-digit GAAP fund code. (See Appendixes A and F.) This code should be in the range x001 - x210. See note at the bottom of the next page concerning Agency funds.
(5)	Enter the name of the GAAP fund. (See Appendixes A and F.)
(6)	Check the appropriate GAAP Revenue Code for the type of receivables and/or deferred revenue (Federal, Other, or Contributions) you are entering in the listed GAAP Fund. See Appendix E-2 in Section 6.5 for a list of STARS revenue object codes to include in each GAAP revenue code. Include amounts recorded in STARS Revenue Object Code 2805 in the GAAP Revenue Code 0150 (Federal Revenue).
(7)	For Operating Grants, Contributions & Donations, enter current receivables, non-current receivables, and deferred revenues on the appropriate line. The Deferred Revenue line is for amounts where the agency has not met eligibility requirements. Total Receivables and Deferred Revenue amounts should agree to those entered on the Grants Analysis Worksheet for reimbursement-basis grants or to other supporting documentation for other grants or contributions that do not contain the reimbursement eligibility requirement.
(8)	For Capital Grants, Contributions & Donations, enter current receivables, non-current receivables, and deferred revenues on the appropriate line. The Deferred Revenue line is for amounts where the agency has not met eligibility requirements. Total Receivables and Deferred Revenue amounts should agree to those entered on the Grants Analysis Worksheet for reimbursement-basis grants or to other supporting documentation for other grants or contributions that do not contain the reimbursement eligibility requirement.

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REF	EXPLANATION
(9)	For Unrestricted Grants, Contributions & Donations enter current receivables, non-current receivables, and deferred revenues on the appropriate line. The Deferred Revenue line is for amounts where the agency has not met eligibility requirements. Total Receivables and Deferred Revenue amounts should agree to those entered on the Grants Analysis Worksheet for reimbursement-basis grants or to other supporting documentation for other grants or contributions that do not contain the reimbursement eligibility requirement.

If you had any outstanding pledges at June 30 that were not recorded as revenue because they were not measurable at June 30, attach a description of the situation to the Summary Form.

NOTE: Agency funds should be used only for funds passed through to non-State agencies where the State acts as a cash conduit. These funds are limited to those reported in Question 7 of the Master Closing Package (Section 2.0 of this manual).

Agency funds should not be used for any other pass through activity. If you feel you may have this situation, please contact the Central State Financial Reporting Division of the Office of the Comptroller General.

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GENERAL INSTRUCTIONS--GRANT/CONTRIBUTION REVENUES CLOSING PACKAGE,
REVIEWER CHECKLIST (GAAP FORM 3.3.2)

- o The purpose of the Reviewer Checklist is to help your agency perform an effective review of the completed closing package forms **before** you submit them to the Comptroller General's Office. An effective review is essential to minimizing closing package errors. As such, it is an important internal control. **Completion of this Checklist is required.**
- o Retain the completed checklist for audit along with your other working papers; **do not** return it to the Comptroller General's Office.
- o Your agency's Finance Director, Executive Director, or another reviewer should complete the Reviewer Checklist. The reviewer **must** be someone other than the preparer.
- o Each question on the Reviewer Checklist is designed so that a "No" answer indicates a potential problem. Generally, when the reviewer responds "No," he/she should return the closing package form to the preparer to be corrected and resubmitted. If you believe that a "No" answer to a particular question is unavoidable or acceptable in your unique situation, however, attach an explanation to the completed checklist and retain it with the completed checklist.
- o This checklist is not all-inclusive. It is designed only to detect the most frequent types of errors. It may not identify all possible errors.
- o Exhibit 3.3 (C) shows a sample completed Reviewer Checklist (GAAP Form 3.3.2).

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STATE OF SOUTH CAROLINA
GRANT/CONTRIBUTION CLOSING PACKAGE
REVIEWER CHECKLIST
At June 30, 2002

EXHIBIT
3.3 (C)
Page 1 of 2

Reviewer's Signature: *I. M. Senior*

Date Last Review Step Was Completed: *September 25, 2002*

The following questions apply to all Grant/Entitlement Revenues closing package forms.

REVIEW STEP	YES/NO
Is the reviewer of each form someone other than the person who prepared it?	<i>Yes</i>
Did the preparer and reviewer <i>sign</i> each form (not just type or rubber-stamp their names)?	<i>Yes</i>
Did the preparer and reviewer show their titles and telephone numbers on each form?	<i>Yes</i>
Did your agency have a combined total of \$750,000 or more in grant revenue plus amounts passed through to subrecipients during the fiscal year?	<i>Yes</i>
Can all amounts reported on each form be traced back to official agency accounting records or to the working papers (i.e., the Grants Analysis Worksheet)?	<i>Yes</i>
Do the completed closing package forms reflect implementation of all changes in closing package instructions for this year, if any, that apply to your agency?	<i>Yes</i>
Are large differences between the closing package amounts reported in the current-year and those reported last year explained (as to reasons) in the working papers retained for audit purposes?	<i>Yes</i>
Have GAAP Fund Codes and GAAP Fund Names been provided when requested?	<i>Yes</i>
Does the analysis include only grant revenues?	<i>Yes</i>
Have all Federal grants been evaluated using the reimbursement eligibility requirement?	<i>Yes</i>
Have all applicable eligibility requirements been met for grants for which a receivable has been reported?	<i>Yes</i>
Does the beginning balance for each grant on the grants analysis worksheet equal the prior year's ending balance for the same grant?	<i>Yes</i>
Do the amounts computed for closing package purposes reconcile to the Schedule of Expenditures of Federal Awards, plus or minus accounts payable and accounts payable reversals?	<i>Yes</i>

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GRANT/CONTRIBUTION CLOSING PACKAGE
REVIEWER CHECKLIST
At June 30, 2002

EXHIBIT
3.3 (C)
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The following questions apply to the Grant/Contribution Receivables and Deferred Revenue Summary Form (GAAP Form 3.3.1).

REVIEW STEP	YES/NO
Are all grants reported in the appropriate GAAP funds?	Yes
Are amounts received after June 30 for expenditures incurred before June 30 included as receivables?	Yes
Are amounts due from grantors for FM13 expenditures included as receivables?	Yes
Do all reported receivables <i>exclude</i> payroll expenditures incurred in June but not paid until July?	Yes
For grants recorded in Governmental Funds only, have amounts received or expected to be received within the next fiscal year been reported as accounts receivable?	Yes
For grants recorded in Governmental Funds only, have receivable amounts expected to be received beyond the next fiscal year been reported as deferred revenue also?	Yes
Is your agency the end recipient within State government for the grants reported?	Yes
Are all reported Medicaid receivables due directly to your agency from the Federal government (i.e., not payable to your agency from other State agencies under fee for service contracts)?	Yes
Has your agency completed a form for each GAAP fund that receives any grant revenue? (Enter zeros on the form if there are no receivables or deferred revenue to report.)	Yes
If you had any outstanding pledges at June 30 that were not recorded as revenue because they were not measurable (see KEY TERMS) at June 30, did you attach a description of the situation to the Summary Form?	Yes