OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 15.51.00	**SUPERSEDES** N/A – No prior policy
	EFFECTIVE DATE 01/22/2018	**PAGE NUMBER** Page 1 of 6
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.040 ORS 293.590 GASB Codification 2100 GASB Codification 2600 GASB Statement No. 62, paragraph 174(g)	
Policy Owner Statewide Accounting and Reporting Services (SARS)		
SUBJECT Accounting and Financial Reporting – Outstanding Balances with Component Units	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE: This policy provides guidance on accounting and financial reporting related to receivables from, and payables to, the State's component units.

APPLICABILITY: This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

DEFINITIONS: **Component Unit**: A legally separate organization for which the elected officials of the primary government are financially accountable.

Discretely Presented: The method of reporting financial data of **component units** in columns and rows separate from the financial data of the primary government.

Click here for other **definitions**.

POLICY:

101. Agency management must ensure the proper accounting and financial reporting of receivables from, and payables to, (collectively referred to as "outstanding balances") the State's **component units** (CUs).

102. **Generally Accepted Accounting Principles** (**GAAP**) requires outstanding balances between the primary government (i.e. state agencies) and CUs be reported separately from other receivables and payables.

103. Agencies must include all outstanding balances with all CUs in their accounting records, this OAM only provides direction as to which accounts report the outstanding balances with CUs.

104. The following are included in the **State Comprehensive Annual Financial Report** (CAFR) as component units, all of which are **discretely presented**:

a. Agency 435 – SAIF Corporation (12/31 fiscal year end)

b. Agency 590 – Oregon Health & Science University (6/30 fiscal year end)

c. Agency 591 – University of Oregon (6/30 fiscal year end)

d. Agency 592 – Oregon State University (6/30 fiscal year end)

e. Agency 593 – Portland State University (6/30 fiscal year end)

f. Agency 594 – Western Oregon University (6/30 fiscal year end)

g. Agency 595 – Southern Oregon University (6/30 fiscal year end)

h. Agency 596 – Eastern Oregon University (6/30 fiscal year end)

i. Agency 597 – Oregon Institute of Technology (6/30 fiscal year end)

j. Agency 625 – State Fair Council (12/31 fiscal year end)

k. Agency 913 – Oregon Affordable Housing Assistance Corporation (12/31 fiscal year end)

105. Agencies must use the following general ledger (GL) accounts in **R*STARS**, to report outstanding balances with component units, applying the requirements of paragraphs 112 through 115.

a. GL 0587 – Due from Component Units. This represents the moneys the agency expects to receive from the CU within one year.

b. GL 0951 – Advances to Component Units. This represents the moneys the agency expects to receive from the CU beyond one year.

c. GL 1533 – Due to Component Units. This represents the moneys the agency expects to pay the CU within one year.

d. GL 1805 – Advances from Component Units. This represents the moneys the agency expects to pay the CU beyond one year.

Agencies not using R*STARS should report these types of receivables and payables similarly in their accounting system.

PROCEDURES:

Loan agreements with CUs – applies to governmental funds and proprietary funds

Record original balances

106. Upon execution of a loan agreement with a CU, the agency must establish the receivable in **R*STARS**. If the loan proceeds are available to the CU only upon state agency approval of a qualifying expenditure, a liability to the CU must also be established.

As an example, if an agency enters into an agreement to loan a CU $1,000,000, and the agency must approve the CU expenditures prior to reimbursing the CU, use the following to record the entry:

TC 458: To record the loan as a receivable from the CU.

DR 0951 Advances to Component Units	1,000,000	
CR 3600 GAAP Expenditure Offset (6875 Loans Made - Other)		1,000,000

TC 458R: To record an advance from CU for the undistributed proceeds

DR 3600 GAAP Expenditure Offset (6875 Loans Made – Other)	1,000,000	
CR 1805 Advances from Component Units		1,000,000

107. In a loan agreement between an agency and a CU, there are no premiums, discounts, or deferred gains or losses on refunding directly associated with the loan arrangement. If the agency or CU issue debt to provide funding for the loan agreement, and the issued debt has premiums, discounts, or deferred gains or losses on refunding, they remain with the related debt, not the loan agreement. See **OAM 15.65.10** *Bonds and COPs* and **OAM 15.65.30** *Debt Refunding* for guidance pertaining to the debt.

a. If there is a difference between moneys provided to a CU pursuant with a loan agreement, and the loan agreement itself (likely because there is a premium or discount related to a debt issued to fund the loan), that difference is recognized as a revenue or expense in the period in which the loan agreement is executed.

Expanding upon the example from paragraph 106, if the agency obligated itself to provide an additional $15,000 to the CU related to the proceeds from a premium received on the related debt offering, it would record the transaction as follows:

TC 458R: To record an advance from CU for the undistributed proceeds

DR 3600 GAAP Expenditure Offset (645X Dist. to CU)	15,000	
CR 1805 Advances from Component Units		15,000

Note*: Using the same scenario, except there is a discount on the underlying debt offering rather than a premium, the agency shall record a one-time revenue using TC 473 (GL 0951 Advances to Component Units and C/O 1105 Other Revenue)*

Record distributions to CU and reduce amount owed to CU

108. Continuing the example started in paragraph 106, the CU has incurred $200,000 in qualifying expenditures and the agency is prepared to reimburse the CU, record the transaction as follows:

TC 222: To record payable to CU

DR 3501 Expenditure Control Accrued (6875 Loans Made – Other)	200,000	
CR 1211 Voucher Payable		200,000

TC 458: To reduce the advance from CU.

DR 1805 Advances from Component Units	200,000	
CR 3600 GAAP Expenditure Offset (6875 Loans Made - Other)		200,000

Record principal and interest receipts from CU and reduce advance to CU

109. Next in the example, the CU makes an $85,000 payment on the loan, with $25,000 representing principal and $60,000 representing interest. Record the transaction as follows:

TC 190: To record principal portion of receipt from CU

DR 0065 Unreconciled Deposit	25,000	
CR 3100 Revenue Control – Cash (1104 Other Loan Repayment)		25,000

TC 190: To record interest portion of receipt from CU

DR 0065 Unreconciled Deposit	60,000	
CR 3100 Revenue Control – Cash (0801 Interest on Program Loans)		60,000

TC 473R: To reduce the advance to CU

DR 3200 GAAP Revenue Offset (1104 Other Loan Repayment)	25,000	
CR 0951 Advances to Component Units		25,000

Record current portions of advance to and from CU

110. To continue the example, at year-end, the agency needs to reclassify both the amount expected to be received from the CU within the next 12 months and the amount expected to be paid to the CU within the next 12 months as a current asset and current liability, respectively. The current portion of the asset should be based on the repayment schedule (assumed to be $30,000), while the current portion of the liability should be based on an estimate provided by the CU (assumed to be the remaining balance of $800,000).

TC 474: To record the current portion of the receivable from the CU ($30,000)

DR 0587 Due from Component Units	30,000	
CR 2951 System Clearing General Ledger Level Only		30,000

TC 474R: To reduce the noncurrent portion of the receivable from the CU ($30,000)

DR 2951 System Clearing General Ledger Level Only	30,000	
CR 0951 Advances to Component Units		30,000

TC 475: To record the current portion of the payable to the CU ($800,000)

DR 2951 System Clearing General Ledger Level Only	800,000	
CR 1533 Due to Component Units		800,000

TC 475R: To reduce the noncurrent portion of the payable to the CU ($800,000)

DR 1805 Advances from Component Units	800,000	
CR 2951 System Clearing General Ledger Level Only		800,000

Accrue interest receivable on advance to CU

111. At year-end the agency will need to accrue an interest receivable equal to the amount of interest attributable to the period beginning the day after the last interest receipt and June 30. The interest accrual period shall be based on the loan agreement, not the underlying debt issue, if any. Therefore, to finalize the example, if the most recent interest receipt was April 30, and the next interest receipt is $55,000, due August 31, the interest accrual would be $27,500 (2/4 * $55,000).

TC 436: To accrue an interest receivable on an advance to CU

DR 0587 Due from Component Units	27,500	
CR 3105 Revenue Control – F/S Accrual (0801 Int. on Program Loan)		27,500

TC 436 will auto-reverse with TC 981.

Year-end Reporting of Outstanding Balances with CUs

112. For purposes of recording the balance in the accounting system, completing the agency disclosure, and confirming with CUs, outstanding balances with CUs should be grouped in a reasonable manner consistent with the nature of the transaction resulting in the balance, be that by program, location, purpose, etc.

113. The following types of balances are to be excluded from the grouping process, and therefore are not to be reported as an outstanding balance with a CU, regardless of the dollar amount:

a. Retirement plan contributions.

b. Other postemployment benefit plan contributions.

c. Payroll tax related liabilities, such as state income tax withholding and unemployment assessments.

114. Once agencies have grouped their outstanding balances with CUs in a manner consistent with paragraphs 112 and 113, they shall apply a minimum threshold (“floor”) of $100,000 to each grouping. If the grouping is in excess of the floor, the agency shall reclassify the outstanding balance and report it as an outstanding balance with a CU, in a manner consistent with paragraph 105. If the balance is less than $100,000, the agency shall review the exceptions (discussed in paragraph 115). If an exception does not apply, the agency shall not reclassify the balance in its accounting system to report the balance as outstanding with a CU, but rather in a manner consistent with balances outstanding with non-CUs.

For agencies using **R*STARS**, to reclassify the outstanding balances to these GL accounts, agencies should use TCs 474, 474R, 475, and 475R, as applicable. These TCs do not auto-reverse, so agencies will need to manually reverse these reclassifications in the subsequent fiscal year.

115. The $100,000 floor described in paragraph 114 does not apply to the following types of balances:

a. Undistributed bond/COP proceeds owed to a CU; and

b. The principal and interest balances of receivables from a CU pursuant to a loan agreement, such as small energy loan program and certain debt management agreements between the State and university CUs.

Therefore, agencies would continue to report these as outstanding balances with CUs, consistent with paragraph 105, even if the balance was below the $100,000 floor.

116. Agencies shall submit to SARS, as part of its agency disclosure packet, a document detailing the outstanding balances, based on their grouping, as discussed in paragraphs 112 through 115. For those agencies using **R*STARS**, the amounts on the agency disclosure must agree to the applicable general ledger accounts described in paragraph 105.

Confirming Outstanding Balances with CUs

117. Agencies must confirm the outstanding balances groupings (as determined in paragraphs 112 through 115) directly with those CUs with a 6/30 fiscal year end (as identified in paragraph 104) to ensure that both agree to the amount outstanding and its status as current or noncurrent (i.e. long-term). The confirmation must be documented as part of the agency disclosure packet referenced in paragraph 116, which is submitted to SARS. CU contacts shall be maintained by SARS on the CAFR Contacts List, and be made available on the SARS website.

118. After confirming the outstanding balances with the CUs, agencies may need to create a new grouping, add to an existing grouping, or deduct from an existing grouping. After the confirmation with the CU, agencies must apply the requirements of paragraphs 112 through 115 to their new or adjusted groupings.

119. If there is any disagreement between the agency and CU about the outstanding balance, SARS should be contacted for resolution.

120. Confirmation with CUs that have a 12/31 fiscal year end (as noted in paragraph 104) is not necessary. However, all other aspects of this OAM and the agency disclosure form must be completed.