

## **IV. GAAP FINANCIAL REPORTING**

### **A. GAAP REPORTING PACKAGES**

The State prepares annual financial statements on the basis of Generally Accepted Accounting Principles (GAAP), as well as its traditional budgetary cash basis reports.

In order to prepare financial statements based on GAAP, it is necessary to obtain information from the State's agencies that is not currently collected by the Delaware Financial Management System (DFMS). Most of this additional information is needed to record the state's accrued assets and liabilities at the end of the fiscal year. The accrued assets are funds owed to the state, but not yet collected. The accrued liabilities are funds that the state owes, but have not yet paid.

This accrual data is collected shortly after the close of each fiscal year using GAAP packages. The packages are standard "form-sets" completed by every agency. The agencies enter the data on the forms directly into the DFMS GAAP Module using the GAAP Menu (GMEN).

GAAP funds are classifications of the State's funds that follow the Governmental Accounting Standards Board (GASB) guidelines for fund organization. GAAP fund types are described further in the next section.

Since all data within DFMS have been coded using the GAAP fund code, the information within the system can be re-sorted and presented in special reports on the basis of the GAAP funds involved. The data collected in the GAAP packages are combined with these special reports obtained from DFMS and with other financial reports from related State authorities to produce a set of financial statements that are based on GAAP.

GAAP training classes are scheduled each spring, and the GAAP packages and related instructions are distributed before the close of each fiscal year by the Department of Finance.

### **B. GAAP FUND TYPES**

#### **1. General Fund - (100 series)**

The General Fund is to account for all revenues and all disbursements not provided for in other funds. The General Fund is used to finance the ordinary operations of governmental agencies.

In Delaware, these governmental agencies include: Legislative, Judicial, Executive, Department of Technology and Information, Other Elective Offices, Legal, Department of State, Department of Finance, Department of Health and Social Services, Department of Services to Children, Youth and Their Families, Department of Correction, Department of Natural Resources and Environmental Control, Department of Safety and Homeland Security, Department of Transportation, Department of Labor, Department of Agriculture, Department of Elections, Fire Prevention Commission, Delaware National Guard, Advisory Council for Exceptional Citizens, Higher Education, and Department of Education (including school districts).

- a.** General Fund except TTF - 100
- b.** Transportation Trust Fund – Operations – 101
- c.** SuperCard Operations – 101
- d.** Indian River Marina Operations - 103

**2. Special Revenue Funds - (200 Series)**

The Special Revenue Funds are to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or for major capital projects) that are legally restricted to expenditure for specified purposes. Special Revenue Funds are identified as:

**a. Federal Funds - 225**

The Special Revenue Funds include Federal grant funds used for specific grant projects, except for Federal highway construction funds received by the Department of Transportation (included in the Capital Projects Funds) and Federal Funds received by Delaware State University (included in College and University Funds).

**b. Federal Fund Distribution - 226**

The Special Revenue Funds include a temporary account used for the allocation of specific federal funds.

**c. Local School Funds - 270**

Special Revenue Funds are also used to account for those receipts from other sources whose use is restricted. Tax revenues of the local school districts are accounted for in a Special Revenue Fund.

**d. Other Special Revenue funds – 299**

Receipts from other revenue sources with restricted usage. Activities of the Violent Crimes Compensation Board and the Brandywine School District construction account are included in this category. These accounts are identified as 299 in DFMS only to provide better tracking and are reported in the financial statements as part of operations activities in the General Fund.

**3. Capital Projects Funds - (300 Series)**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust funds). These facilities include those provided to political subdivisions and other public organizations. These resources are derived principally from proceeds of general obligation bond issues and Federal grant funds received from the Federal Highway Administration.

**a. Capital Projects except TTF – 300**

**b. Transportation Trust Fund – Capital – 301**

**4. Debt Service Funds - (400 - Series)**

Debt Service Funds are to account for the accumulation of resources for and the payment of general long-term debt principal and interest. This excludes such long-term obligations as capital leases and unfunded retirement costs whose current portions are paid out of the General Fund. Debt Service Funds are identified as:

**a. State - 425**

Debt service fund used to account for the State's portion of State general obligation and capital improvement bonded indebtedness.

**b. Local - 450**

Debt service fund resources include transfers from local school districts to cover an agreed-upon portion of long-term debt incurred for local school district capital projects.

**5. Proprietary Funds - (600 and 700 Series)**

Proprietary Funds is the umbrella term covering Enterprise Funds and Internal Service Funds. These funds are used to account for those ongoing activities of the State which are similar to those found in the private sector. The emphasis of reporting is on net income measurement and capital maintenance. The GAAPs which are applicable to these funds are those used in similar enterprises in the private sector. The measurement of focus is on the determination of net income, financial position and changes in financial position.

**a. Enterprise Funds - (600 Series)**

Enterprise Funds account for operations which are financed like private business enterprises. The government's intent is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are also used where the government has decided that periodic determination of revenues earned, expenses incurred, and net income received, is appropriate for capital maintenance, public policy, management control, accountability or other purposes. To accomplish this, each enterprise activity is a separate fund, or accounting entity, whose records are maintained on a proprietary basis. The use of a proprietary basis allows the state to match the revenues and expenses of the activity so that user fees and other revenue sources can be equitably and accurately set.

Enterprise operations can be sorted into three categories.

- (1) Those which are an integral part of existing agencies, using DFMS as their accounting system, and for which the state prepares financial statements on an enterprise basis. Delaware has no enterprise operations in this category at this time.
- (2) Those which are partially integrated into existing agencies use DFMS, but also maintain non-DFMS accounting systems and records which are used to create separate financial statements. Delaware operations falling into this category are:
  - Delaware State Housing Authority - 650;
  - Delaware State Lottery - 660; and
  - Unemployment Trust - 670.
- (3) Those which are not integrated to any extent into existing agencies and do not maintain any accounting data on DFMS. Delaware has no enterprise operations in this category at this time.

**b. Internal Service Funds - (700 Series)**

Internal Service Funds are to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis. The state has no internal service funds at this time.

**6. Fiduciary Funds - (800 Series)**

Fiduciary Funds serve as an umbrella term for Permanent Funds, Pension Trust Funds, External Investment Trust Funds and Agency Funds. These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

**a. Expendable Trust Funds - (800 - 839)**

Expendable Trust Funds are funds whose principal and income may be expended in the course of their designated operations. These funds are most often used to account for income amounts transferred to them from non-expendable trust funds. Expendable Trust Funds should be limited to use in instances where a legally-mandated or a formal, legal trustee relationship exists.

The following activities and funds have been identified as expendable trust funds for financial reporting purposes:

- (1) Employment Security - 810
- (2) Violent Crimes Compensation - 820
- (3) Patients' Trust Funds - 830
- (4) Other Expendable – 839

**b. Non-Expendable Trust Funds (840 - 849)**

Non-expendable trust funds account for assets held by the state in a trustee capacity where only income derived from the principal may be expended in the course of the funds' designated operations. The principal must be preserved intact.

The following are the non-expendable trust funds identified by the state for financial reporting purposes:

(1) Permanent Funds - 840

Permanent Funds are used to report the principal position of resources that are legally restricted to the extent that only earnings may be used for purposes that support the State's programs. These accounts are reported as Agency Funds (custodial accounts) in the State's financial statements. The State has identified the following as Permanent Funds in GAAP Fund 840:

- Parks Endowment Account
- University of Delaware Land Grant
- Land & Water Endowment Account
- Permanent School Funds
- Mather Library Account
- Tallman Scholarship Fund
- Ed Bruder Trust (DOT)

(2) Other Post Retirement Benefits Trust Funds – 844

Other Post Retirement Benefits Trust Fund is used to account for transactions available

for plan benefits, assets, liabilities, and net assets of the fund used to pay current and future post-retirement benefits.

(3) Pension Trust Funds - 845

Pension Trust Funds are used to account for transactions available for plan benefits, assets, liabilities, and net assets of the various State public employee retirement systems.

(4) Deferred Compensation - 846

The Deferred Compensation Program is a voluntary investment plan which enables State employees to supplement their eventual retirement income. No State or Federal income taxes are owed on that portion of employees' income which is deferred (retained by the State) until employees retire or leave State service. That postponement of income tax payment is made possible because the State is deemed to own and control assets purchased with deferred income until program participants leave service and ask for the cash surrender value of assets. Fund 846 is used to track withholdings from the employee account but the funds are immediately transferred to an independent third-party manager. As such, Deferred Compensation is not included in the State's financial statements.

(5) Agency Funds - (850 - 899)

Agency Funds are purely custodial; assets equal liabilities and no fund balance exists. They, therefore, do not involve the measurement of the results of operations. Agency Funds are used to account for monies and properties collected by the State for distribution to other governmental units or designated beneficiaries. The monies arise from various taxes, deposits, payroll withholdings and other sources. The State is acting merely in the capacity of an agent. Agency Funds are identified as:

- Child Support Collections 855
- Pass-Through 880
- Other Agency Funds 890
- Payroll Withholdings 899

**7. University and College Funds - (910)**

The financial position and operations of State colleges and universities, including their foundations and associations, are accounted for in accordance with GAAP for colleges and universities as established by the National Association of College and University Business Officers (NACUBO). In Delaware, College Funds include only:

- a. Delaware State University 910**