



TEXAS TECH UNIVERSITY

Operating Policy and Procedure

OP 62.16: Annual Financial Report and Year-End Processes

DATE: April 11, 2024

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to (a) document financial accounting and reporting requirements as prescribed by state law; and (b) set forth the deadlines, policies, and requirements for completing the annual financial close process and the *Annual Financial Report* (AFR) for Texas Tech University (TTU).

REVIEW: This OP will be reviewed in July of even-numbered years by the Assistant Vice President and Controller with substantive revisions forwarded through administrative channels to the Senior Vice President for Administration & Finance and Chief Financial Officer (SVPAF/CFO).

POLICY/PROCEDURE

1. Definitions

- a. Fiscal Year End (FYE) – Fiscal year end is August 31 of each year.
- b. Generally Accepted Accounting Principles (GAAP) – A collection of commonly followed accounting rules and standards for financial reporting; for state and local governmental entities, GAAP is established by the Governmental Accounting Standards Board (GASB).
- c. Uniform Statewide Accounting System (USAS) – The Texas Comptroller of Public Accounts (CPA) has prescribed an accounting, responsibility reporting, and appropriations control system for state institutions and agencies. TTU is considered a “reporting agency” for USAS purposes; USAS is not the internal accounting system for TTU. TTU must comply with the requirements of the [Texas Comptroller Manual of Accounts](#) and such other instructions regarding USAS as may be issued by the CPA for all funds deposited with and/or disbursed from the state treasury.

2. General Policy

- a. Authority

The CPA, as authorized by [Section 2101.012 of the Texas Government Code](#), has prescribed that the financial accounting and reporting requirements of state institutions and agencies shall be maintained in accordance with GAAP. The CPA outlines AFR form and content requirements on its [Reporting Requirements for Annual Financial Reports of State Agencies and Universities](#) website. With the exception of modifications necessitated by the General Appropriations Act and/or other state statutes or federal laws, the financial accounts of TTU must be maintained and presented in formal financial reports in accordance with GAAP. Per [GASB 35](#), institutions of higher education are considered business-type activities; TTU

therefore follows proprietary fund accounting for financial reporting purposes in accordance with [GASB 34](#).

b. Financial Accounting

The financial accounting model of TTU is based on the principles and practices of fund accounting, a methodology by which resources are classified in accounting records and internal reports according to purposes and limitations imposed by external sources outside of TTU or as directed by the Board of Regents. Please refer to [Diagram of Fund Group, Category, and Class](#).

c. *Annual Financial Report (AFR)*

[Section 51.005 of the Texas Education Code](#) specifies that each institution of higher education shall prepare a complete AFR as prescribed by [Section 2101.011 of the Texas Government Code](#) in accordance with standards established by the CPA.

The TTU AFR is posted at <http://www.depts.ttu.edu/irim/Reports/StateReports/TTU/AFR.php>.

d. Annual Combined Financial Report (ACFR)

All Texas Tech University System (TTUS) components are consolidated into the TTUS Annual Combined Financial Report (ACFR), which is prepared and distributed by TTUS Accounting and Reporting. Copies of individual component financial statements are included in the ACFR, which is considered for audit by the state auditor as part of the audit of the State of Texas Annual Comprehensive Financial Report.

The ACFR must be furnished to the governor, CPA, state auditor, Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and the Texas State Library by November 20 of each year.

The TTUS ACFR is posted at <http://www.depts.ttu.edu/irim/Reports/StateReports/SYSTEM/AFR.php>.

The State of Texas Annual Comprehensive Financial Report is posted at <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>.

3. Responsibilities

a. Senior Vice President for Administration & Finance and Chief Financial Officer (SVPAF/CFO)

The SVPAF/CFO for TTU is responsible for the fair presentation of financial statements, prepared in accordance with GAAP, that are free from material misstatement, whether due to fraud or error.

b. Assistant Vice President and Controller (AVP/C)

The AVP/C is responsible for establishing and maintaining a system of internal controls over financial reporting to ensure the fair presentation of financial statements in accordance with

GAAP, establishing the annual financial close and AFR production timeline, determining the AFR content and format of presentation, reviewing the AFR to ensure compliance with accounting standards and reporting requirements, and furnishing the AFR in accordance with established due dates.

c. Accounting Services (AS) and Financial & Business Services Departments

AS and Financial & Business Services departments are responsible for maintaining the official books of record, monitoring financial accounting records, and recording various adjusting journal entries to ensure transactions are reported correctly. AS is responsible for preparing the TTU AFR and for providing information utilized by TTUS Accounting and Reporting in its preparation of the TTUS ACFR financial statements, schedules, and footnotes.

d. Departments/Business Managers

It is the responsibility of AS and Financial & Business Services departments to instruct and assist business managers concerning the records of financial transactions maintained by departments and similar administrative units. It is the responsibility of each business manager to keep such records as are necessary to furnish accurate information on sales, transfers, other credits, expenditures, other charges, and encumbrances. Records maintained by the business manager should be limited to those necessary to supplement AS and Financial & Business Services departments records as documented in [TTU OP 10.10, Records Retention](#).

e. Auditing

Financial statements and reports are subject to audit by the TTUS internal audit staff; state auditor; and federal, state, and private agencies.

4. Year-End Processes and Scheduled Deadlines

Financial & Business Services offices establish FYE transaction processing and reporting deadlines annually. Contact lists for these offices can be found at <https://www.depts.ttu.edu/adminfinance/Financial-and-Business-Services.php>. System links, forms, and annual deadlines are provided throughout Raiderlink in A&F Work Tools.

AS maintains a comprehensive production timeline of tasks needed to ensure the accurate and timely completion of the annual financial close and AFR. General transactional and reporting tasks applicable campus wide are outlined by the overseeing Financial & Business Services office below.

a. Procurement Services

- (1) Encumbrances – Requests for release, increases, or decreases to any encumbrances must be submitted to Procurement Services by annually established deadlines.
- (2) Invoices – Receiving must be completed and invoices submitted to Procurement Services by annually established deadlines.
- (3) Procurement Cards – Both purchases and required reconciliations must be completed by annually established deadlines.

- (4) Travel Vouchers – Both travel applications and vouchers must be submitted by annually established deadlines.
- b. Payroll & Tax Services
- (1) EOPS – One-time payroll requests must be entered into EOPS with all departmental and Budget & Resource Planning & Management approvals by annually established deadlines.
- c. Budget & Resource Planning & Management
- (1) Labor Redistributions – Redistributions must be submitted to Budget & Resource Planning & Management with all required approvals by annually established deadlines.
 - (2) Budget Revisions – Revisions, including BRS options for budget and cash transfers, must be submitted in BRS with all required approvals by annually established deadlines.
- d. Cash and Credit Management Services (CCMS)
- (1) Departmental Deposits – Deposits must be delivered to CCMS by annually established deadlines, generally 2:00 p.m. on the last business day of the fiscal year, and will be recorded using the bank deposit date.
 - (2) Revenue Clearing Accounts – Claims to revenue in holding accounts must be submitted to CCMS by annually established deadlines. Any amounts remaining after this date will be swept centrally by CCMS in accordance with [TTU OP 62.07, Departmental Deposits and Completion of the Departmental Deposit Information Sheet \(DDIS\)](#).
- e. Accounting Services
- (1) Inventories – Consumable supplies and goods for resale inventory balances exceeding established thresholds by fund as of fiscal year end must be submitted to AS by annually established deadlines.
 - (2) Accounts Receivable – Balances exceeding established thresholds by fund for revenue earned but not yet received by fiscal year end must be submitted to AS by annually established deadlines.
 - (3) Unearned Revenue – Balances exceeding established thresholds by fund for amounts received but not yet earned by fiscal year end must be submitted to either AS or CCMS in accordance with annually established processes and deadlines.
 - (4) Accruals and Deferrals – AS coordinates with departments to ensure various other revenue accruals (to record asset for revenue earned but not received by FYE), revenue deferrals (to record liability for amounts received but not earned by FYE), expense accruals (to record liability for goods or services received but not paid by FYE), and expense deferrals (to record asset for amounts paid for goods and services not received by FYE; e.g., prepaid expenses) are recorded. If transactions arise that may require accrual or deferral, departments should notify AS.

- (5) Departmental Entries – Institutional vouchers (IVs)/revenue transactions (RTs) to record internal/external billings for goods and services provided during the fiscal year, cost transfers (CTs), and journal vouchers (JVs) for transfers and other adjustments applicable to the closing fiscal year must be processed by department (via Gateway or FiTS) or submitted to AS with all departmental approvals by annually established deadlines.
- (6) Valuation documentation – Valuation letters or documentation for (1) library book and reference material purchases greater than \$5,000 during the fiscal year, (2) museum collections of art and historical treasures, and (3) acquired livestock must be submitted to AS by annually established deadlines.
- (7) Temporary Salary FOPs – Salary charges must be cleared from temporary salary fops to the extent possible by annually established deadlines. Requests to carry negative balances forward should be directed to AS.
- (8) Fund Balances – Fund balance reports are continuously available via Cognos. Transfer documentation to clear deficit fund balances must be submitted to AS by annually established deadlines. Policy for deficit fund balances is set forth separately in [TTU OP 62.39, Fund Deficits](#).