

**State Treasury's Cash and Investment Pool —
Investment Income Accruals and Adjustments, as of June 30, 2009**

A. OAKS Fund 6080: Investment Earnings Redistribution

As of June 30, 2009, the amount of unallocated investment earnings on deposit in Fund 6080, an agency fund, was \$189,041, as reported on the OAKS report, *OHGLR015A*.

Normally, the State would report the amount due to each OAKS fund that is legally entitled to receive investment earnings from Fund 6080 after applying the allocation method described in the "Investment Earnings Distribution" financial reporting approach document as an increase in the "Cash Equity with Treasurer" account with a corresponding increase to revenue as follows:

To record undistributed investment earnings on deposit in Fund 6080, as of June 30.

	<u>DR.</u>	<u>CR.</u>
Cash Equity with Treasurer	\$XXX	
Investment Income (Earnings on Deposit in Fund 6080)		\$XXX

However, due to the immaterial balance of unallocated investment earnings on deposit in Fund 6080, as of June 30, 2009, OBM will not perform the allocation by OAKS fund. Instead, OBM will make entries to record the investment earnings on deposit in Fund 6080 to the credit of the following funds only:

- General Fund,
- Highway Operating Special Revenue Fund, also a major fund
- Local Infrastructure and Transportation Improvements Special Revenue Fund

For June 30, 2009, the OBM Financial Reporting Section decided that the above special revenue funds' share of total investment earnings, as allocated on the basis of each fund's proportionate share of the state treasury's average daily cash balance for the last 5 days of the fiscal year, was significant enough to break out and post separately in the fund financial statements.

- Highway Operating Special Revenue Fund- 11.22 percent share
- Local Infrastructure and Transportation Improvements Special Revenue Fund- 4.25 percent share

This allocation approach generated the following journal entries:

To record undistributed investment earnings on deposit in Fund 6080 to the credit of the State's General Fund, Highway Operating Fund and Local Infrastructure and Transportation Improvements Fund, as of and for the year ended June 30, 2009.

	<u>DR.</u>	<u>CR.</u>
<i>General Fund:</i>		
Cash Equity with Treasurer	\$159,784	
Investment Income (Earnings on Deposit in Fund 6080)		\$159,784

OBM's policy is to post the journal entries at the combining fund level to the fund that makes up the largest 5 day average cash balance, since the combining funds can contain several funds.

Highway Operating Special Revenue Fund:

Cash Equity with Treasurer	\$21,219	
Investment Income (Earnings on Deposit in Fund 6080)		\$21,219

Local Infrastructure and Transportation Improvements Special Revenue Fund:

Cash Equity with Treasurer	\$8,038	
Investment Income (Earnings on Deposit in Fund 6080)		\$8,038

For the government-wide financial statements the following entries will also be made for governmental activities:

To record undistributed investment earnings on deposit in Fund 6080 to the credit of governmental activities in the government-wide statements, as of and for the year ended June 30, 2009.

	DR.	CR.
<i>Governmental Activities:</i>		
Cash Equity with Treasurer	\$189,041	
Unrestricted General Revenue-Investment Income		\$111,496
Operating Restricted Investment Income:		
General Government Program Revenue		48,288
Transportation Function Program Revenue		21,219
Community & Economic Development Function Program Revenue		8,038

B. Interest Receivable

As of June 30, 2009, revenue recognition relative to the interest receivable balance for the State Treasury’s cash and investment pool was \$12,108,556 calculated on the modified accrual basis and \$30,699,247 calculated on the full accrual basis (see Interest_Distribution_(GRF_vs._Non_GRF)-2009.xlsx, Interest Distribution Tab). The \$18,590,691 difference between the full accrual and modified accrual amounts should be reported as deferred revenue in the governmental fund financial statements.

Normally, the State would report interest receivable and deferred revenue balances in the governmental fund financial statements for each OAKS fund legally entitled to receive interest from the State Treasury after applying the allocation method described in the “Investment Earnings Distribution” financial reporting approach document as follows:

To record interest receivable and deferred revenue, as of June 30, for the fund financial statements.

	DR.	CR.
Interest Receivable	\$XXX	
Investment Income		\$XXX
Deferred Revenue		XXX

OBM’s policy is to post the journal entries at the combining fund level to the fund that makes up the largest 5 day average cash balance, since the combining funds can contain several funds.

However, due to the immaterial balance of interest receivable and deferred revenue, as of June 30, 2009, OBM will not perform the allocation by OAKS fund. Instead, OBM will make entries to record the investment earnings from interest receivable to the credit of the following funds only:

- General Fund,
- Highway Operating Special Revenue Fund, also a major fund
- Local Infrastructure and Transportation Improvements Special Revenue Fund

For June 30, 2009, the OBM Financial Reporting Section decided that the above special revenue fund's share of the total interest receivable balance, as allocated on the basis of each fund's proportionate share of the state treasury's average daily cash balance for the last 5 days of the fiscal year, was significant enough to break out and post separately in the fund financial statements.

- Highway Operating Special Revenue Fund- 11.22 percent share
- Local Infrastructure and Transportation Improvements Special Revenue Fund- 4.25 percent share

This allocation approach generated the following journal entries:

To record interest receivable and deferred revenue for the State's General Fund, Highway Operating Fund and Local Infrastructure and Transportation Improvements Fund, as of and for the year ended June 30, 2009.

	DR.	CR.
<i>General Fund:</i>		
Interest Receivable	\$25,948,184	
Investment Income		\$10,234,617
Deferred Revenue		15,713,567
 <i>Highway Operating Special Revenue Fund:</i>		
Interest Receivable	\$3,445,775	
Investment Income		\$1,359,100
Deferred Revenue		2,086,675
 <i>Local Infrastructure and Transportation Improvement Special Revenue Fund:</i>		
Interest Receivable	\$1,305,288	
Investment Income		\$514,839
Deferred Revenue		790,449

OBM's policy is to post the journal entries at the combining fund level to the fund that makes up the largest 5 day average cash balance, since the combining funds can contain several funds.

For the government-wide financial statements the following entries will also be made for governmental activities:

To record interest receivable to the credit of governmental activities in the government-wide statements, as of and for the fiscal year ended June 30, 2009.

	<u>DR.</u>	<u>CR.</u>
<i>Governmental Activities:</i>		
Interest Receivable	\$30,699,247	
Unrestricted General Revenue-Investment Income		\$18,106,288
Operating Restricted Investment Income:		
General Government Program Revenue		7,841,896
Transportation Function Program Revenue		3,445,775
Community and Economic Development Function Program Revenue		1,305,288

**C. APPLICATION OF GASB STATEMENT NO. 31 (GASB 31)
Accounting and Financial Reporting for Certain Investments and for External
Investment Pools — Treasurer of State’s Cash and Investment Pool**

As of June 30, 2009, the unrealized gain relative to the State Treasury’s cash and investment pool was \$53,779,717 (see Schedule H-2/TOS Deposit and Investments Reporting Package).

Normally, the State would increase/decrease the cash equity balance for unrealized gains/losses, respectively, for each OAKS fund legally entitled to receive interest from the State Treasury after applying the allocation method for unrealized gains/(losses) described in the “Investment Earnings Distribution” financial reporting approach document as follows:

To record an unrealized gain on the State’s cash and investment pool.

	<u>DR.</u>	<u>CR.</u>
Cash Equity with Treasurer	\$XXX	
Unrealized Gain		\$XXX

To record an unrealized loss on the State’s cash and investment pool.

	<u>DR.</u>	<u>CR.</u>
Unrealized Loss	\$XXX	
Cash Equity with Treasurer		\$XXX

However, due to the immaterial balance of the unrealized gain, as of June 30, 2009, OBM will not perform the allocation by OAKS fund. Instead, OBM will make entries to record the reduction in investment earnings due from the unrealized gain for the following funds only:

- General Fund,
- Highway Operating Special Revenue Fund, also a major fund
- Local Infrastructure and Transportation Improvements Special Revenue Fund

OBM’s policy is to post the journal entries at the combining fund level to the fund that makes up the largest 5 day average cash balance, since the combining funds can contain several funds.

For June 30, 2009, the OBM Financial Reporting Section decided that the above special revenue fund's share of the total unrealized gain, as allocated on the basis of each fund's proportionate share of the state treasury's average daily cash balance for the last 5 days of the fiscal year, was significant enough to break out and post separately in the fund financial statements.

- Highway Operating Special Revenue Fund- 11.22 percent share
- Local Infrastructure and Transportation Improvements Special Revenue Fund- 4.25 percent share

This allocation approach generated the following journal entries:

To record an unrealized gain on the State's cash and investment pool to the credit of the State's General Fund, Highway Operating Fund and Local Infrastructure and Transportation Improvements Fund, as of and for the fiscal year ended June 30, 2009.

	<u>DR.</u>	<u>CR.</u>
<i>General Fund:</i>		
Cash Equity with Treasurer	\$45,456,685	
Investment Income		\$45,456,685
<i>Highway Operating Special Revenue Fund:</i>		
Cash Equity with Treasurer	\$6,036,396	
Investment Income		\$6,036,396
<i>Local Infrastructure and Transportation Improvements Special Revenue Fund:</i>		
Cash Equity with Treasurer	\$2,286,636	
Investment Income		\$2,286,636

For the government-wide financial statements the following entries will also be made for governmental activities:

To record an unrealized gain on the State's cash and investment pool to the credit of governmental activities in the government-wide statements, as of and for the fiscal year ended June 30, 2009.

	<u>DR.</u>	<u>CR.</u>
<i>Governmental Activities:</i>		
Cash Equity with Treasurer	\$53,779,717	
Unrestricted General Revenue-Investment Income		\$31,719,053
Operating Restricted Investment Income:		
General Government Program Revenue		13,737,632
Transportation Function Program Revenue		6,036,396
Community and Economic Development Function Program Revenue		2,286,636

OBM's policy is to post the journal entries at the combining fund level to the fund that makes up the largest 5 day average cash balance, since the combining funds can contain several funds.

D. Summary

The net effect of the above June 30, 2009 accrual entries on the governmental funds investment income presented in the fund financial statements for fiscal year 2009 is as follows:

	General Fund	Highway Operating Fund	Local Infrastructure and Transportation Improvement Fund	Total Governmental Funds
Due from Fund 6080.....	\$159,784	\$21,219	\$8,038	\$189,041
Interest Receivable (full accrual basis).....	25,948,184	3,445,775	1,305,288	30,699,247
Deferred Revenue.....	(15,713,567)	(2,086,675)	(790,449)	(18,590,691)
Unrealized Gain.....	45,456,685	6,036,396	2,286,636	53,779,717
Net increase in				
FY09 Investment Income.....	\$55,851,086	\$7,416,715	\$2,809,513	\$66,077,314

The net effect of the above June 30, 2009 accrual entries on investment income included for governmental activities in the government-wide financial statements for fiscal year 2009 is as follows:

	Governmental Activities
Due from Fund 6080.....	\$189,041
Interest Receivable (full accrual basis).....	30,699,247
Unrealized Gain.....	53,779,717
Net increase in FY09 Investment Income.....	\$84,668,005

Updated on 8/18/09

OBM's policy is to post the journal entries at the combining fund level to the fund that makes up the largest 5 day average cash balance, since the combining funds can contain several funds.