

**State Treasury’s Cash and Investment Pool —  
Investment Income Accruals and Adjustments, as of June 30, 2008**

**A. OAKS Fund 6080: Investment Earnings Redistribution**

As of June 30, 2008, the amount of unallocated investment earnings on deposit in Fund 6080, an agency fund, was \$4,474,257, as reported on the OAKS report, *OHGLR015A*.

Normally, the State would report the amount due 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, 2008, 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,
- Higher Education Improvements Fund,
- School Building Assistance Program Fund\*\*,
- Educational Facilities Fund\*\*,
- Administration Fund\*\*,
- Public School Building Program Fund\*\* and
- Vocational School Building Assistance Fund\*\*.

For June 30, 2008, the OBM Financial Reporting Section decided that each of the above special revenue and discretely presented component unit 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 15 days of the fiscal year, was significant enough to break out and post separately in the fund financial statements.

- Highway Operating Special Revenue Fund- 7.89 percent share,
- Higher Education Improvements Fund- 6.94 percent share,
- School Building Assistance Program Fund\*\*- 31.13 percent share,
- Educational Facilities Fund\*\*- 0.42 percent share,
- Administration Fund\*\*- 0.01 percent share,
- Public School Building Program Fund\*\*- 1.32 percent share and
- Vocational School Building Assistance Fund\*\*- 0.02 percent share.

OBM’s policy is to post the journal entries at the combining fund level to the fund that makes up the largest 15 day average cash balance, since the combining funds can contain several funds.

\*\* - These funds are all part of the School Facilities Commission (SFC), a component unit of the State. The SFC consists of six combining funds (there was no cash balance in the Federal School Facilities Fund). We are allocating the interest to each of the combining funds since we are required to show these funds separately in the CAFR RSI. The total interest allocated to SFC was 32.90 percent.

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, Higher Education Improvements, School Building Assistance Program\*\*, Educational Facilities\*\*, Administration\*\*, Public School Building Program\*\* and Vocational School Building Assistance\*\* funds, as of and for the year ended June 30, 2008.*

	<u>DR.</u>	<u>CR.</u>
<i>General Fund:</i>		
Cash Equity with Treasurer	\$2,338,377	
Investment Income (Earnings on Deposit in Fund 6080)		\$2,338,377
<i>Highway Operating Special Revenue Fund:</i>		
Cash Equity with Treasurer	\$353,150	
Investment Income (Earnings on Deposit in Fund 6080)		\$353,150
<i>Higher Education Improvements Special Revenue Fund:</i>		
Cash Equity with Treasurer	\$310,488	
Investment Income (Earnings on Deposit in Fund 6080)		\$310,488
<i>School Building Assistance Program Fund**:</i>		
Cash Equity with Treasurer	\$1,392,684	
Investment Income (Earnings on Deposit in Fund 6080)		\$1,392,684
<i>Educational Facilities Fund**:</i>		
Cash Equity with Treasurer	\$18,570	
Investment Income (Earnings on Deposit in Fund 6080)		\$18,570
<i>Administration Fund**:</i>		
Cash Equity with Treasurer	\$709	
Investment Income (Earnings on Deposit in Fund 6080)		\$709
<i>Public School Building Program Fund**:</i>		
Cash Equity with Treasurer	\$59,092	
Investment Income (Earnings on Deposit in Fund 6080)		\$59,092
<i>Vocational School Building Assistance Fund**:</i>		
Cash Equity with Treasurer	\$1,187	
Investment Income (Earnings on Deposit in Fund 6080)		\$1,187

OBM's policy is to post the journal entries at the combining fund level to the fund that makes up the largest 15 day average cash balance, since the combining funds can contain several funds.

\*\* - These funds are all part of the School Facilities Commission (SFC), a component unit of the State. The SFC consists of six combining funds (there was no cash balance in the Federal School Facilities Fund). We are allocating the interest to each of the combining funds since we are required to show these funds separately in the CAFR RSI. The total interest allocated to SFC was 32.90 percent.

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 and component units in the government-wide statements, as of and for the year ended June 30, 2008.*

	<u>DR.</u>	<u>CR.</u>
<i>Governmental Activities:</i>		
Cash Equity with Treasurer	\$4,474,257	
Unrestricted General Revenue-Investment Income		\$1,415,893
Operating Restricted Investment Income:		
General Government Program Revenue		922,484
Transportation Function Program Revenue		353,150
Higher Education Support Program Revenue		310,488
School Facilities Commission		1,472,242

### **B. Interest Receivable**

As of June 30, 2008, revenue recognition relative to the interest receivable balance for the State Treasury's cash and investment pool was \$17,419,752 calculated on the modified accrual basis and \$40,952,569 calculated on the full accrual basis (see Interest\_Distribution\_(GRF\_vs.\_Non\_GRF).xls, Interest Distribution Tab). The \$23,532,817 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.*

	<u>DR.</u>	<u>CR.</u>
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 15 day average cash balance, since the combining funds can contain several funds.

\*\* - These funds are all part of the School Facilities Commission (SFC), a component unit of the State. The SFC consists of six combining funds (there was no cash balance in the Federal School Facilities Fund). We are allocating the interest to each of the combining funds since we are required to show these funds separately in the CAFR RSI. The total interest allocated to SFC was 32.90 percent.

However, due to the immaterial balance of interest receivable and deferred revenue, as of June 30, 2008, 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,
- Higher Education Improvements Fund,
- School Building Assistance Program Fund\*\*,
- Educational Facilities Fund\*\*,
- Administration Fund\*\*,
- Public School Building Program Fund\*\* and
- Vocational School Building Assistance Fund\*\*.

For June 30, 2008, the OBM Financial Reporting Section decided that each of the above special revenue and discretely presented component unit 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 15 days of the fiscal year, was significant enough to break out and post separately in the fund financial statements.

- Highway Operating Special Revenue Fund- 7.89 percent share,
- Higher Education Improvements Fund- 6.94 percent share,
- School Building Assistance Program Fund\*\*- 31.13 percent share,
- Educational Facilities Fund\*\*- 0.42 percent share,
- Administration Fund\*\*- 0.01 percent share,
- Public School Building Program Fund\*\*- 1.32 percent share and
- Vocational School Building Assistance Fund\*\*- 0.02 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, Higher Education Improvements, School Building Assistance Program\*\*, Educational Facilities\*\*, Administration\*\*, Public School Building Program\*\* and Vocational School Building Assistance\*\* funds, as of and for the year ended June 30, 2008.*

	DR.	CR.
<i>General Fund:</i>		
Interest Receivable	\$21,403,001	
Investment Income		\$9,104,069
Deferred Revenue		12,298,932
 <i>Highway Operating Special Revenue Fund:</i>		
Interest Receivable	\$3,232,355	
Investment Income		\$1,374,927
Deferred Revenue		1,857,428

OBM's policy is to post the journal entries at the combining fund level to the fund that makes up the largest 15 day average cash balance, since the combining funds can contain several funds.

\*\* - These funds are all part of the School Facilities Commission (SFC), a component unit of the State. The SFC consists of six combining funds (there was no cash balance in the Federal School Facilities Fund). We are allocating the interest to each of the combining funds since we are required to show these funds separately in the CAFR RSI. The total interest allocated to SFC was 32.90 percent.

	DR.	CR.
<i>Higher Educational Improvements Special Revenue Fund:</i>		
Interest Receivable	\$2,841,879	
Investment Income		\$1,208,833
Deferred Revenue		1,633,046
<i>School Building Assistance Program Fund**:</i>		
Interest Receivable	\$12,747,144	
Investment Income		\$5,422,178
Deferred Revenue		7,324,966
<i>Educational Facilities Fund**:</i>		
Interest Receivable	\$169,973	
Investment Income		\$72,300
Deferred Revenue		97,673
<i>Administration Fund**:</i>		
Interest Receivable	\$6,490	
Investment Income		\$2,760
Deferred Revenue		3,730
<i>Public School Building Program Fund**:</i>		
Interest Receivable	\$540,863	
Investment Income		\$230,064
Deferred Revenue		310,799
<i>Vocational School Building Assistance Fund**:</i>		
Interest Receivable	\$10,864	
Investment Income		\$4,621
Deferred Revenue		6,243

OBM's policy is to post the journal entries at the combining fund level to the fund that makes up the largest 15 day average cash balance, since the combining funds can contain several funds.

\*\* - These funds are all part of the School Facilities Commission (SFC), a component unit of the State. The SFC consists of six combining funds (there was no cash balance in the Federal School Facilities Fund). We are allocating the interest to each of the combining funds since we are required to show these funds separately in the CAFR RSI. The total interest allocated to SFC was 32.90 percent.

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 and component units in the government-wide statements, as of and for the fiscal year ended June 30, 2008.*

	DR.	CR.
<i>Governmental Activities:</i>		
Interest Receivable	\$40,952,569	
Unrestricted General Revenue-Investment Income		\$12,959,569
Operating Restricted Investment Income:		
General Government Program Revenue		8,443,432
Transportation Function Program Revenue		3,232,355
Higher Education Support Program Revenue		2,841,879
School Facilities Commission		13,475,334

**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, 2008, the unrealized gain relative to the State Treasury's cash and investment pool was \$62,063,105 (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.*

	DR.	CR.
Cash Equity with Treasurer	\$XXX	
Unrealized Gain		\$XXX

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

	DR.	CR.
Unrealized Loss	\$XXX	
Cash Equity with Treasurer		\$XXX

OBM’s policy is to post the journal entries at the combining fund level to the fund that makes up the largest 15 day average cash balance, since the combining funds can contain several funds.

\*\* - These funds are all part of the School Facilities Commission (SFC), a component unit of the State. The SFC consists of six combining funds (there was no cash balance in the Federal School Facilities Fund). We are allocating the interest to each of the combining funds since we are required to show these funds separately in the CAFR RSI. The total interest allocated to SFC was 32.90 percent.

However, due to the immaterial balance of the unrealized gain, as of June 30, 2008, 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,
- Higher Education Improvements Fund,
- School Building Assistance Program Fund\*\*,
- Educational Facilities Fund\*\*,
- Administration Fund\*\*,
- Public School Building Program Fund\*\* and
- Vocational School Building Assistance Fund\*\*.

For June 30, 2008, the OBM Financial Reporting Section decided that each of the above special revenue and discretely presented component unit 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 15 days of the fiscal year, was significant enough to break out and post separately in the fund financial statements.

- Highway Operating Special Revenue Fund- 7.89 percent share,
- Higher Education Improvements Fund- 6.94 percent share,
- School Building Assistance Program Fund\*\*- 31.13 percent share,
- Educational Facilities Fund\*\*- 0.42 percent share,
- Administration Fund\*\*- 0.01 percent share,
- Public School Building Program Fund\*\*- 1.32 percent share and
- Vocational School Building Assistance Fund\*\*- 0.02 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 and Highway Operating Fund, as of and for the fiscal year ended June 30, 2008.*

	DR.	CR.
<i>General Fund:</i>		
Cash Equity with Treasurer	\$32,435,979	
Investment Income		\$32,435,979
<i>Highway Operating Special Revenue Fund:</i>		
Cash Equity with Treasurer	\$4,898,594	
Investment Income		\$4,898,594

OBM's policy is to post the journal entries at the combining fund level to the fund that makes up the largest 15 day average cash balance, since the combining funds can contain several funds.

\*\* - These funds are all part of the School Facilities Commission (SFC), a component unit of the State. The SFC consists of six combining funds (there was no cash balance in the Federal School Facilities Fund). We are allocating the interest to each of the combining funds since we are required to show these funds separately in the CAFR RSI. The total interest allocated to SFC was 32.90 percent.

	<u>DR.</u>	<u>CR.</u>
<i>Higher Education Improvements Special Revenue Fund:</i>		
Cash Equity with Treasurer	\$4,306,832	
Investment Income		\$4,306,832
<i>School Building Assistance Program Fund**:</i>		
Cash Equity with Treasurer	\$19,318,137	
Investment Income		\$19,318,137
<i>Educational Facilities Fund**:</i>		
Cash Equity with Treasurer	\$257,592	
Investment Income		\$257,592
<i>Administration Fund**:</i>		
Cash Equity with Treasurer	\$9,836	
Investment Income		\$9,836
<i>Public School Building Assistance Fund**:</i>		
Cash Equity with Treasurer	\$819,671	
Investment Income		\$819,671
<i>Vocational School Building Assistance Fund**:</i>		
Cash Equity with Treasurer	\$16,464	
Investment Income		\$16,464

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 and component units in the government-wide statements, as of and for the fiscal year ended June 30, 2008.*

	<u>DR.</u>	<u>CR.</u>
<i>Governmental Activities:</i>		
Cash Equity with Treasurer	\$62,063,105	
Unrestricted General Revenue-Investment Income		\$19,640,064
Operating Restricted Investment Income:		
General Government Program Revenue		12,795,915
Transportation Function Program Revenue		4,898,594
Higher Education Support Program Revenue		4,306,832
School Facilities Commission		20,421,700

OBM's policy is to post the journal entries at the combining fund level to the fund that makes up the largest 15 day average cash balance, since the combining funds can contain several funds.

\*\* - These funds are all part of the School Facilities Commission (SFC), a component unit of the State. The SFC consists of six combining funds (there was no cash balance in the Federal School Facilities Fund). We are allocating the interest to each of the combining funds since we are required to show these funds separately in the CAFR RSI. The total interest allocated to SFC was 32.90 percent.

**D. Summary**

The net effect of the above June 30, 2008 accrual entries on the governmental funds investment income presented in the fund financial statements for fiscal year 2008 is as follows:

	General Fund	Highway Operating Fund	Higher Education Improvements Fund	School Facilities Comm. Fund <sup>^^</sup>	Total Governmental Funds
Due from Fund 6080 .....	\$2,338,377	\$353,150	\$310,488	\$1,472,242	\$4,474,257
Interest Receivable (modified accrual basis) .....	21,403,001	3,232,355	2,841,879	13,475,334	40,952,569
Deferred Revenue .....	(12,298,932)	(1,857,428)	(1,633,046)	(7,743,411)	(23,532,817)
Unrealized Gain .....	32,435,979	4,898,594	4,306,832	20,421,700	62,063,105
Net Increase in FY 08 Investment Income .....	\$43,878,425	\$6,626,671	\$5,826,153	\$27,625,865	\$83,957,114

<sup>^^</sup> - All funds were consolidated.

The net effect of the above June 30, 2008 accrual entries on investment income included for governmental activities in the government-wide financial statements for fiscal year 2008 is as follows:

	Governmental Activities
Due from Fund 6080 .....	\$4,474,257
Interest Receivable (full accrual basis) .....	40,952,569
Unrealized Gain .....	62,063,105
Net Increase in FY 08 Investment Income .....	<u>\$107,489,931</u>

Revised 10/2/08

OBM's policy is to post the journal entries at the combining fund level to the fund that makes up the largest 15 day average cash balance, since the combining funds can contain several funds.

\*\* - These funds are all part of the School Facilities Commission (SFC), a component unit of the State. The SFC consists of six combining funds (there was no cash balance in the Federal School Facilities Fund). We are allocating the interest to each of the combining funds since we are required to show these funds separately in the CAFR RSI. The total interest allocated to SFC was 32.90 percent.