

Understanding Key Financial Reports

Finance Workshop February 2020
General Accounting & Financial Reporting

Objectives

1. List of common key financial reports
2. How to run Financial Reports
3. Understanding how to read the reports and decipher what the reports mean
4. How to correct financial issues on the reports



Common Key Financial Reports

1. 1063 Report – Budget Account Summary
2. 16B Report – Fund Equity Report by Dept Tree Node and Fund Group
3. 1033 Report – Unbudgeted Fund Equity with Expense and Revenue Budgets
4. 1074 Report – Department Verification Report

Helpful Tips to understand reports and finding issues

- Take time to see how the reports relate to each other
- Learn the different Budget nodes related to revenue and expense categories
- Know the natural balance for the different account categories
 - Fund Equity → Credit balance (negative amount)
 - Revenues → Credit balance (negative amount)
 - Expenses → Debit balance (positive amount)
 - Assets → Debit balance (positive amount)
 - Liability accounts – Credit balance (negative amount)



Think of the basic accounting equation: $Assets = Liabilities + Fund\ Balance$

1063 Report - Budget Account Summary

➤ Purposes of the 1063 Report:

- Compares the budget for each cost center against the actual revenues/expenditures, open commitments and soft commitments (Relates to the 1074.1 and 1074.2 Reports)
- Available budget is the last column on the report – shows remaining available budget on each cost center
- Determine budget node issues for cost centers for all funds:
 - Expense budget nodes (B5xxx) that are overspent will have a negative BBA
 - Remission budget node (B4005) that do not have enough remissions will have a negative BBA
- Will revenue on the cost center make the projected budget?
 - If not is there enough fund equity to cover expenses on the cost center? Refer to the 1074 balance sheet to see current fund equity

Addressing 1063 Report Issues

➤ How to address budget issues on 1063 Report

1. Research why the cost center is overspent compared to the budget
 - Is the overspent budget legitimate?
 - Is the overspent budget related to S&W encumbrance calculation issues?
 - If the BBA on S&W is overspent by a small amount it could be related to a PS open commitment calculation issue.
 - There should be an up and down trend – if the negative amount keeps increasing there is a problem
2. If the overspent budget node is legitimate, is there budget available on a different budget node on the same cost center that can cover the expense? Is their available fund equity that is not committed that can cover the expense? Or is there another departmental cost center with the same funds that can cover the expense?
 - If yes, create a budget journal to fix the budget
 - If no, expenses will need to be moved off of the cost center that has been overspent

16B Report - Fund Equity Report by Dept Tree Node and Fund Group

➤ Purpose of the report:

- Verify that cost centers have good fund equity balance
 - Good fund equity has a natural state balance of a credit (negative amount)
 - Review State funds(except 1051 & 1052), 2xxx, 3xxx, 4xxx, 7xxx and 9xxx
- Determine cost centers with fund equity issues and correct them
- Formula to calculate Available Ending Fund Equity Balance (Columns 1 – 6)
 - $(\text{Beg FE}) + (\text{Revenues}) + \text{or} - (\text{Fund Adjustments}) - \text{Expenses} = \text{Ending Balance}$
 - $\text{Ending Balance} - \text{Open Commitments} = \text{Available Fund Equity}$

Addressing 16B Report Issues

➤ 16B Fund Equity Issues:

- If available fund equity (Ending balance – Open Commit) is a positive amount, the cost center could have a fund balance issue
 - Positive amounts on 1051 and 1052 cost centers are not considered problematic because fund equity is transferred to the cost centers quarterly

➤ Steps needed to correct 16B fund equity issues

1. Research why the cost center has bad fund equity by running the complete 1074 report
 - Is the cost center a revenue generating cost center that expects more revenue? If this is the case, then no correction is needed unless the cost center will not make the revenue budget.
2. Either decrease the expense budget, move additional fund equity from another cost center, or move expense to a different cost center
 - If salary needs to be moved, best practice is to change the position's funding to another cost center instead of payroll reallocations (wPRF impacts the open commitment amount)
 - PR reallocations are for corrections only, and not for poor budget planning

1033A Report - Unbudgeted Fund Equity with Expense and Revenue Budgets

➤ Purpose of the report:

- Verify that cost centers have good fund equity balance
- Determine cost centers with fund equity issues and correct them

➤ Layout of the 1033A report

- Fund equity Less All Commitments is the available fund equity (1074 Balance Sheet)
- Current FY/Bud Ref BBA is the net remaining budget (BBA) for revenues and expenses (1074.1)
- Unbudgeted Fund Equity is the difference between the first and second columns
- Unrealized Revenue is the remaining revenue budget that has not been collected (1074.1)
- Difference (last column) should be negative

➤ Review State funds(except 1051 & 1052), 2xxx, 3xxx, 4xxx, 7xxx and 9xxx

Addressing 1033A Report Fund Equity Issues

➤ 1033A Fund Equity Issues:

- Positive amounts in the difference column indicate fund balance issues on the cost center
 - Positive amounts on 1051 and 1052 cost centers are not considered problematic because fund equity is transferred to the cost centers quarterly
- Unlike the 16B Report, fund equity issues on the 1033A report are not related to expecting more revenue

➤ Steps needed to correct 1033A fund equity issues

1. Research why the cost center has bad fund equity by running the complete 1074 report
 - Typically, the problem is due to an expense budget that cannot be supported with the available fund equity on the cost center
2. Either decrease the expense budget or move additional fund equity from another cost center
 - Some cost centers only have expense budgets and are funded from another cost center

1074 Report

➤ Sections of the 1074 Report

- 1074.1 Revenue & Expense – Budget Node Summary Report
- 1074.2 Revenue & Expense – Budget Node & Account Summary
 - Relates to the 1063 Report (Base and Current Budget Columns)
- 1074.3a – Detailed Transactions – Asset/Liab/Fund Equity
- 1074.3b – Detailed Transactions – Revenue/Expenses
- 1074.3c – Detailed Transactions – Budget Journals
- 1074.4 – Open Commitments
- 1074.5 – Soft Commitments
 - Relates to 1063 Report (Open Commitment and Soft Commitment columns)
- 1074.6 – Balance Sheet
 - Relates to 1063 Report (YTD Rev/Exp), 16B Report (Ending Balance and Open Commitments), and 1033A Report (see sample 1033A Report)

1074 Report - Budget Data

➤ 1074.1 Budget Node Summary Report

- Displays the Current Budget against actual revenues, expenses, soft commitments, and open commitments
- Budget Available (BBA) is the remaining budget on the cost center
- Just like the 1063 Report, negative BBA for expense nodes and remission node means the budget has been overspent and the issue needs to be addressed

➤ 1074.2 Budget Node & Account Summary Report

- This report is just like the 1074.1 but it includes the account codes that have been used under the associated budget nodes

1074 Report - Detailed Transactions

➤ 1074.3a – Detailed Transactions – Asset/Liab/Fund Equity

- Shows all the asset, liability and fund equity transactions that have occurred on the cost center
- Run this report to view these transaction for verification purposes or to verify fund equity transfers
 - P-card charges that are not reallocated properly in GCMS will post as liability account 20109, a journal entry is needed to reallocate to the proper expense code

➤ 1074.3b – Detailed Transactions – Revenue/Expenses

- Lists all revenue and expense transactions that have occurred on the cost center
- Run this report to view transactions for verification purposes
 - This report is required as part of the backup for journal entries that reallocate expense or revenue to another cost center

➤ 1074.3c – Detailed Transactions – Budget Journals

- Displays all budget journals that have occurred on the cost center

1074 Report - Commitments

- **1074.4 – Open Commitments (Relates to the 1063 Report and 16B Report)**
 - Lists all open commitments that have not been fully liquidated and their amounts
 - Open commitments are funds that have been held for a purchase in the future and reduce the ending fund equity balance. (1074.6 Balance Sheet)
 - Includes salary and wages, purchase orders, and travel Authorizations
 - Verify that the open commitments are still needed – if not, submit proper documents to release encumbrances.
 - Open commitments on state funds need to be released before year-end to avoid funds being returned to the state. Do not wait until year-end to clean up open commitments.
- **1074.5 – Soft Commitments (Relates to the 1063 Report)**
 - Shows soft commitments that have not processed completely in PeopleSoft
 - It is important to research these items to determine why they have not been approved
 - Some common examples are requisitions, vouchers, and journal entries that have not been approved

1074 Report - Balance Sheet

- **1074.6 – Balance Sheet (Relates to the 16B Report and 1033A Report)**
 - Contains 5 columns – The second to the last column provides the ending balance for balance sheet categories. The last column is a comparison column from the previous year.
 - Shows the ending balance for balance sheet accounts at a specified date in time
 - Balance sheet accounts
 - Assets (naturally a debit amount+)
 - Liabilities (naturally a credit amount-)
 - ✓ If any of the liabilities on the balance sheet are positive this needs to be researched
 - ✓ Example, p-card transactions that were not reallocated to expense codes will have a positive amount for account 20109. This is an issue and needs to be corrected.
 - Fund Equity (naturally a credit amount-)
 - Available fund equity (last row) is the fund equity that is available. This amount needs to be a credit (negative amount).

Resources

[How to run common key reports](#)

[UH References](#)

[UHCL PeopleSoft Training Material](#)

Any Questions?

