POSITION PAPER: ELIMINATION ENTRIES FOR ACTIVITY BETWEEN TBR INSTITUTIONS

**Problem:** Campus and Central Office personnel spent many days collecting and verifying the information needed to eliminate the exchange of funds between TBR institutions. This process significantly slowed the consolidation effort and delayed the final report. Three of these entries were immaterial to revenues/expenses adjusted. It does not appear that the TBR consolidated financial report would have been materially misstated had these three eliminations not been made.

**Background:** GASB 34, paragraphs 57 –60 and 310 state that certain internal activities should be eliminated during the preparation of the financial statements to avoid the inappropriate “grossing up” effect these internal activities would otherwise have on aggregated amounts. The TBR GASB 34/35 Subcommittee identified five areas in which the exchange of funds between TBR institutions would require elimination. These areas included 1) the system fee institutions paid to support the Central Office operations, 2) the facilities development fee the institutions paid to support the Central Office-Capital Projects operations, 3) the Spouse and Dependent Fee Discount Program, 4) the Clerical and Support Maintenance Fee Payment Program, and 5) sub-grants and sub-contracts between TBR institutions. For FY 2002, the elimination adjustment amounts were as follows (see attachment for actual entries):

<table>
<thead>
<tr>
<th>Elimination</th>
<th>Total Amount</th>
<th>Percent of Adjusted Revenues</th>
<th>Percent of Adjusted Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) System fee</td>
<td>$2,742,100</td>
<td>21.8%</td>
<td>0.7%</td>
</tr>
<tr>
<td>2) Facilities fee</td>
<td>$929,100</td>
<td>7.4%</td>
<td>0.3%</td>
</tr>
<tr>
<td>3) Spouse/depend</td>
<td>$712,782</td>
<td>0.2%</td>
<td>0.4% &amp; 0.002%</td>
</tr>
<tr>
<td>4) Clerical/support</td>
<td>$69,484</td>
<td>0.02%</td>
<td>0.04%, 0.0009%, &amp; 0.002%</td>
</tr>
<tr>
<td>5) Sub-grants/contr</td>
<td>$6,265,351</td>
<td>2.4% &amp; 0.03%</td>
<td>0.02%, 0.02%, 1.7%, &amp; 0.004%</td>
</tr>
</tbody>
</table>

As the table above clearly demonstrates, the Spouse and Dependent Fee Discount Program, the Clerical and Support Maintenance Fee Payment Program, and the sub-grants and sub-contracts were immaterial to the revenues/expenses adjusted. Additionally, these two educational assistance programs and the sub-grants/contracts would have to outpace the growth of all other revenues and expenses at an unrealistic rate to be considered a material adjustment in future years.

**Recommendation:** After reviewing the elimination adjustments for FY 2002, it is the recommendation of the TBR GASB 34/35 Subcommittee that future eliminations for activity between TBR institutions are limited to the system fee and facilities fee.

Written by Renee Stewart
1) Other operating revenues 2,742,100.00  
   Utilities, supplies, and other sources 2,742,100.00

To eliminate the transfer of funds between the TBR Central Office and the institutions for the TBR Chargeback and the RODP Chargeback.

2) Other operating revenues 929,100.00  
   Utilities, supplies, and other sources (maintenance and operation) 929,100.00

To eliminate the transfer of funds between the TBR Central Office and the institutions for the TBR Facilities Development Fee.

3) Student tuition and fees 712,782.31  
   Benefits 711,573.31  
   Scholarships and fellowships 1,209.00

To eliminate the transfer of funds among institutions for the Spouse and Dependent Fee Discount Program.

4) Student tuition and fees 69,483.81  
   Benefits 64,124.06  
   Utilities, supplies, and other sources 3,475.75  
   Scholarships and fellowships 1,884.00

To eliminate the transfer of funds among institutions for the Clerical and Support Maintenance Payment Program.

5) Governmental grants and contracts 6,051,845.33  
   State appropriation 213,506.00  
   Salaries 145,815.51  
   Benefits 33,769.02  
   Utilities, supplies, and other sources 6,082,286.80  
   Scholarships 3,480.00

To eliminate the transfer of funds among institutions for various grants and contracts.