

# CASH REPORT AND CAFR

Texas Comptroller of Public Accounts – March 2019

## Comptroller's office

The Comptroller's office is the chief steward of the state's finances and has four primary roles — tax collector, chief accountant, chief revenue estimator and chief treasurer for all of state government. As chief accountant for the state, duties include keeping the state's books and producing the state's financial reports.

## This brief

This fiscal brief focuses on two annual financial reports the Comptroller's office produces for the state:

- *State Texas Annual Cash Report*
- *State of Texas Comprehensive Annual Financial Report (CAFR)*

## State of Texas Annual Cash Report

Issued the first Monday in November, the [State of Texas Annual Cash Report](#) (*Cash Report*) presents cash-basis information on revenues, expenditures and balances through the end of a given fiscal year for funds held in the state treasury, as required by [Texas Government Code, Section 403.013](#). Funds held outside the state treasury are not presented in the report.

### What's in the Cash Report?

The *Cash Report* contains revenue and expenditure details for all funds maintained in the state treasury:

- Revenues are reported in the period when cash is collected
- Expenditures are reported in the period when cash disbursements are made

Details for each fund appearing in the *Cash Report* include:

- Date of origin
- Administering agency
- Authorizing statute
- Revenues at the detailed object code level
- Expenditures at the summary category level



Financial information in the *Cash Report's* tables comes from the Uniform Statewide Accounting System (USAS), one of the statewide financial systems maintained by the Comptroller's Fiscal Management Division.

## Get a good read on the Cash Report

Before getting into the table-based financial information that makes up a good part of the *Cash Report*, report readers can get some excellent insight on the current state of the Texas economy with these sections:

**Review of the Texas Economy** Topics ranging from consumer spending to economic performance by industry

**The State's Financial Condition** Details on fund balances, revenue by source, federal revenue, expenditure summaries and other informative data

## KEY FACTS

### The Cash Report:

- ❖ Presents cash-basis information on revenues, expenditures and balances through the end of a given fiscal year for funds held in the state treasury
- ❖ Is published annually on the first Monday in November

### The CAFR:

- ❖ Presents a comprehensive picture of the state's financial condition by combining the annual financial reports of all Texas state agencies and universities
- ❖ Is published annually on the last day of February



## State of Texas Comprehensive Annual Financial Report

As required by state statute, the Comptroller's office must:

- Provide instructions that include uniform accounting and reporting procedures to all state agencies and institutions of higher education to enable them to complete the annual financial report or AFR ([Texas Government Code, Section 2101.011-012](#)) and
- Issue to the governor on the last day of February each year, a statewide financial report prepared in accordance with Generally Accepted Accounting Principles or GAAP ([Texas Government Code, Section 403.013](#)).

This statewide financial report is known as the [State of Texas Comprehensive Annual Financial Report](#) or CAFR and presents a comprehensive picture of the state's financial condition by combining the annual financial reports of all Texas state agencies and universities.

The CAFR is designed to:

- Provide the state's citizens, taxpayers, customers, investors and creditors with a general overview of the state's finances and
- Demonstrate the state's accountability for the money it receives.

Unlike a budget that provides a plan for a future fiscal period, a CAFR contains the actual results of the prior fiscal year's financial activities (revenue, expenditures, changes in fund balances, liabilities, etc.).

### What's in the CAFR?

The state's CAFR is divided into three main sections:

- Introductory** Orients and guides readers through the report
- Financial** Presents the basic financial statements as well as notes to the statements and the independent auditor's report
- Statistical** Provides additional financial and statistical data, including data on financial trends that may better inform the reader about the government's activities

Our CAFR reports on all activities considered part of the primary government of the state of Texas and what Texans generally equate with government services.



These activities are mostly funded by taxes, fees and federal grants and provide a range of services in several key areas:

- Education
- Health and human services
- Public safety and corrections
- Transportation
- Natural resources and recreation
- Regulation
- General government
- Employee benefits
- Teacher retirement state contributions

### Get a Good Read on the CAFR

Though the CAFR is full of statistical and financial tables, it also includes several narrative sections that provide easy-to-read information on the state's finances and economy.

#### The Introductory section:

- Describes the report
- Provides highlights on issues affecting the Texas economy including those addressed by the Legislature
- Features a chart on the state government structure of Texas



### **The Financial section's Management Discussion and Analysis (MD&A):**

- Describes the previous year's financial results and key factors influencing them
- Shows the state's current financial condition
- Provides an overview of likely future economic prospects

### **Notes to the Financial Statements:**

- Gives a clear picture of the state's overall financial position when used with the basic financial statements

## **The CAFR, GASB and GAAP**

That Texas is among a group of states required by law to issue a comprehensive annual financial report is a good thing for Texans because it represents a best practice in government finance.

For example, the CAFR includes additional financial and statistical information that conforms to standards set by the [Governmental Accounting Standards Board](#) (GASB).

The GASB is a private, non-governmental organization and the source of Generally Accepted Accounting Principles (GAAP) used by state and local governments in the United States. The GASB has issued Statements, Interpretations, Technical Bulletins and Concept Statements defining GAAP for state and local governments since 1984.

The GASB's mission as reflected in the preparation and presentation of the CAFR is to:

- Establish and improve standards of state and local governmental accounting and financial reporting that result in useful information for users of financial reports and
- Guide and educate the public including issuers, auditors and users of financial reports.

Because all CAFRS are compiled in accordance with GAAP, that makes them comparable. So you can compare California's CAFR to Texas' CAFR to Florida's CAFR to see how the states are the same or different and do so on an apples-to-apples basis.

## **The CAFR and the GFOA**

When preparing the CAFR, the state also:

- Voluntarily follows the recommendations of the [Government Finance Officers Association](#) (GFOA) of the United States and Canada for the contents of government financial reports and
- Participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting.

## **CAFR independent audit and GFOA Certificate of Achievement**

To be eligible for the GFOA's certification, the CAFR undergoes another financial reporting best practice — an independent audit report on the CAFR's basic financial statements carried out by the Texas [State Auditor's Office](#) (SAO).

Texas is doing it right. The state's CAFR has received GFOA's Certificate of Achievement for Excellence in Financial Reporting every year since 1990 — the year the state of Texas began publishing the CAFR on an audited GAAP basis.



## Cash Report vs CAFR

These reports work side-by-side to provide a powerhouse of Texas state financial information. Each offers a unique perspective on the state's finances which, taken together, cover a lot of ground.

The major differences between Texas' *Cash Report* and CAFR are:

1. The **Cash Report** only includes revenues, expenditures and balances for funds held in the state treasury.

The **CAFR** presents information on all state funds, including those held outside the state treasury such as [local funds](#).

2. The **Cash Report** reports on a cash basis, presenting information for cash receipts and disbursements during the reporting period.

The **CAFR** presents information on an accrual basis, recognizing amounts owed by the state but not paid at the end of the fiscal year, as well as amounts due to the state but not received by the end of the fiscal year.

3. The **Cash Report** is a unique report to the state of Texas and generally not comparable to any other state publication.

Our **CAFR's** basic financial statements are comparable to those of other states because state CAFRs are compiled in accordance with GAAP.

4. The **Cash Report** does not show information on real property and other capital assets, long-term obligations or investments held outside the state treasury.

The **CAFR** includes these and other items relating to the net worth of the state.

5. The **Cash Report** includes a review of the Texas economy.

The **CAFR** has more robust statistical and economic data than the *Cash Report*, including jobs, population and income data.



## Cash Report and CAFR — Quick Reference Table

What are you looking for?	Cash Report	CAFR
Beginning and ending fund balances for a fiscal year	Treasury Fund Detail	
Bond indebtedness		Note 6; Statistical section
Capital asset activity		Note 2
Component units and related organizations		Note 19
Demographic and economic information		Statistical section
Detailed revenue activity by fund	Treasury Fund Detail	
Economic Stabilization Fund (ESF)	Note 6	
Financial trends		Statistical section
Flow of funds to local governments	Table 9	
General Revenue (GR) fund allocations and restrictions	Table 11	
List of all funds in the state's Treasury	Appendix	
Net expenditure activity	Table 7; Table 8	
Postemployment health care and life insurance benefits		Note 11
Retirement plans		Note 9
State's cash position	Table 1	
State's financial performance		Basic financial statements
Summary expenditure activity by fund	Treasury Fund Detail	
Tax rates and taxable bases for major state taxes	Note 4	
Total revenues collected by source	Table 3	

