

What is the Objective of the Final Accounting Process?

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The objective of the Final Accounting process is for the recipient of TWDB funds to certify:

- Whether any remaining unexpended commitment balance exists;
- Whether expenditures were made according to program and Board requirements; and
- Whether surplus funds remain.

The recipient of TWDB funds will certify how the recipient expended the funds.

The Final Accounting process will document a summary report detailing the amount of funding, the major budget categories in which the money was spent, and whether any unspent funds (*i.e.* “surplus”) remain to be addressed.

During this review, the borrower should determine whether there is “an arbitrage issue” (more interest was earned than is allowed according to Internal Revenue Service regulations).

If so, the borrower may need to forward a portion of the excess to the IRS. This concept may be referred to as the “arbitrage issue.”

Disposition of surplus funds is guided by loan, loan forgiveness or grant covenants.

- If the funding source was a loan, TWDB may direct the Escrow Agent to release surplus funds to the entity for deposit into the debt service fund (aka Interest and Sinking Fund).
- If the funding source was loan forgiveness or grant, surplus funds must be returned to TWDB.

Relationship to Single Audits and Subrecipient Monitoring (federal funding only):

If program funding derives from the federal government (EPA, FEMA, etc.) then completion of the Final Accounting serves as a milestone, possibly determining whether compliance with Uniform Guidance requirements mandates the filing of Single Audits in the years after completion of Final Accounting. Upon completion of the Final Accounting, if there are no other federal funds involved, then future Single Audits are not required (federal compliance ends).

Therefore, recipients of federal funding should realize that responding to requests for Final Accounting information is very much to their advantage, since if excused from the filing of Single Audits they would save a great deal of money.

Please note, however, that if sources of federal funding exist (other than from TWDB), then Single Audit requirements may still be required due to those other sources of federal funding.