

# Balance Sheet Accounting 101

## WASBO Spring Conference

May 19, 2022 | 1:10-2:00 pm

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Discover the *Baird Difference*

1

- **Recognize** the importance of bank and balance sheet reconciliation

2

- **Identify** if an asset or liability has a balance, **determine** if the balance is accurate and **perform** a journal entry to fix if applicable

3

- **Create** new equity/fund balance accounts and be able to **distinguish** different equity accounts.

# What is the Balance Sheet?



A statement of **assets**, **liabilities**, and **equity** (fund balance) at a particular point in time.

Assets (70000 series in WUFAR)

Liabilities (800000 series)

Fund Equity/Balance (900000 series)

WISCONSIN UNIFORM FINANCIAL ACCOUNTING REQUIREMENTS		
REPORTED BALANCE SHEET ACCOUNT CODES		
REVISION 21-22.1: JUNE 2021		
	WUFAR	
	BALANCE	
TYPE	SHEET	ACCOUNT TITLE
<b>Assets</b>		
B	711000	Cash
B	712000	Investments
B	713100	Taxes Receivable
B	713200	Accounts Receivable
B	713300	Interest Receivable
B	713400	Lease Receivable
B	714000	Due From Other Funds
B	715000	Due From Other Governments
B	716100	Inventory
B	716400	Assets for Resale
B	717000	Prepaid Expenses
B	719000	Other Fund Assets
B	780000	Deferred Outflow of Resources
<b>Liabilities</b>		
B	811100	Temporary Notes Payable
B	811200	Accounts Payable
B	811300	Judgments Payable

## Baird Video Library Balance Sheet

# How is an Asset or Liability Balance Generated?

**Almost every transaction effects the balance sheet!**

- ***Paying Accounts Payable:***

- Debit: Expense
- Credit: Cash

- ***Cash Receipts:***

- Debit: Cash
- Credit: Revenue

- ***Payroll:***

- Debit: Expense
- Credit: Liability
- Debit: Liability
- Credit: Cash

**It also occurs via journal entry primarily at year-beginning and year-end:**

- ***Invoice received and not paid at year-end:***

- Debit: Expense
- Credit: Liability (Payable)

- ***Revenue received but not deposited at year-end:***

- Debit: Asset (Receivable)
- Credit: Revenue

# Importance of a "Clean" Balance Sheet

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## Imagine a district who closed their books with....

Fund 10 Total Revenues:	\$11,345,222.89
Fund 10 Total Expenditures:	\$11,321,976.77
<b>Surplus/Deficit:</b>	<b>\$23,246.12</b>

## Now...Imagine the auditors found a prior year grant receivable that hadn't been reversed; to fix, they might:

Credit the receivable:		\$101,568.96
<b>Debit</b> the revenue:	\$101,568.96	

## *The district's ending balance is now:*

Fund 10 Total Revenues:	\$11,243,653.93
Fund 10 Total Expenditures:	\$11,321,976.77
<b>Surplus/Deficit:</b>	<b>- \$78,322.84</b>

# Importance of a "Clean" Balance Sheet

**Therefore:** Only when every balance on the balance sheet has a justifiable balance, can you ensure you've fully accounted for current year activity.

## Fund 10 General Fund - Balance Sheet Accounts

Account	Description	Beginning of Year	End of Year
<b>700000 Assets</b>			
10B-711000	Cash	714,464.97	969,241.38
10B-713100	Taxes Receivable	715,661.31	693,478.76
10B-713200	Accounts Receivable	8,206.96	13,538.03
10B-715000	Due From Other Governments	46,740.88	35,957.52
10B-717000	Prepaid Expenses	109,941.00	0.00
	<b>Total Assets (700000)</b>	<b>1,595,015.12</b>	<b>1,712,215.69</b>
<b>800000 Liabilities</b>			
10B-811200	Accounts Payable	27,802.36	20,243.10
10B-811600	Payroll Withholdings and Benefits Payable	85,172.55	81,764.20
10B-811800	Accrued Payroll Payable	207,109.32	202,896.30
10B-816900	Other Deferred Revenue	0.00	1,500.00
	<b>Total Liabilities (800000)</b>	<b>320,084.23</b>	<b>306,403.60</b>
<b>900000 Fund Equity</b>			
10B-936130	Fund Balance Restricted for Unspent Common School Fund Revenues	0.00	1,118.03
10B-939900	Unassigned Fund Balance	1,274,930.89	1,404,694.06
	<b>Total Fund Equity (900000)</b>	<b>1,274,930.89</b>	<b>1,405,812.09</b>



# How to Review the Balance Sheet

## RESOURCES

- **Trial Balance** or **Balance Sheet Report** from financial software
- [WUFAR Balance Sheet Classifications](#)
- Review of Debits and Credits

ACCOUNT	INCREASED BY	DECREASED BY
Assets	Debit	Credit
Expenses	Debit	Credit
Liabilities	Credit	Debit
Equity	Credit	Debit
Revenue	Credit	Debit

# How to Review and Balance Sheet

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1. Print a **Trial Balance**
2. Verify cash and investments are reconciled monthly
3. Cross out all equity and \$0 balances
4. Start with smaller funds (i.e. F80/F99 and work back)
5. Review one-by-one; use WUFAR for assistance
6. Save payroll liabilities for last – they tend to be the most challenging





# Balance Sheet – Bank Reconciliations

## How Do They Relate?

Fd	T	Loc	Obj	Func	Prj	Beginning Balance	FY Debits	FY Credits	Ending Balance
10					GENERAL FUND				

10	A	000	000	711000	000	-580,074.18	10,812,742.89	10,010,474.18	222,194.53
10	A	000	000	711200	000	274,829.03	6,459,635.79	6,735,601.62	-1,136.80
10	A	000	000	712000	000	988,660.21	2,924,342.62	2,990,000.00	923,002.83

10	A	000	000	713100	000	1,058,135.39	150,000.00	1,208,135.39	
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10	A	000	000	713200	000	1,1			
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10	A	000	000	714027	000	114,2			
----	---	-----	-----	--------	-----	-------	--	--	--

10	A	000	000	714039	000				
----	---	-----	-----	--------	-----	--	--	--	--

10	A	000	000	714060	000	1,6			
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10	A	000	000	714073	000				
----	---	-----	-----	--------	-----	--	--	--	--

10	A	000	000	715000	000	6			
----	---	-----	-----	--------	-----	---	--	--	--

10	A	000	000	715420	000	14,3			
----	---	-----	-----	--------	-----	------	--	--	--

10	A	000	000	715500	000	95,6			
----	---	-----	-----	--------	-----	------	--	--	--

10	A	---	---	---	---	1,969,1			
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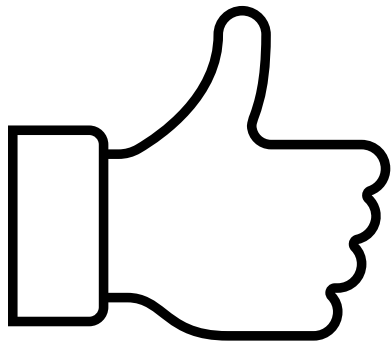
### 700 000

### ASSETS

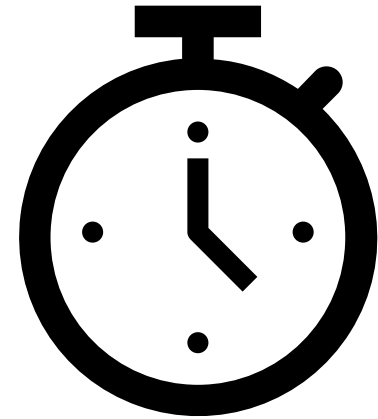
### 710 000 CURRENT ASSETS

711	000	Cash
711	100	Cash on Deposit
711	200	Cash on Hand
711	300	Cash with Fiscal Agent
712	000	Investments
712	100	Certificates of Deposit
712	200	Savings Accounts/State Investment Pool
712	300	Government Securities
712	400	Repurchase Agreement

713	000	Receivables
713	100	Taxes Receivable
713	200	Accounts Receivable



-or-



*If you're up to date,  
way to go!*

*If not, **now** is the time  
to get started.*

## THE FOLLOWING WUFAR CODES RELATE TO ACCOUNTS RECEIVABLE:

### **713000 – Receivables**

- Amounts which the district has not received but is entitled to receive as of the date of the balance sheet

### **714000 – Due From Other Funds**

- Amounts loaned to other funds or due from other funds. This account should only be used on a short-term basis

### **715000 – Due From Other Governments**

- Amounts owed to the district by other governmental units. These include grants, aid, loans, and charges for services rendered by the district.

# Receivables

Example of a Fund 10 year-end balance sheet showing asset account number, beginning balance, debits, credits and ending balance.

Account Number Fd T Loc Obj Func Prj(A,L,Q)	Beginning Balance	Debit Amount	Credit Amount	Ending Balance
10 A 000 000 711000 000	-241912.86	14312528.82	14650690.14	-580074.18
10 A 000 000 711100 000	0	0	0	0
10 A 000 000 711200 000	144094.62	10236021.25	10105286.84	274829.03
10 A 000 000 711210 000	0	347.84	347.84	0
10 A 000 000 711300 000	0	790036.47	790036.47	0
10 A 000 000 712000 000	847203.86	5035169.51	4893713.16	988660.21
10 A 000 000 713100 000	720008	670270	720008	670270
10 A 000 000 713200 000	262.08	17500	262.08	17500
10 A 000 000 713210 000	0	0	0	0
10 A 000 000 714000 000	0	50000	0	50000
10 A 000 000 714027 000	57276	135120.13	78170.1	114226.03
10 A 000 000 714049 000	0	19766	19766	0
10 A 000 000 714060 000	1918.79	94334.66	94640.45	1613
10 A 000 000 714073 000	0	267414.79	267414.79	0
10 A 000 000 715000 000	606.79	621.47	606.79	621.47
10 A 000 000 715200 000	2276.52	0	2276.52	0
10 A 000 000 715420 000	16840.97	14380.7	16840.97	14380.7
10 A 000 000 715500 000	91438	95000	91438	95000
10 A 000 000 715600 000	1802.06	0	1802.06	0
10 A 000 000 717000 000	0	0	0	0

## THE FOLLOWING WUFAR CODES RELATE TO ACCOUNTS PAYABLE:

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### **811000 – Payables**

- Amounts which the district has not paid as of the date of the balance sheet, but which the district is obligated to pay as of the date of the balance sheet.

### **811600 – Payroll Withholdings and Benefits Payable**

- Employee payroll deductions and employer benefits credited to these accounts. Accounts debited when payments made to vendors.

### **811800 – Accrued Payroll Payable**

- Wages earned in fiscal year but not paid until following fiscal year.

# Year-End Accounts Payable

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## THE FOLLOWING WUFAR CODES RELATE TO ACCOUNTS PAYABLE:

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### **812000 – Due To Other Funds**

- Amounts which are owed to other funds. This account should only be used on a short-term basis.

### **813000 – Due To Other Governments**

- Amounts owed to other units of government.

# Payables

Fund 10 year-end balance sheet showing liability account number, beginning balance, debits, credits and ending balance.

Account Number					Beginning Balance	Debit Amount	Credit Amount	Ending Balance
Fd	T	Loc	Obj	Func	Prj(A,L,Q)			
10	L	000	000	811	100	0	0	0
10	L	000	000	811	210	-1203.35	1203.35	25000
10	L	000	000	811	611	21500	21500	25000
10	L	000	000	811	612	0	321001.97	321001.97
10	L	000	000	811	613	0	191673.61	191673.61
10	L	000	000	811	621	-54670.16	330090.03	332081.05
10	L	000	000	811	622	-54670.16	330090.03	332081.05
10	L	000	000	811	631	-112195.4	1014505.6	1027382.5
10	L	000	000	811	632	-9510.43	88281.4	89320.45
10	L	000	000	811	635	-2004.93	20339.04	20455.38
10	L	000	000	811	670	0	264483.7	264483.7
10	L	000	000	811	680	0	6320.36	6320.36
10	L	000	000	811	696	0	16491.69	16491.69
10	L	000	000	811	697	0	280289.84	280289.84
10	L	000	000	811	700	0	0	0
10	L	000	000	811	800	0	6585246.1	6585246.1
10	L	000	000	812	000	0	0	0
10	L	000	000	812	039	0	548713.16	548713.16
10	L	000	000	812	046	-300000	300000	350000
10	L	000	000	812	049	0	60590	60590
10	L	000	000	812	073	-69.09	7153.8	7084.71
10	L	000	000	813	200	-10000	10000	15000

To find the source of the balance:

- ***Chart of Accounts*** – use the detail to track history and related entries
- Detailed ***Balance Sheet Report***

To adjust:

- Determine why the balance exists
- Identify what the correct answer is
- Decide on the correct offsetting entry
- Complete a journal entry



# Adjusting the Balance Sheet to Actual

## Common finds:

- Cash isn't reconciled
- Prior year receivables still "open"
  - Tax Levy
  - Grants
  - Payments from other districts
- Prior year payables still "open"
  - Payments to other districts
  - Payments for invoices booked as payables
- Payroll liabilities

### *To adjust:*

Verify revenue was received

### *If so, common fix:*

Debit: Revenue; Credit: Asset

### *To adjust:*

Verify expense was paid

### *If so, common fix:*

Debit: Liability; Credit: Expense

# Sample Balance Sheet Entries

Correcting the \$.08 debit balance:

	<b><u>Debit</u></b>	<b><u>Credit</u></b>
10 A 000 000 715420 000		\$0.08
10 E 800 969 492000 000	\$0.08	

**Result:** Receivable balance adjusts to \$0.00; OBJ 969 expense increases \$0.08

<u>Fd</u>	<u>T</u>	<u>Loc</u>	<u>Obj</u>	<u>Func</u>	<u>Pri</u>	<u>Beginning</u> <u>Balance</u>	<u>FY Debits</u>	<u>FY Credits</u>	<u>Ending</u> <u>Balance</u>
10					GENERAL FUND				
10	A	000	000	711000	000	-580,074.18	10,812,742.89	10,010,474.18	222,194.53
10	A	000	000	711200	000	274,829.03	6,459,635.79	6,735,601.62	-1,136.80
10	A	000	000	712000	000	988,660.21	2,924,342.62	2,990,000.00	923,002.83
10	A	000	000	713100	000	1,058,135.39	150,000.00	1,208,135.39	
10	A	000	000	713200	000	1,116.55		1,116.55	
10	A	000	000	714027	000	114,226.03		114,226.03	
10	A	000	000	714039	000		1,433.32	1,433.32	
10	A	000	000	714060	000	1,613.00	13,342.56	12,788.08	2,167.48
10	A	000	000	714073	000		133,485.76	133,485.76	
10	A	000	000	715000	000	621.47		621.47	
10	A	000	000	715420	000	14,380.70		14,380.62	0.08
10	A	000	000	715500	000	95,600.89		95,600.89	
10	A	---	---	-----	---	1,969,109.09	20,494,982.94	21,317,863.91	1,146,228.12

# Sample Balance Sheet Entry – PY Receivable Entered as Revenue This Year

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Imagine you have a Debit balance in 715500. You look closer and see that it relates to Computer Aid.

*When looking even closer, you show the \$xxx.xx revenue in source 691 in 2020-21 AND in 2021-22.*

What happened? You accidentally recorded the July receipt of Computer Aid as a revenue this year instead of offsetting the receivable.

## To correct:

	<u>Debit</u>	<u>Credit</u>
10 A 000 000 715500 000		\$xxx.xx
10 R 800 691 500000 000	\$xxx.xx	

**Result:** Receivable balance adjusts to \$0.00; SCE 691decreases \$xxx.xx



## ***Remember...***

These are only examples

Each district's entries will be unique

## Other Balance Sheet Considerations

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Do this reconciliation ***before*** calculating year-end budget-to-actual variances.

Reclassifications may still be needed.

Repeat this process right before closing your books.

Create a reconciliation sheet for your auditors.

Be extra-careful when you process A/P or Cash Receipts in July – August.

Repeat your balance sheet reconciliation in the fall.



***Now is the time to ask for help!***

# Recording Current Year Entries

Almost every transaction effects the balance sheet!

- **Paying Accounts Payable:**

- Debit: Expense
- Credit: Cash

- **Cash Receipts:**

- Debit: Cash
- Credit: Revenue

- **Payroll:**

- Debit: Expense
- Credit: Liability
- Debit: Liability
- Credit: Cash

It also occurs via journal entry primarily at year-beginning and year-end:

- **Invoice received and not paid at year-end:**

- Debit: Expense
- Credit: Liability (Payable)

- **Revenue received but not deposited at year-end:**

- Debit: Asset (Receivable)
- Credit: Revenue

# Entry Fundamentals

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## TIPS & TRICKS

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- ✓ Use semi-accrual account
  - Cash basis most of the year
    - Expense: credits cash / debits expense
    - Revenue: debits cash / credits revenue
  - June 30 closes our books
    - Funds are owed and not yet received or paid
- ✓ Each Entry needs a debit and credit
  - Need an alternative when cash isn't in hand / paid out
- ✓ Money ***owed to the district*** and not yet paid = "Receivable"
  - Receivables = Assets = 7xxxxxx
- ✓ Money the ***owed to others*** = "Payable"
  - Payables = Liabilities = 8xxxxxx
- ✓ Auditors reconcile balance sheet to supporting documentation

# 713000 – Receivables

- 713100 – Property Taxes Receivable
- Portion of 2020-21 property taxes will not be deposited until August and September of 2022

### Journal Entry

- DR 10-A-713100 in the amount of \$670,270
- CR 10-R-xxx-211-500000 in the amount of \$670,270
- Notes:** Look for mobile home taxes; county should verify the receivable; PILT

TAX RECEIVABLES								
	Tax Levy	January Payment	February Payment	April Payment	June Payment	August Payment	September Payment	Balance
Village of Packers	\$ 1,521,492	\$ 917,456	\$260,596	\$ 3,194				\$340,246
City of Badgers	<u>\$1,249,525</u>	<u>\$ 574,763</u>	<u>\$333,365</u>	<u>\$ 11,373</u>				\$330,024
<b>TOTAL</b>	<u>\$ 2,771,017</u>	<u>\$ 1,492,219</u>	<u>\$593,961</u>	<u>\$ 14,567</u>	\$ -	\$ -	\$ -	\$670,270
						10-A-713100		\$670,270



## SCENARIO:

- 715600 – due from *Federal Government*

### Journal Entry

- DR 27-A-715600 in the amount of \$45,000
- CR 27-R-xxx-730-500000-341 in the amount of \$45,000

- District files final 21-22 Federal IDEA Flow Through grant claim on June 30, 2022 in the amount of \$45,000
- This Federal Flow Through claim revenue is considered revenue earned in 21-22 but not deposited until July of 2022

## DPI STAR AIDS Register

- Be sure to recognize all state and federal revenues reflected on your district's 21-22 STAR AIDS register and 22-23 STAR AIDS Register (receivables), which is accessed from the DPI School Finance Website and is a listing of all state aid and all state and federal grant payments made by the DPI to school districts (grants administered by an organization other than the DPI are not reflected in the Aids Register, ie. School Safety Grant)

- 811200 – Accounts Payable

## Journal Entry

- DR 10-E-xxx-551-253200 in the amount of \$25,000
- CR 10-L-811210 in the amount of \$25,000
- **Note:** when you pay this bill in July, remember to pay the bill from the accounts payable account in order to avoid a duplicate expense in the new fiscal year.

## SCENARIO:

- Credit Card Payable in the amount of \$25,000.
- Lawn tractor (\$25,000 cost) delivered and in use prior to June 30, 2022, but credit card bill not payable until July 10, 2022
- **Note:** Be sure to review all invoices that arrive in the school district on or after July 1 and prior to closing the books for the auditors. Some of these invoices may need to be posted as accounts payable in the previous fiscal year.

## SCENARIO:

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- 811600 – Withholdings and related district fringe payable

### Journal Entry

- DR 10-E-xxx-222-110000 in the amount of \$25,000
- CR 10-L-811611 in the amount of \$25,000

- FICA Tax Payable in the amount of \$25,000.
- District portion of FICA tax incurred on summer payrolls expensed prior to June 30, 2022, but not payable until on or after July 1, 2022
- This will most likely be an automated entry generated after the summer payroll is processed.



- Baird Video Library (BVL): Fund Balance
- Mathematical calculation
- Most incorrectly believe Equity = Cash
- Typically reported as of June 30<sup>th</sup>
- Commonly reported as a % of Fund 10 Expenditures
- Prior year equity + current year revenues - current year expenditures = Current year ending equity

# Equity Accounts

TYPE	WUFAR	YEAR STATUS	ACCOUNT TITLE	INSTRUCTIONAL			
	BALANCE SHEET			FD 10	FD 21	FD 29	FD 9
<b>Fund Equity - End of Year</b>							
B	935100	002	Nonspendable Fund Balance	X	X		
B	935200	002	Nonspendable Fund Balance--Corpus of Permanent Fund		X		
B	936110	002	Restricted for Self Insurance	X			
B	936120	002	Restricted for Contractual Obligations	X			
B	936130	002	Restricted for Unspent Common School Fund Revenues	X			
B	936310	002	Restricted for Debt Refinancing				
B	936320	002	Restricted for Other Debt Service Retirement				
B	936500	002	Restricted for Food Service Programs				
B	936600	002	Restricted for Custodial Funds				
B	936800	002	Restricted for Elderly Nutrition Programs				
B	936900	002	Restricted Fund Balance	X	X	X	
B	937900	002	Committed Fund Balance	X	X		
B	938900	002	Assigned Fund Balance	X	X		
B	939900	002	Unassigned Fund Balance	X			

- Not all equity accounts are used or allowed in every fund
- Review the WUFAR matrix to make sure your choices are appropriate in the fund you are adjusting.

## Restricted Fund Balance (936900)

- The restricted fund balance classification should be reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

## Committed Fund Balance (937900)

- The committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the district's highest level of decision-making authority (generally the governing board). Also, such constraints can only be removed or changed by the same form of formal action.

## Assigned Fund Balance (938900)

- The assigned fund balance classification reflects amounts that are constrained by the government's intent to be used for specific purposes but meet neither the restricted nor committed forms of constraint.

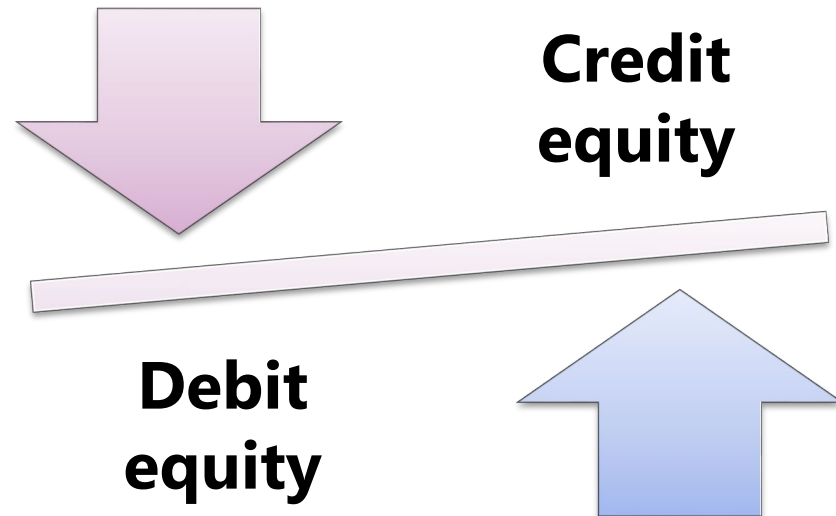
## Unassigned Fund Balance (939900)

- The unassigned fund balance classification is the residual classification for the general fund only. It is also where negative residual amounts for all other governmental funds would be reported.

# Reclass Equity Accounts

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- Equity may need to be reclassified
  - Incorrect/outdated code
  - To reserve or assign
- Debt equity and credit equity
  - The current balance identifies which to debit/credit



# Incorrect Equity Account

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**10 Q 000 000 933000 000**

**-\$1,379,504**

Journal Entry

DR 10 Q 000 000 933000 000

\$1,379,504

CR 10 Q 000 000 939900 000

\$1,379,504



# Assign Fund Balance

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**10 Q 000 000 939900 000**

**-\$1,379,504**

## Journal Entry

DR 10 Q 000 000 939900 000

\$500,000

CR 10 Q 000 000 938900 000

\$500,000

## Result:

**10 Q 000 000 939900 000-\$879,504**

**10 Q 000 000 938900 000-\$500.000**

# How to Create/Modify Equity Accounts

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1. Create "Summary Accounts"
2. Create WUFAR equity accounts linking summary accounts
3. Change default equity/summary accounts for new accounts if applicable
4. Mass change current accounts to point to new equity account



*It can be helpful to create separate equity accounts for Fund 21 to easily retrieve balances*

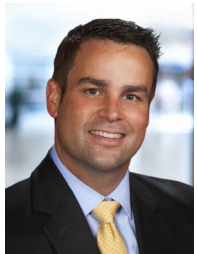
- ✓ Start looking at your balance sheet now!
- ✓ Make sure your cash is reconciled
- ✓ If balances for asset and liability accounts exist, do the balances make sense?
- ✓ Be prepared to explain and reconcile balances to your auditors



Questions?

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# Meet the Baird School Finance Team



**Brian Brewer**  
Managing Director  
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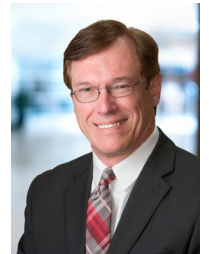
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