

State Fiscal Year-End Closing

Office of Financial Management
Statewide Accounting
May 2011

Today's Agenda

- Closing schedule for FY 11
- FY end to do's/reminders
- Disclosure form changes
- New GASB Standards
- SAAM updates

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Faster CAFR Initiative

Thanks to the fiscal staff at all state agencies we met our goal to publish the FY 10 CAFR early – November 30th!

Why the push for an earlier CAFR?
What's the goal for FY 11?

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Date		FY 11 Closing Calendar
6/30	Last day of the fiscal year, cash cutoff	
7/22	Interagency billings mailed	
7/29	Phase 1 closes	
8/1	Disclosure form application opens	
9/13	Phase 2 closes – agency adjustments completed*. Disclosure form application closes, state & federal forms are due#.	
9/27	State disclosure certification form is due#.	
10/7	Phase 3 closes, audit adjustment phase	
12/6	Federal assistance certification form is due	
	* early close by Community Colleges on 8/16, DOT on 8/24. # this is a change from prior years	4

Interagency Billings 90.20.50

- **Mail by July 22nd** (*Even if you need to use estimates. Mark it clearly as an “estimate”. Follow up with the actual bill as soon as possible.*)
- Start reconciling early by cleaning up old balances.
- Communicate with each other!

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Phase 2 Agency Adjustment Phase

- All AFRS entries should be entered by Phase 2 close (September 13th). SAAM 90.20.70
- Our goal is to publish the CAFR early again for FY11 (November 21st) so we need accurate, complete data by Phase 2 close.

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Phase 3 Audit Adjustment Phase

If you (or your auditor) find a material adjustment or error after Phase 2 close contact us!

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Fiscal Year End to do's & reminders

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Review your In-Process 85.50.40

- Review your AFRS unbalanced In-Process and error reports regularly
- Research and clear items asap.
- Take the “In-Process Report” training class.

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GL 9920 Clearing Account

- The CAF005 Clearing Accounts Review (GLs 9910 and 9920) ER report was removed from Production
- It's still very important to check
- Use the hard copy report from AFRS or EOS

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Reconcile your GLs 90.20.70

- Assets and liabilities must be properly and completely stated
- Revenues and expenditures/ expenses must be recorded in the proper period with the correct coding.
- GL codes with subsidiary accounts must be reconciled to the subsidiary records.

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What could happen if you don't reconcile your GLs?

1. Unreliable financial data
2. Audit findings
3. Theft or fraud
4. Appropriations overspent
5. Large prior period adjustments
6. Embarrassing media attention

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What are the benefits of reconciling your GLs?

1. Accurate financial data
2. Detect/fix errors (in a timely manner)
3. Detect/prevent fraud (good internal controls)
4. Be in compliance with SAAM & agency internal policies

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What are the benefits of reconciling your GLs? (continued)

5. Manage budgets effectively
6. Safeguard the state's assets
7. Accurate grant billings
8. Activity is recorded in the proper period
9. Other?

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Review your Trial Balance Report

- Are all the Accounts and GLs valid for my agency?
- Is there current year activity in each GL, if appropriate?
- Are Asset & Expenditure GL balances debits and Liability & Revenue GL balances credits?
- Are the GL balances correct? Does my agency internal system or supporting documentation agree to the amounts on the AFRS trial balance?

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Which Accounts typically have GL problems?

01P Suspense Account

Run an ER trial balance report & check the AFRS In-Process reports. Clear asap.

035 State Payroll Revolving Account

- Run an ER trial balance report and reconcile each GL.
- GL 5188 Savings Bonds Payable s/b zero.
- Take the "Payroll Revolving Account Reconciliation" class.

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Construction in Progress GL 2510

- Review & reconcile GL 2510
- When projects are complete move them to the appropriate capital asset GL.

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Review your subobject codes

Certain subobject codes are to be used only for interagency payments, not for payments to outside vendors.

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Code	Subobject Title	Pay to:
EK	Facilities & Services	GA
EL	Data Processing Services	DIS, OFM, DOP
EM	Attorney General Services	AG
EN	Personnel Services	DOP, OFM
ET	Audit Services	SAO
EV	Admin Hearing Services	OAH
EW	Archives & Records Mgt Services	Sec of State
EX	OMWBE Services	OMWBE

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Receive Goods & Services by June 30 90.20.25

Goods and services must be received by calendar day June 30 to be included as an expenditure/expense or asset in FY11. If received after calendar day June 30 it's FY12.

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Use ER Reports

ER Reports show problems and help with researching AFRS activity.

Favorites:

- Questionable balance – Assets (option B*)
- Questionable balance – Liabilities (option B*)
- GL Accounts with Unchanged Balances
- Interagency & Interfund receivables/payables
- General Ledger Analysis Flexible

* Option B includes the subsidiary GL accounts

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**Immaterial Prior Period Adjustments
GL 3215 90.20.15**

Debits to revenue source 0485
“Immaterial Prior Period Adjustments”
are generally not appropriate and
require OFM approval.

ER report: “Prior Period Adjustment
Activity”

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**Clean up any remaining estimated
accruals from a prior period**

- Timing: Make the adjustment when it is expected that no further payments will be made.
- Normally within 12 months of the end of the EA period, but no later than 2 years.

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Interagency accruals 90.20.50

- Remember that EFTs, IAPs & IFTs are the most efficient & cost effective means of payment (85.36.10).
- The effective date is the date cash is credited to the receiving agency by OST.
- Be aware of any AFRS processing lag time.

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Interagency payments via Warrant

The date on the warrant determines the payment date.

You pay another state agency (that has a local account) with a warrant dated June 30th and they don't receive it until July 2nd. Do you need to set up a payable at June 30? No. The date on the warrant is the effective date.

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Administering Agencies

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Are you an Administering Agency?

Administering agencies are designated by OFM to provide general oversight of financial accounting records at the Account level.

- Check the Fund Reference Manual on-line new feature #3 "Account Listing by Administering Agency."
- Run an ER Admin Agency Trial Balance report
Admin Agency = your agency #
Account = * (all)

ER report folder: Financial Reports/Administering Agency

Admin Agency Responsibilities

80.10.90 and 90.10.40.c

Review Asset, Liability and Fund Balance GLs

Review Cash and In-process GLs

Alert OFM Budget about fund balance issues

Contact your OFM SWA consultant about
unusual activity and/or GL balances

Sign up for the “Administering Agencies”
training class for more information

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FY-End Financial Reporting classes

- State Fiscal Year-end Closing Update
- Federal Fiscal Year-end Closing Update
- Expenditures & Payables workshop
- Revenues, Reconciliations, and Phase 2 Adjustments workshop

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Other Recommended Training Classes

- General Ledger (GL) Review
- In-Process Report Training
- Administering Agency
- Internal Control: Basics
- Payroll Revolving Account Reconciliation
- Health Insurance Reconciliation

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ER Training Classes

- Enterprise Reporting Financial Reports - for New Users
- Enterprise Reporting Web Intelligence - Advanced Users
- Enterprise Reporting - Introduction to Web Intelligence (AFRS Financial Queries)

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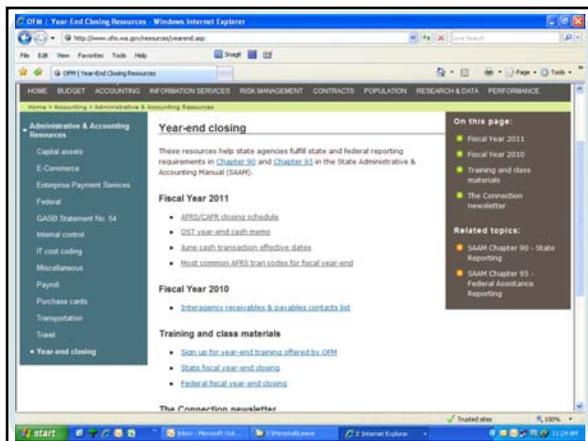
OFM On-line Resources

Year End Closing Resources:

- AFRS/CAFR closing schedule
- OST cash memo
- June cash transaction effective dates
- Most common AFRS tran codes for year-end
- Interagency receivable/payable contact list

<http://www.ofm.wa.gov/resources/yearend.asp>

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Disclosure Forms

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State Disclosure Forms 90.40
State Financial Disclosure Certification form

- Read the 18 items listed
- Signed by Agency director & CFO
- Include attachments, if applicable:
 - AG letter on litigation
 - Site Status Report for Pollution Remediation
 - Any exceptions to the certifications
- Due 2 weeks after Phase 2 close (new)

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State Disclosure Forms 90.40
State Financial Disclosure Certification form
#1 “The transactions recorded in AFRS for
FY 11 accurately & completely reflect our
agency’s activity & ending account balances
for each of the accounts listed below.”

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State Disclosure Forms 90.40

State Financial Disclosure Certification form

#13 “. . . The balances shown for capital assets in AFRS reflect fairly our agency’s capital assets on June 30 and these balances have been reconciled to our authorized capital asset subsidiary system.”

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State Disclosure Form Changes –FY 11

Operating Lease form – added a reconciliation to the amounts coded to subobjects ED & EH in AFRS.

- ED – Rentals & Leases – Land & Buildings
- EH – Rentals & Leases – Furnishings & Equipment

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Account:

1. **Operating Leases (state agency in leases):** For all operating leases whose rental term is one year or longer that were charged to subobjects ED and EH for the fiscal year ended June 30, disclose the total lease expense expenditures paid to external entities (not state agencies) in the "External Entities" column. Disclose payments to the Department of General Administration for state-owned property, or payments to other state agencies for operating leases in the "Other State Agencies" column.

	External Entities	Other State Agencies	Total
Minimum Lease Expenses			
Contingent Lease Expenses			
Total Operating Lease Expenses			

Reconciliation

Subobject ED - EH

AFRS Amount	Entered Amount	Difference (should be zero)

If there is a difference, please provide an explanation below:

Future Minimum, Operation and Capital Lease payments (state agency in leases):

New GASB Standards

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GASB 51 - FY10

“Accounting and Financial Reporting for Intangible Assets”

An intangible asset is an asset that has all three of the following characteristics:

- Lack of physical substance
- Nonfinancial in nature
- Initial useful life extending beyond 1 year

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GASB 51 - FY10 continued

Common examples of intangible assets:

- Internally generated assets such as internally developed computer software
- Land use rights purchased separately: easements, water, timber, & mineral rights
- Patents, trademarks, & copyrights

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GASB 51 - FY10 continued

Internally Generated Intangible Assets are:

- Created or produced by the govt or an entity contracted by the govt; or
- Acquired from a 3rd party but require more than minimal incremental effort to achieve expected service capacity

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GASB 51 - FY10 continued

SAAM 30.20.10.b

Internally generated computer software:

Stages		Expense or Capitalize?
1	Preliminary	Expense
2	Development	Capitalize
3	Post-implementation	Expense

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SAAM Changes - GASB 51 continued

Added new subobject codes:

EY Software Maintenance and Leases

JB Non-capitalized Software

JQ Software

JR Intangible Assets

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SAAM Changes - GASB 51 continued

Software purchased – what subobject?

<u>Life</u>	<u>Cost</u>	<u>Subobject</u>	<u>Capitalized</u>
< 1 year		EY Software maint. & leases	No
> 1 year	< \$1 million	JB Non-capitalized software	No
> 1 year	>\$1 million	JQ Software	Yes

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GASB 51 - FY10 continued

What should my agency be doing?

- Be aware of the new requirements, read SAAM 30.20.10.b
- Talk to your IT department
- Review your internally developed software projects with them to see if the projects may exceed the \$1 million capitalization threshold (stage 2)

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GASB 54 – FY11

“Fund Balance Reporting and Governmental Fund Type Definitions”

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GASB 59 – FY11

“Financial Instruments Omnibus”

Updates existing standards regarding the financial reporting of certain financial instruments & external investment pools.

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SAAM Updates

SAAM directives are posted on our website

<http://www.ofm.wa.gov/policy/directives.asp>

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Statewide Project Type Codes 75.65

Effective July 1, 2010:

- Added mandatory project type codes to the statewide chart of accounts
- Requires certain IT expenditures to be coded as:
 - X:** Acquisition/New Development
 - Y:** Maintenance and Operations

- Deferred for Higher Ed until July 2013

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Chapter 10 Travel

Effective July 1, 2010, ESSHB 2617

- Restrictions on travel for boards & commissions
- Restrictions for use of private facilities by state agencies

Effective February 18, 2011, ESHB 1086

Eliminated the requirement for prior approval for meetings held in private facilities at no cost

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Chapter 85 Accounting Procedures

Effective January 1, 2011

- Modified Equipment COP (Certificate of Participation) accounting transactions
- Added illustrative entries for a real estate COP refunding transaction

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Chapters 90, 75 & 85

Effective June 1, 2011:

- Chap 90 – the State year end changes we just reviewed
- Chap 75 & 85 – GASB 54 changes. New GLs, new rollup funds.

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July 1, 2011 SAAM Update

Issued in June

Chapters 10 Travel, 12 Transportation, 15 & 16 Contracts, 25 Payroll, 30 Capital Assets, 40 E-Commerce, 45 Purchase Cards, 50 Federal Compliance, 60 Moving Policies, 70 Other Admin, 75 Chart of Accounts, 80 Accounting Policies, 85 Accounting Procedures

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Contacts and Resources

OFM website <http://www.ofm.wa.gov/>

SAAM <http://www.ofm.wa.gov/policy/default.asp>

Enterprise Reporting

<http://reporting.ofm.wa.gov/businessobjects/enterprise10/eportfolio/en/logonform.csp>

AFRS Help Desk (360) 664-7725

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