

State Fiscal Year-End Closing Update

OFM, Statewide Accounting

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Today's Agenda

- **Closing calendar for FY 13**
- **FY end to do's & reminders**
- **Disclosure form changes**
- **New GASB Standards**
- **Training and resources**

Faster CAFR Initiative

- Thanks to the fiscal staff at all state agencies we met our goal to publish the FY 12 CAFR early – on November 15th!
- Why the push for an earlier CAFR?
- What's the goal for FY 13?

<u>Date</u>	<u>FY 13 Closing Calendar</u>
6/28	Last working day of the fiscal year, cash cutoff
7/23	Interagency billings mailed
7/15	Disclosure form application opens (earlier)
7/31	Phase 1 closes
8/23	Phase 1B – certain state disclosure forms due (new)
9/6	Phase 2 close – agency adjustments completed*. Disclosure form application closes, remaining state & federal forms are due.
9/18	State disclosure certification form is due.
12/6	Federal assistance certification form is due

* early close by Community Colleges 8/12, DOT 8/13, DNR 8/16.

Interagency Billings 90.20.50

- **Mail by July 23rd** (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!**

Phase 2 Agency Adjustment Phase

- All AFRS entries should be entered by Phase 2 close (Sept 6th).
- Refer to SAAM 90.20.70 – list of adjustments & reconciliations to do.
- Our goal is to publish the CAFR early again for FY 13 (Nov 8th) so we need accurate, complete data by Phase 2 close.

Phase 3 Audit Adjustment Phase

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

What's new about the FY13 closing calendar?

Phase 1B – early due date for certain state disclosure forms

- **3 Cash & Investment forms***
- **3 Bond forms**
- **COPs on the Liability form**

***Will affect most agencies**

****Request an extension from SWA if the early date can't be met**

Review In-Process 85.50.40

- Review your AFRS unbalanced In-Process & Error reports
- Check GL 9920 Clearing Account
- Research and clear items ASAP
- “In-Process Report” training class

Reconcile GL codes 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.

Reconcile all GL codes

- Don't reconcile some GLs this FY, and the remaining GLs next FY.
- Problems with one GL are frequently related to another GL.
Example: A receipt was credited to GL 1312 A/R, when it should have been credited to GL 1319 Other Receivables. Now both GL balances are wrong.

Construction in Progress GL 2510

- **Review & reconcile GL 2510 in AFRS**
- **Upon completion reclassify CIP to a capital asset (for example Buildings GL 2210)**
- **Record the asset in your capital asset system (CAMS or authorized alternate system)**

“Reconciliations, required” SAAM index

Capital assets - with capital asset management system	85.60.60
Capital assets - physical inventory	30.45.40
Cash in commercial institutions	85.50.40.c
Cash in-process	85.50.40.b
Cash receipts	85.20.10.c; 85.50.40
Estimated accruals GL 6560	90.20.30; 90.20.40
Fiscal year-end reconciliations	90.20.70
Inventory - periodic	35.10.50.b
Petty cash - treasury accounts <i>and more</i>	85.50.60.d

GL Reconciliations – Things to consider:

1. Which GLs should be reconciled?
2. How often should they be reconciled? (*check SAAM requirements & your internal agency policies*)
3. What should GLs be reconciled to?

GL Reconciliations -

Things to consider:

4. Who should perform the GL reconciliation?
5. Who should review it? (*think about roles & segregation of duties*)
6. What tools are available? (*ER reports*)

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**

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**

What are the benefits of reconciling your GLs?

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

Review your Trial Balance report

- 1. Are all the Accounts and GLs valid for my agency?**
- 2. Is there current year activity in each GL, if appropriate?**
- 3. Have prior year short-term receivables & payables been liquidated (GLs 13xx & 51xx)?**

Review your Trial Balance report

- 4. Do Asset & Expenditure GLs have a debit balance?**
- 5. Do Liability & Revenue GLs have a credit balance?**
- 6. Are the GL balances correct? Does my agency internal system or supporting documentation agree to the GL amounts on the AFRS trial balance report?**

Review your Trial Balance Report

Analytical Review

Compare the \$ amount for each GL code at:

- July 1 (Beginning of FY)
- June 30 (End of FY)

In terms of the \$ amount change or the % change is the current year-end balance reasonable?

Accounts that typically have GL problems

01P - Suspense Account

- It's a temporary account – GL balances should be cleared on a regular basis.
- Run an ER trial balance report & check the AFRS In-Process reports. Clear ASAP.

035 - State Payroll Revolving Account

- Important to reconcile monthly.
- Run an ER trial balance report and reconcile each GL code.
- “Payroll Revolving Account Reconciliation” class.

Review your subobject codes

- Certain subobject codes are only to be used for interagency payments
- Do not use these codes for payments to outside vendors

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

Subobject ER – Other Contractual Services

Check what's coded to Subobject ER

Examples in SAAM include:

Custodial, interagency, court reporters, lay witnesses, process servers, security, data entry, keypunch, testing and application programming services, offsite data storage, and network monitoring

Use Enterprise Reporting

ER Reports show problems and help with researching AFRS activity

Favorite reports:

- Questionable Balance – Assets (option B*)
- Questionable Balance – Liabilities (option B*)
- GL Accounts with Unchanged Balances
- Interagency & Interfund Receivables/Payables
- General Ledger Analysis Flexible (detail history)

*** Option B includes the subsidiary GL accounts (highly recommended)**

GL 3215 - Immaterial Prior Period Adjustments

- Debits to revenue source 0485
“Immaterial Prior Period Adjustments”
are generally not appropriate and require
OFM approval
- Use ER report “Prior Period Adjustment
Activity”
- See SAAM 90.20.15 & 90.30.35

Unliquidated estimated accrued expenditures/expenses 90.20.45, 90.30.35.a

- Monitor estimated accruals at the Account/Expenditure Authority level
- Timing:
 - Make an adjustment when it is expected that no further payments will be made.
 - Normally within 12 months of the end of the Expenditure Authority period, but no later than 2 years.
- Use an Immaterial Prior Period Adjustment

Shortages in estimated accrued expenditures/expenses

- Applicable to Appropriated Accounts
- It's a correction, not a prior period adjustment
- Belated Claim -request SWA approval
- Difference is paid with current year Expenditure Authority
- SAAM 90.20.47, 90.30.35.b, 85.40.10

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 (2 day lag)

Interagency payments via Warrant

Rule: The date on the warrant determines the payment date.

Q: You pay another state agency (that has a local account) with a warrant dated June 27th and they don't receive it until July 2nd. Do you need to set up a payable at fiscal year-end?

A: No. The date on the warrant is the effective date.

SAAM 90.20.25

Goods and services must be received by calendar day June 28 (the last working day in June) to be included as an expenditure/expense or asset in FY13

- **Exception for 24/7 operations – June 30**
- **Includes appropriated Proprietary accounts**

If received after calendar day June 28 it's FY14 activity

Capital Asset review

- 1. How often is a physical inventory required?**
- 2. Does the physical inventory have to be conducted on calendar day 6/30?**
- 3. Is every agency required to have a written internal policy for managing small & attractive assets?**
- 4. Are agencies required to use CAMS?**
- 5. Is a reconciliation required between AFRS & CAMS (or alternate system)? How often?**

Transfers

- Be sure to use the correct Tran Code so that transfer amounts show up correctly as debits or credits in AFRS
- Transfers from one Account to another Account within the same agency must be in balance

Transfers

Check your ER “Transfers” report

- Transfers Out (source 0622) should display in the debit column
- Transfers In (source 0621) should display in the credit column
- If not, you will have problems when you fill out the Transfer disclosure form at FY end

Are you an Administering Agency?

Administering agencies provide general oversight of financial accounting records at the Account level

- Check the Fund Reference Manual on-line “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

- Refer to SAAM 80.10.90 and 90.10.40.c
- Review Asset, Liability & Fund Balance GL codes
- Review Cash and In-Process GL codes
- Alert OFM Budget about fund balance issues
- Contact your OFM SWA consultant about unusual activity and/or GL balances
- “Administering Agencies” training class

Fiscal Year-End Training

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

Other Recommended Training Classes

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

On-line Resources –OFM website

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>

State Financial Disclosure Certification form

- Read the 19 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
- Hard copy form is due 9/18/13
 - Re-sign & re-submit if material changes are made after the original submission

State Financial Disclosure Certification form

#1 “The transactions recorded in AFRS for FY 13 accurately & completely reflect our agency’s activity & ending account balances for each of the accounts listed below.”

State Financial Disclosure Certification form

#14 “. . . 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.”

DF - New for FY13

- **Phase 1B** early due date for certain state disclosure forms
- **Cash & Investment** forms – changed from 2 columns (FDIC & PDPC) to 1 column titled “Insured or Collateralized”
- **Cash & Investments** – a new question related to externally restricted cash (retainage, held by a trustee in escrow, customer deposits, etc)

State Disclosure Forms	Phase 1B Early Completion	SAAM	Required	Completed
Bond Debt by Major Class – Summary of Activity Disclosure	*	90.40.55		Yes / N/A
Bond Debt Refunding Activity Disclosure	*	90.40.55		Yes / N/A
Bonds Payable General Disclosure	*	90.40.55		Yes / N/A
Capital Assets – Summary of Activity Disclosure		90.40.38		Yes / N/A
Cash and Investments General Disclosure	*	90.40.20		Yes / N/A
Cash on Hand and in Bank Disclosure	*	90.40.20		Yes / N/A
Certificates of Deposit (Non-negotiable) Disclosure	*	90.40.20		Yes / N/A
Certificates of Participation Disclosure – OST		90.40.45		Yes / N/A
Financial Disclosure Certification		90.40.95	Required	Yes
Inventory Disclosure		90.40.35		Yes / N/A
Lease Disclosure		90.40.45		Yes / N/A
Liabilities by Major Class – Summary of Activity Disclosure	*COPs only	90.40.45	Required	Yes

DF - New for FY13

- **Liability** form-added a reconciliation box for COPs GLs 5173/5273 in Account 999
- “Deferred & Unearned Revenues” form retitled to “**Unavailable & Unearned Revenues**” due to GASB 63/65
- **Bonds Payable** form – new question for capitalized bond interest expense in an enterprise fund type that is added to the cost of a capital asset

DF - New for FY13

- **Questionnaire** type forms no longer default to a “No” answer (Bonds Payable, Bond Debt Refunding, Cash & Investments, Miscellaneous)
- **Lease form**
 - Question 2 is a table for reporting future operating and capital lease payments by year
 - In this table report only existing leases through the ending year of the signed lease agreement.
 - Do not project or list data for leases that did not exist as of 6/30/13.

New GASB Standards

GASB standards – FY13

- **60 Service Concession Arrangements**
- **61 The Financial Reporting Entity: Omnibus, amends GASB 14 & 34**
- **62 Codification of Pre-Nov 30,1989 FASB Pronouncements**
- **63 Deferred Outflows, Deferred Inflows & Net Position**
- **65 Items previously reported as Assets & Liabilities**

GASB 63/65 Financial Stmt changes

Old categories	New Categories
Assets	Assets
	Deferred Outflows of Resources
Liabilities	Liabilities
	Deferred Inflows of Resources
Fund Balance/ Net Assets	Fund Balance/Net Position

GASB 63/65 GL Changes

GL	GL Title	Action	Category
1920	Unamortized Bond Issue Costs	Delete GL	--
1921	Unamortized COP Issue Costs	Delete GL	--
1971	Deferred Outflows on COP Refunding	New GL	Deferred Outflows
1972	Deferred Outflows on Bond Refunding	New GL	Deferred Outflows
1973	Accumulated Decrease in Fair Value of Hedging Derivatives	New GL	Deferred Outflows

GASB 63/65 GL Changes

GL	GL Title	Action	Category
5192	Unavailable revenues – ST	New title	Deferred Inflows
5292	Unavailable revenues – LT	New title	Deferred Inflows
5266	Deferred Inflow on COP Refunding	New title	Deferred Inflows
5268	Deferred Inflow on Bond Refunding	New title	Deferred Inflows
5283	Accumulated increase in fair value of hedging derivatives	New GL	Deferred Inflows

Unearned vs. Unavailable Revenues

GL code	5190/5290	5192/5292
GL Type	Liability	Deferred Inflow
GL Title	Unearned Revenue	Unavailable Revenue Previously “Deferred Revenue”
Description	Cash has been received, but the revenue has not yet been earned	Applies to a future period so revenue will not be recognized until that time.
Examples	<ul style="list-style-type: none"> • Prepaid tolls • Prepaid tuition • Insurance premiums received in advance 	<ul style="list-style-type: none"> • Revenue associated with LT receivables that won't be collected within the next 12 mos. • Contracts for the harvest of timber that extend beyond 12 mos.
Allowed in Account type	Governmental & Proprietary fund type accounts	Governmental fund type accounts only

Questions?

Contacts and Resources

SAAM http://www.ofm.wa.gov/policy/default.asp	Connection newsletter http://www.ofm.wa.gov/reports/connect/connect.pdf
OFM Website http://www.ofm.wa.gov/ Year-End Resources http://www.ofm.wa.gov/resources/yearend.asp	Enterprise Reporting http://reporting.ofm.wa.gov/businessobjects/enterprise10/eporfolio/en/logonform.csp
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