Introductions

- ✓ Housekeeping
- ✓ Schedule
- ✓ Handouts
- ✓ Year-End Experience
- ✓ Year-End Duties

Continuing Professional Education

Please Note:

To receive CPE, you are required to document the time of sign in AND sign out on the Class Sign In Sheet.

Sign in and out for CPE credit

Agenda

- ✓ CAFR and SAAM
- ✓ Ongoing GL Review, Reconciliations, and Corrections
- ✓ Chapter 90 State Reporting
- ✓ Tools and Resources
- ✓ Exercises

Course Objectives

At the end of this class, you should:

✓ Gain knowledge on what accounting entries need to be done at year-end.

✓ Have a general understanding of the year-end accounting and reporting process

✓ Be aware of the fiscal closing schedule and what is to be completed at the end of each phase

✓ Be familiar with AFRS posting process and how it affects year end activities

Course Objectives

At the end of this class, you should:

✓ Be aware of common problems encountered in balancing interagency payables and receivables and how to reach resolutions with other agencies

✓ Be aware of what reconciliations are needed at year-end

✓ Be able to analyze ER (Enterprise Reporting) reports for possible adjustments

✓ Be familiar with the on-line resources that are available

Comprehensive Annual Financial Report (CAFR)

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State of Washington
Office of Financial Management
November 2018

What is the CAFR?

- ✓ CAFR - Comprehensive Annual Financial Report
- ✓ Official annual financial report of the state
- ✓ Includes all accounts, account groups, and component units of the state

Comprehensive Annual Financial Report (CAFR)

Who Prepares the CAFR?

The CAFR is prepared by OFM's Statewide Accounting, **however** the information for the CAFR comes from ALL state agencies.
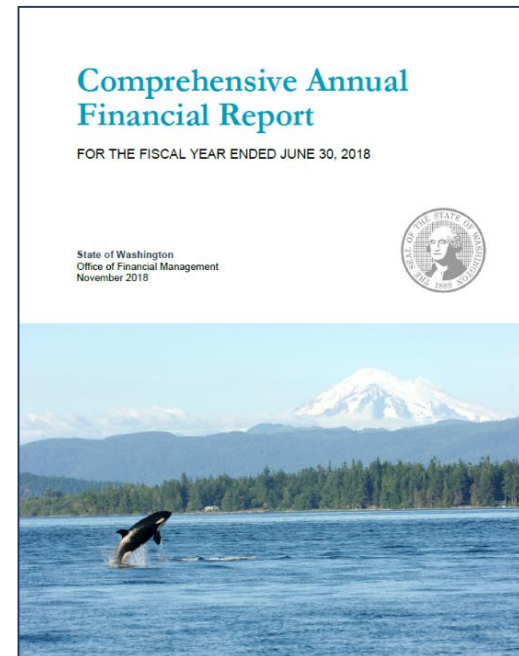
YOU are an essential part of publishing an accurate, timely CAFR!!

Comprehensive Annual Financial Report (CAFR)

Why Do We Prepare the CAFR?

- ✓ To meet the legal requirements of RCW 43.88.027
- ✓ For bond rating agencies
- ✓ To provide financial information to the Legislature and other decision makers
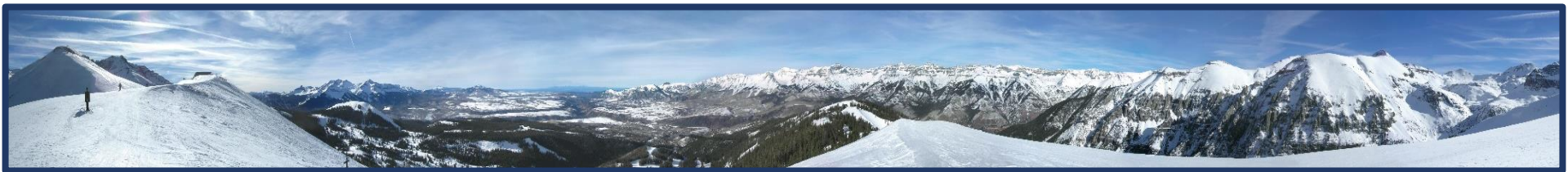- ✓ For the public (the CAFR is posted online)

Comprehensive Annual Financial Report (CAFR)

How and When is the CAFR Prepared?

✓ Financial data comes from the Agency Financial Reporting System (AFRS)

✓ Additional information comes from Disclosure Forms (a web application)

✓ Must be published by December 31st (within 6 months after the end of the fiscal year)

State Administrative and Accounting Manual (SAAM)

✓ SAAM provides the minimum requirements that state agencies must meet

✓ Agencies are notified of updates via OFM directives e-mailed to agency fiscal officers (SAAM is updated throughout the year)

✓ Chapter 90 State Reporting (updated in May)

- Closing calendar
- FY-end cut-off procedures
- Illustrative JV entries
- Disclosure forms (state)

Year-End Closing Resources Online

✓ AFRS/CAFR closing schedule

✓ FY19 closing calendar

✓ Most common AFRS transaction codes for fiscal year-end

✓ OST year-end cash memo link

✓ Interagency receivable/payable contact list

https://www.ofm.wa.gov/accounting/administrative-accounting-resources/year-end-closing

Important Dates to Remember

- **June 28 – last day of FY 19, cash cutoff**
- **July 15 – disclosure form application opens**
- **July 19 – interagency billings must be mailed**
- **July 31 – end of Phase 1 – agency accruals**
- **Aug 16 – Phase 1B - certain state disclosure forms due**
- **Aug 16 – Interagency receivable/payable balancing due***
- **Aug 30   – end of Phase 2 – agency adjustments completed**
- **Aug 30   – remaining disclosure forms are due**
- **Sept 11 – state financial disclosure certification is due**
- **Nov 8   – CAFR published (goal for 2019)**
- **Feb 28   – federal assistance certification is due**

* Prioritize interagency receivable/payable reconciliations as many agencies have early internal close dates.

General Reminders

Starting July 1st, there are 3 fiscal months open:

- [ ] FM 24 (regular monthly activity through July 16th)
- [ ] FM 25 (FY 19 adjustment activity)
- [ ] FM 01 (FY 20 activity)

Analyze each document and post it to the appropriate fiscal year. Do it right the first time!

Daily Activities

- ✓ AFRS Batch Header summary (IN.3)
  - • Correct errors & release batches

- ✓ Unbalanced In-Process Reports
  - • "In-Process Reports" training class

- ✓ GL 9920 Current Period Clearing Account
  - • Balance must be zero
  - • Non-cash entries

Monthly Activities

✓ Monitoring – Expenditure Budgets

✓ Appropriations vs. Expenditures
- Appropriations cannot be overspent
- As FY end approaches check frequently

✓ ER folder: Financial Reports/Accounting/Budget/Actuals

Allotments Overspent
Appropriations Over Allotted
Appropriations Overspent***
Appropriations Versus Actuals*

Monthly Activities

- ✓ Monitoring – Revenue Budgets

- ✓ Allotments vs. Revenue
  - If your expenditures are limited by revenue collected don't wait until year end to check actual revenue.

- ✓ ER folder: Financial Reports/Revenue
  - *Estimated Revenue Versus Cash and Accrued Revenue Flexible*

Ongoing Activities

General Ledgers:

- ✓ Review
- ✓ Reconciliations
- ✓ Correct identified errors timely

"Nominal" Versus "Real" GLs

Nominal GL balances:

- ✓ They're Temporary
- ✓ Close to Fund Balance at Biennium End
- ✓ Examples:
  - Revenues (GL 32xx)
  - Expenditures/Expenses (GL 65xx)

"Nominal" Versus "Real" GLs

Real GL balances:

- ✓ They're Permanent
- ✓ Carry forward to the next Biennium
- ✓ Examples:
  - Assets (GL 1xxx & 2xxx)
  - Liabilities (GL 5xxx)

Quick Quiz

GL type	GL	Nominal or Real?	6/30/19 BI 19	7/1/19 BI 21
Expenditures	6510	?	$2 million	?
Revenue	3210	?	$10 million	?
Receivable	1312	?	$5 million	?
Receivable	1312	?	($10,000)	?

General Ledger Review

The purpose is to:

✓ Discover <u>errors and potential problems</u>

✓ Make corrections in a <u>timely manner</u>

✓ Maintain agency <u>compliance with SAAM</u>

✓ Maintain <u>compliance with internal policies</u>

- General Ledger Review training class –

- General Ledger Reconciliations training class -

General Ledger Review

Review data to ensure:

- ✓ Assets and liabilities are properly and completely stated

- ✓ Revenues and expenditures/expenses are recorded in the proper period with the correct coding

- ✓ GL codes with subsidiary GL accounts are reconciled to the subsidiary records

General Ledger Reconciliations

Reconciliation means that you:

✓ Know what makes up the balance in each GL

✓ Have a plan for any action that is needed.

> This includes prior year or prior biennium balances.

Examples:

Cash	Receivables	Payables

- General Ledger Reconciliation: Basic class
- GL 5111 Accts Payable Reconciliation class

General Ledger Reconciliations

✓ Assets GLs should have <u>debit</u> balances

✓ Liability GLs should have <u>credit</u> balances

✓ <u>Every GL</u> listed on these reports must be researched and corrected

✓ Check subsidiary GLs also (<u>always</u> choose group option B on report parameter)

ER folder: Financial Reports/Accounting/Exceptions

> *Questionable Balances – Assets and Deferred Outflows of Resources (group option B)*

> *Questionable Balances – Liabilities and Deferred Inflows of Resources (group option B)*

25

SAAM 90.20.70

General Ledger Reconciliations

What Does "Liquidated" Mean?

✓ For a receivable, a liquidation posted if a cash receipt was processed.

Examples include:

Cash Receipt	Manual JV

✓ For a payable, a liquidation posted if a cash payment was processed.

Examples include:

EFT	IAP
Warrant	Manual JV

SAAM 90.20.70

General Ledger Reconciliations

Date	Revenue	Receivable	Cash
6/30	1,000	1,000	
1 October		1,000	1,000

0

Fully Liquidated

| 2 October | | 800 | 800 |

200

Under liquidated

| 3 October | | 1,200 | 1,200 |

200

Over liquidated

SAAM 90.20.70

General Ledger Reconciliations

Unchanged Balance Report:

✓ Used to identify [potential](#) problems

✓ Look for GLs you expect should have activity, but don't

  ✓ *Investigate if those GLs appear on report*

✓ Look for potential short-term receivable/payable liquidation problems (GLs 13xx & 51xx)

ER folder: Financial Reports/Accounting/Exceptions

➡ *General Ledger Accounts with Unchanged Balances*

General Ledger Reconciliations

Some GLs Are Only Updated at FY End

GL	GL Title
14xx	Inventories
5225	Vacation Leave Payable
5227	Sick Leave Payable
2xxx	Capital Assets & Accumulated Depreciation*

*Ok for a small agency with minimal activity, but for a larger agency or a lot of activity should record and reconcile monthly or quarterly

General Ledger Reconciliations

Some GLs Change Only When a Specific Event Occurs

GL	GL Title
1130	Petty Cash
4320*	Beg Treasury Cash Balance – Admin Agency
4325*	Beg Treasury Cash Balance – Agency
9xxx*	Fund Balance (general rule, some exceptions)

Updated only when the biennium closes in AFRS

General Ledger Reconciliations

There are some GLs which <u>always</u> require an offsetting GL in the <u>same</u> amount.

Examples:

GL 1410 – Consumable Inventories (DR)
    GL 9120 – Nonspendable-Consumable Inventories (CR)

This reserves fund balance so it's not available for appropriation.

GL 1353 – Due from Other Funds (DR)
    GL 5153 – Due to Other Funds (CR)

These GLs are required to be in balance within an agency.

GL 1354 – Due from Other Agencies (DR)
    GL 5154 – Due to Other Agencies (CR)

These GLs are required to be in balance between agencies at FY end.

SAAM 90.20.70

General Ledger Reconciliations

Fiduciary type funds

✓ Interagency receivables & payables (GLs 1354 & 5154) must have a zero balance at June 30 in fiduciary type funds.

✓ Interfund receivables & payables (GLs 1353 & 5153) must have a zero balance at June 30 in fiduciary type funds.

✓ Examples:

- Account 01P – Suspense Account
- Account 035 - State Payroll Revolving Account

General Ledger Reconciliations

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
- ✓ Reconcile each GL monthly
- ✓ Attend the *Payroll Revolving Account Reconciliation class*

General Ledger Reconciliations

Trial Balance Review

✓ Are all accounts and GLs valid for your agency?

✓ Is there current year activity if appropriate?
- *(certain GLs may only have activity at FY end)*

✓ Are the GL balances going in the right direction and are they reasonable?
- Assets = Debits
- Liabilities = Credits

SAAM 90.20.70

General Ledger Reconciliations

Trial Balance Review

- ✓ What makes up the balances in your receivable & payable GLs?

- ✓ Are the GL balances correct? Do internal system or supporting documentation agree to the GL balance in AFRS?

- ✓ Have the beginning balances in short-term receivables & payables been fully liquidated (GLs 13xx & 51xx)?

- ✓ Are "offsetting" GLs in balance?

SAAM 90.20.70

General Ledger Corrections

"R" Reverse code

✓ The purpose of the R code is to reverse an original entry made in <u>error</u>

✓ Use the R code when reversing an original transaction to avoid inflating AFRS debit & credit activity

✓ Can not use the R code if the original transaction was a payment, IFT, or encumbrance

General Ledger Corrections

"R" Reverse code

Transaction	Debit (+)	Credit (-)
Original Transaction	+ $10	-$10
Reversal Transaction	(+ $10)	(-$10)
Result	**$0**	**$0**

Both sides net to zero

General Ledger Corrections

Practice Exercise A

Questions 1 & 2

Use the "Most Common Tran Code" worksheet

Are You Ready for FY End?

- ✓ Clear Unbalanced In-Process/Current Period Clearing Account GL 9920

- ✓ Keep up-to-date on payments, receipts & cancellations

- ✓ Check GL balances remaining from last year, last biennium or prior (estimated accruals)

- ✓ Check Revenue Source 09

ER folder: Financial Reports/Accounting/Exceptions

Major Source 09 (Non-Revenue) to be Redistributed

Cash Cutoff

Cash cut-off is the last working day in June (FY19 = June 28th)

For Treasury Accounts:

- ✓ If cash (receipts or disbursements) activity is recorded by OST on June 28th or before, it should <u>not</u> be accrued for FY19

- ✓ Cash activity after calendar day June 28th is recorded in FY20 by OST

- ✓ After FM24, limit use of In-Process GLs (71xx)

Cash Cutoff

Cash Deadlines for June Payments

AFRS EFT	June 26th	7:30 pm*
AFRS Warrants	June 27th	7:30 pm*
IAP (interagency) / IFT (interfund)	June 27th	7:30 pm*
OST EFT JV	June 27th	Noon**
OST JV or Cash Receipt	June 28th	3:00 pm **

*AFRS closes for input at 7:30 pm
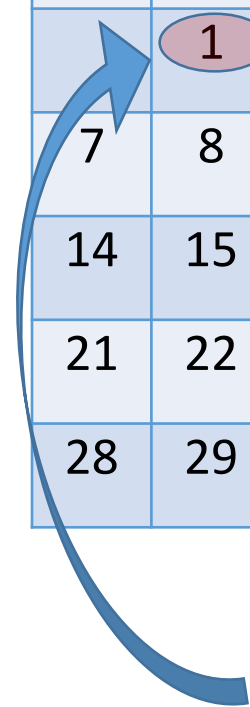
** Must be delivered to OST by this date/time

https://www.tre.wa.gov/wp-content/uploads/ClosingFY19.pdf

Cash Cutoff

June (FY 19)

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23/30	24	25	26	27	28	29

July (FY 20)

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

EFT must be processed by:

Warrants/IAP/IFT must be processed by:

Manual JVs must be processed by:

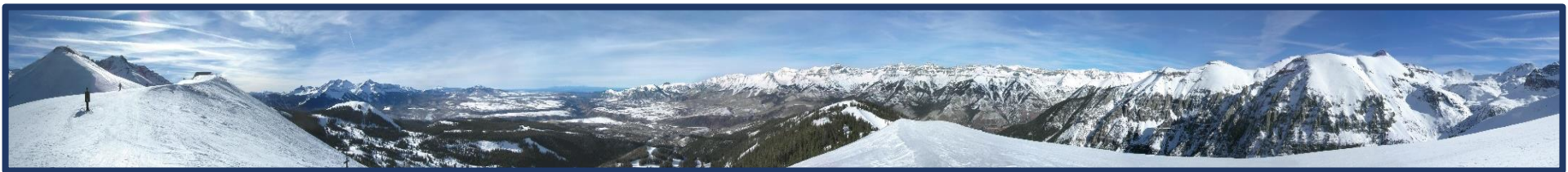All cash entries after June 28 are recorded in FY 20

Cash Cutoff

Payment with wrap occurring before cash cutoff:

TC	GLs - Debit/Credit	Coding
210	6505/5111	Accrue expenditure/book payable
398	6510/6505	Reclassify accrued expenditure to cash (actual) expenditure
	5111/7120	Liquidate payable/begin cash movement
OST	7120/4310	OST moves cash and payment is made

Cash Cutoff

Payment with wrap occurring after cash cutoff:

TC	GLs - Debit/Credit	Coding
210	6505/5111	Accrue expenditure/book payable
818	5111/7120	Liquidate payable/begin cash movement
OST	7120/4310	OST moves cash and payment is made

It's July 1ˢᵗ -- Now What?

There are 3 fiscal months open:

FM24	Open through July 16th
FM 25	FY19 adjustment activity, open through August 30th
FM 01	For FY20 new year activity

Pay attention to the fiscal month used for <u>every</u> transaction – it will save you time later fixing errors!

Prior Period Adjustments

Prior period adjustments are corrections of errors discovered after a fiscal year has been closed.

Two types: Material and Immaterial

- ✓ **SWA determines which it is depending on the dollar amount**
- ✓ **Material prior period adjustments require SWA approval**

SAAM 90.20.15

Prior Period Adjustments

GL 3215 Immaterial Adjustments to Prior Periods

Revenue Source 0485 Immaterial Prior Period Adjustments – SAAM definition:

- ✓ Immaterial corrections related to prior period activity
- ✓ Generally, only credits are allowed
- ✓ Debits require the approval of the agency's OFM accounting consultant
- ✓ Only used with GL 3215 "Immaterial Adjustments to Prior Periods"

SAO monitors this revenue source closely

Prior Period Adjustments

GL 3215 Immaterial Adjustments to Prior Periods

Revenue Source 0486 Recoveries of Prior Expenditure Authority Expenditures – SAAM definition:

- ✓ **Receipt of cash/vendor credit for the recovery of an expenditure/expense charged to a prior period**

- ✓ **Record liquidation of over-estimated accrued expenditures/expenses from a prior period when it is expected that no further payments will be made**

- ✓ **Generally, only credits are allowed**

- ✓ **Debits require approval of the agency's OFM accounting consultant**

Prior Period Adjustments

GL 3215 Immaterial Adjustments to Prior Periods

Unliquidated estimated accrued expenditures/expenses – this adjustment is made when it is expected that no further payments will be made, normally within 12 months of the end of an expenditure authority period.

Debit: GL 5111 Accounts Payable

Credit: GL 3215 Immaterial Adjustments to Prior Periods, (source 0486 - Recoveries of Prior Expenditure Authority Expenditures)

Debits to GL 3215 require SWA approval and are generally not allowed

Recovery of a Prior Period Expenditure Authority

Prior Period Expenditure Recovery example:

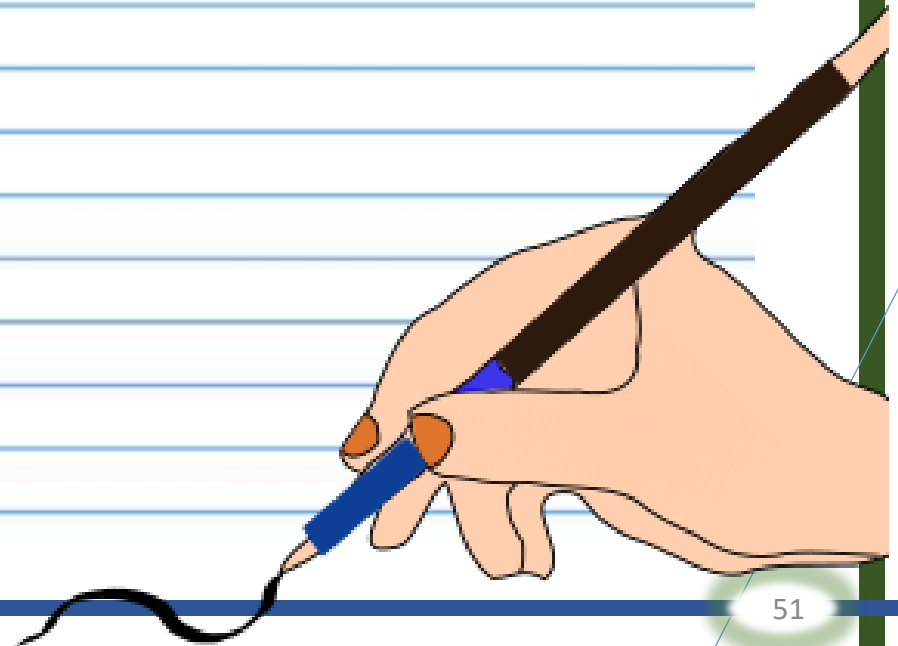**Debit**: Cash/Receipts In-Process GL 7110

    Credit: Cash Revenues GL 3210, source 0486*

*Source 0486 Recoveries of Prior Expenditure Authority Expenditures

Class Review

Practice Exercise B

Questions 1 – 7

Accrual Activity (Phase 1)

Phase 1: ends July 31st

- ✓ Revenue/Receivables and Unearned/Unavailable Revenue
- ✓ Expenditures/Payables
- ✓ Accounting Estimates
- ✓ Interagency Accruals(between agencies)*
- ✓ Interfund Accruals (between accounts)

* Included in Phase 1B close – August 16th

Revenue Recognition

General Rule: Revenue is recognized in the period it is earned (i.e., goods or services are provided).

GAAP recognition criteria:

- ✓ Governmental type account
  - Measurable and available
- ✓ Proprietary type account
  - When earned

Revenue Accrual Adjustments

What if our receivable GL balance from a prior fiscal year is incorrect?

Over accruals:

Adjust over accruals as a decrease to revenue in the current period*:

    Debit: Revenue

      Credit: Receivable

*True even between bienniums

SAAM 90.20.20.d, 90.30.35.d

Revenue Accrual Adjustments

Over accruals:

Transaction	Accounts Receivable		Revenue		Cash	
Record Receivable	$50			$50		
Receive Cash		$40			$40	
	$10			$50	$40	
Cleanup Over-Accrual		**$10**	**$10**			
Balance	**$0**			**$40**	**$40**	

*True even between bienniums

SAAM 90.20.20.d, 90.30.35.d

Revenue Accrual Adjustments

Under accruals:

Adjust under accruals as an increase to revenue in the current period*:

Debit: Receivable
Credit: Revenue

*True even between bienniums

If federal or private/local revenue, contact your OFM SWA consultant

SAAM 90.20.20.d, 90.30.35.d

Revenue Accrual Adjustments

Under accruals:

Transaction	Accounts Receivable		Revenue		Cash	
Record Receivable	$50			$50		
Receive Cash		$75			$75	
		$25		$50	$75	
Cleanup Over-Accrual	**$25**			**$25**		
Balance	**$0**			**$75**	**$75**	

*True even between bienniums
If federal or private/local revenue, contact your OFM SWA consultant

SAAM 90.20.20.d, 90.30.35.d

Revenue Accruals

When cash has <u>NOT</u> been received by June 28th for revenues that meet the revenue recognition criteria…

Record a revenue accrual in FM 25:

Debit: Receivable (GL 13xx)
     Credit: Accrued Revenue (GL 3205)

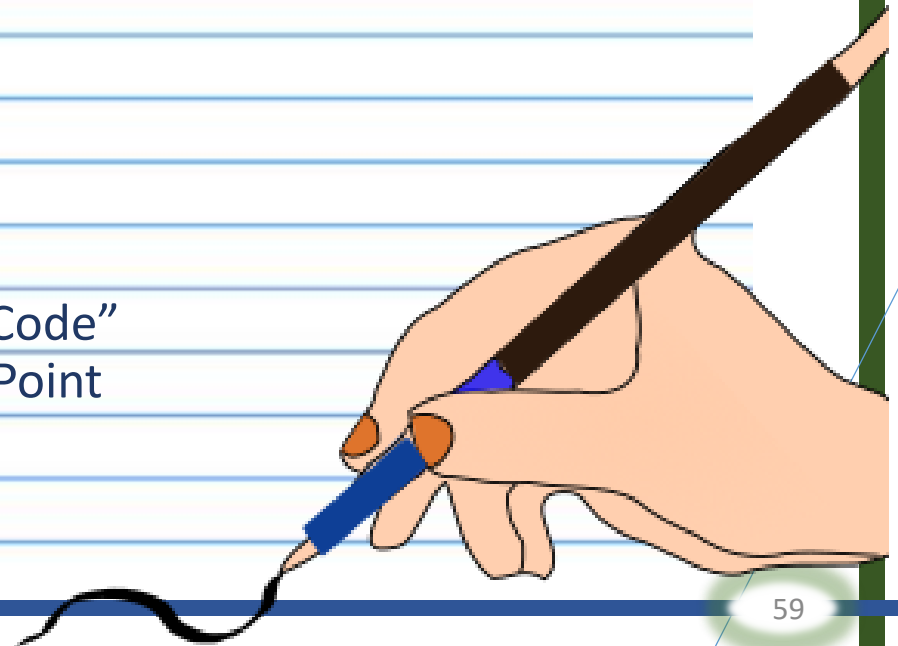*Refer to R-1 on Most Common Tran Codes document*

SAAM 90.20.20, 90.30.40

Revenue Accruals

Practice Exercise C

Questions 1 – 6

Use the "Most Common Tran Code"
worksheet and refer to PowerPoint
slides 54-58

Unearned Revenue

When cash is received by June 28th for revenues that do <u>NOT</u> meet the revenue recognition criteria *(an advance payment)...*

Record Unearned Revenue in FM 25:

Debit: Cash In-Process(GL 71xx)
       Credit: Unearned Revenue (GL 5190)

Unearned Revenue

GL 5190/5290 Unearned Revenue

- ✓ $$ Cash you received in advance, but haven't earned yet
- ✓ Examples:
  - • Prepaid tolls
  - • Prepaid tuition
  - • Insurance premiums received in advance
- ✓ May be used in both governmental and proprietary fund type accounts

Unavailable Revenue

GL 5192/5292 Unavailable Revenue

✓ Deferred inflow of resources
✓ Measurable but not available
✓ Applies to a future period, so revenue will not be recognized until that time.
✓ May be used only in governmental funds type accounts.
✓ Examples (5292):
  • Revenue associated with LT receivables that won't be collected within the next 12 months
  • Contracts for the harvest of timber that extend beyond 12 months
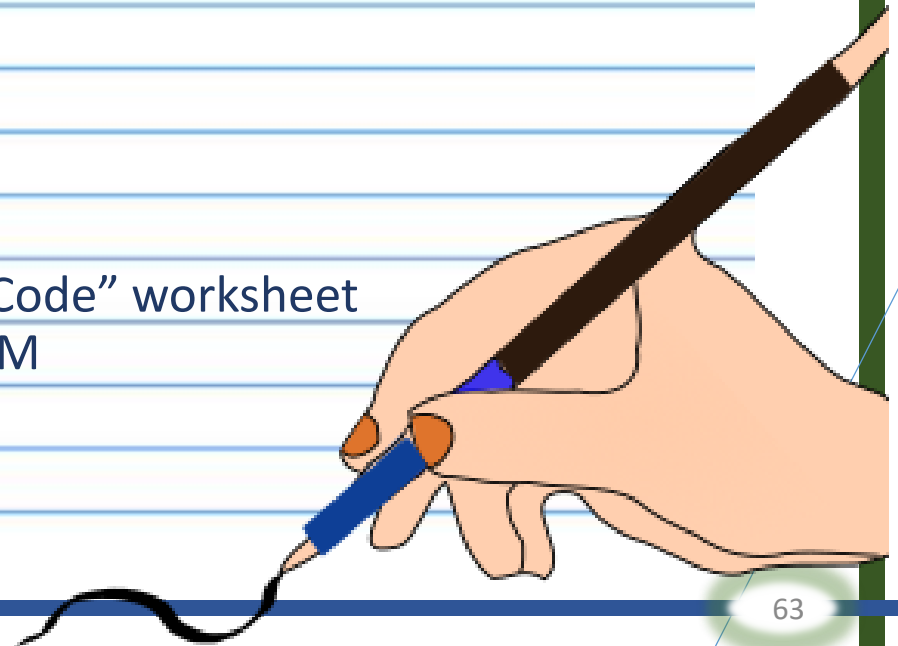✓ Limited usage (5192)

SAAM 90.40.50, 85.70.40
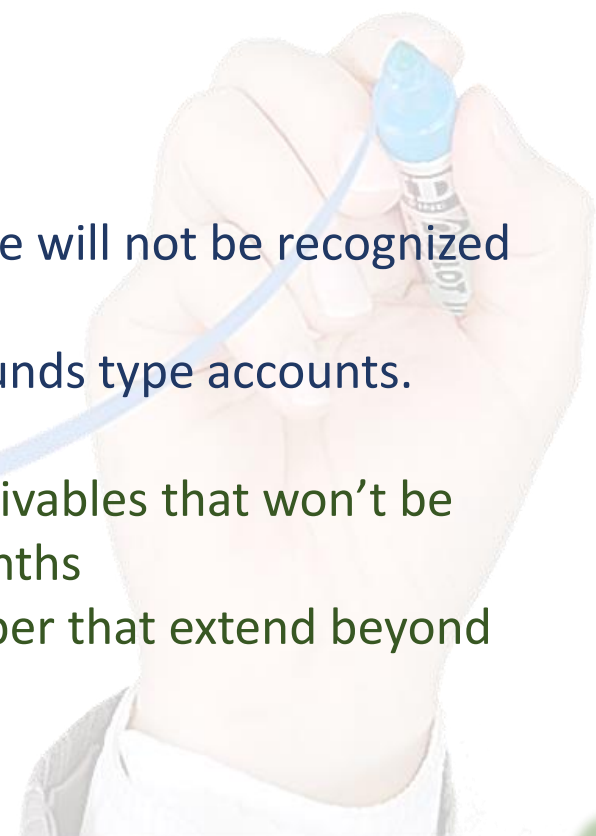
Revenue Accruals, Cash Receipts, and Unearned Revenue

Practice Exercise D

Questions 1 - 4

Use the "Most Common Tran Code" worksheet and be careful with the FY & FM

Expenditure/Expense Recognition

General Rule: Expenditures are recognized in the period in which the liability has incurred (i.e., goods or services have been received).

GAAP recognition criteria:

- ✓ Governmental type account
  - When due or expected to be liquidated with current resources.
- ✓ Proprietary type account
  - When incurred, if measurable

SAAM 90.20.25

General Reminders

Batch Type X_ (in AFRS)

Do not use batch type X_ for FY 19 accruals. Automatic reversals may error out in AFRS.

General Reminders

FM	Batch Type	TC	GLs	Coding
23	X_	736	6505/5111	FY19 Expenditure Authority & Coding
24	Y_	736R	(6505/5111)	FY19 Expenditure Authority & Coding

FM	Batch Type	TC	GLs	Coding
24	X_	736	6505/5111	FY19 Expenditure Authority & Coding
01	Y_	736R	(6505/5111)	**FY20 Expenditure Authority & Coding**

Expenditure/expense accruals – biennium end

Expenditure/Expense General Ledger Codes

- ✓ 6505 – **Accrued** expenditures/expenses
- ✓ 6510 – **Cash** expenditures/expenses
- ✓ 6560 – **Estimated accrued** expenditures/expenses

Biennial Expenditure Authority

Permission that is good for two years and authorizes agency to spend certain amount of money.

- ✓ Operating: Primary government activities
- ✓ Capital: Activities to build or acquire major capital assets

Single Year Operating Expenditure Authority

Expenditure Authority that is good for one year and authorizes agency to spend up to certain amount of money.

SAAM 90.20.40

Expenditure/expense accruals – biennium end

Expenditure/expense accruals when *amount is known* (use GL 6505):

- ✓ **Invoices ➔ Payments**

  In AFRS, generally, transaction codes that generate a payment record the accrual automatically per SAAM.

- ✓ **Corrections or distributions ➔ JV**

  These are generally movements of expenditures/expenses within an agency and will be covered in the Interfund section

SAAM 90.20.40

Expenditure/expense accruals – biennium end

Expenditure/expense accruals when amount is not known but _can be reasonably estimated_ (use GL 6560):

Debit: Estimated accrued expenditures/expenses (GL 6560)

Credit: Appropriate payable (GL 51xx)

Purpose:

Timing	Budget Management

Do NOT make a payment based
on an ESTIMATED invoice or statement!

SAAM 90.20.40.b

Expenditure/expense accruals – biennium end

Encumbrances (GL 6410) – Reservation of Expenditure Authority

Use encumbrances for:

- ✓ Material obligations/contracts

Do NOT use encumbrances for:

- ✓ Routine costs
- ✓ Salaries/wages/employee benefits
- ✓ Taxes

SAAM 85.30.10.a, 90.20.40

Expenditure/expense accruals – biennium end

All encumbrance balances must be <u>zero</u> at the end of the biennium. To liquidate balances:

- ✓ Make a payment IF goods/services were received by June 30th AND you have received an invoice

    Use TC 211 or 221 with modifier 'F' (6505/5xxx & 9510/6410)

- ✓ Manual liquidation if goods/services were NOT received by June 30th OR goods/services were received but you have not received an invoice
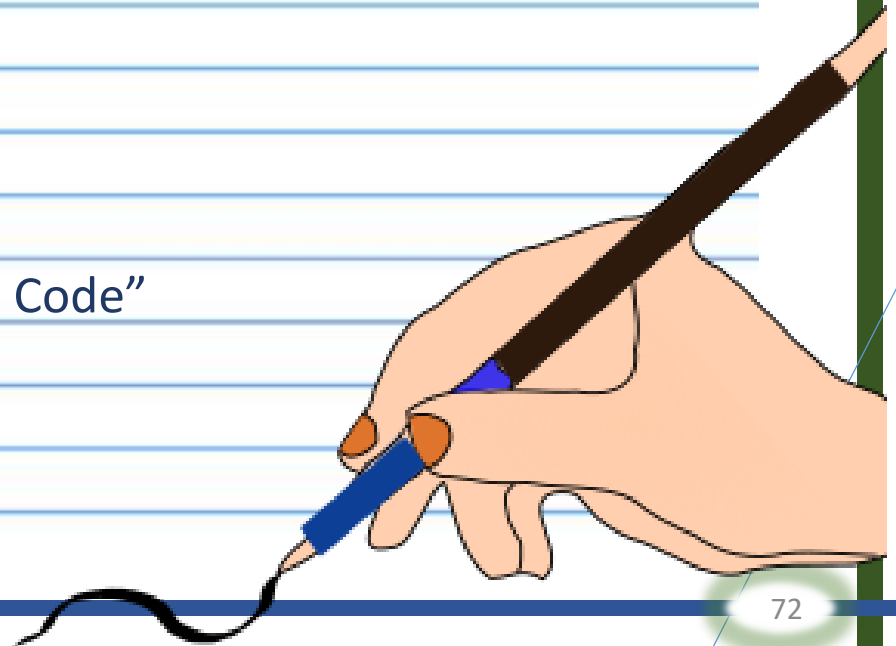
    Use TC 207 with modifier 'F' (9510/6410)

Recording Expenditure/Expense Accruals (non-state agency vendors)

Practice Exercise E

Questions 1-5

Use the "Most Common Tran Code" worksheet

Accounting Estimates

Agencies are to establish a process for preparing accounting estimates.

- ✓ Identify situations requiring estimates
- ✓ Identify relevant factors affecting estimates
- ✓ Gather data – sufficient and reliable
- ✓ Develop assumptions on most likely outcome
- ✓ Determine estimated amount based on data, assumptions, and relevant factors

Cooperation between fiscal, program staff, purchasing unit, contract unit, etc. is essential!

Accounting Estimates

Estimated accruals recorded in GL 6560 must be monitored at the account and expenditure authority level.

- ✓ **Remove un-liquidate payable balances within twelve months (90.20.45)**

  DR: Payable (51xx)

       CR: Immaterial Adjustments to Prior Period (3215)

       Source 0486-Recoveries of Prior Expenditure Authority Expenditures

- ✓ **Shortages in prior year estimates require belated claim*** **(90.20.47)**

  - • Request and obtain approval from OFM

  - • Charge current year expenditure authority

  *applies to appropriated accounts only

Monitoring Estimated Accrued Expenditures/Expenses

Practice Exercise F

Questions 1 - 7

Use the "Most Common Tran Code" worksheet

Interagency Accruals

************** **IMPORTANT******************

Interagency receivables (GL 1354) and payables (GL 5154) are required to balance statewide at fiscal year-end.

Follow same rules we just covered for recording the expenditure/expense, but use GL 5154 with appropriate subsidiary.

✓ **Actual invoice ➜ record as accrued (GL 6505)**

✓ **Estimated invoice➜ record as estimated (GL 6560)**

SAAM 90.20.50

Interagency Accruals

**** SPECIAL HANDLING REQUIRED ****

Subsidiary codes:

✓ Community & Technical Colleges (**6990xx**)

✓ State Board for Community and Technical Colleges (**699000 – NOT 352000**)

✓ SAAM 75.20.10 lists all agency codes

Focus on reconciling interagency receivable/ payables early

Interagency Accruals

**** SPECIAL HANDLING REQUIRED ****

Example:

Community/Tech College Subsidiary = 6990<u>xx</u>

Renton Tech College Agency# = 6<u>93</u>0

Renton Tech College Subsidiary = 6990<u>93</u>

Interagency Accruals

**** MORE SPECIAL HANDLING ****

Do **NOT** use GL 5154 for some interagency payments:

- ✓ Dept. of Revenue for sales and use tax ➔ use GL 5158

- ✓ HCA, DRS (certain items), DOT (Good to Go!) ➔ use GL 5152

- ✓ Employment Security Dept. for paid family medical leave ➔ use GL 5180

- ✓ Dept. of Labor & Industries for medical aid deductions ➔ use GL 5187
  [note: if accrued by HRMS, pay in FY 20]

- ✓ State Treasurer for Certificates of Participation ➔ use GL 5173/5273

- ✓ Discrete Component Units ➔ use 5159

Complete list of exceptions to using GL 5154 and list of component units are in SAAM.

Interagency Accruals

If you are the BILLING agency:

- ✓ Must have delivered goods or rendered services by June 30

- ✓ Invoices must be sent to other agency by July 19. Estimated invoices are OK, but should be clearly marked as estimates. Actual invoice is still required once amount is known.

You should be able to provide a listing of all invoices outstanding as of June 30 to support receivable balance for any agency requesting it.
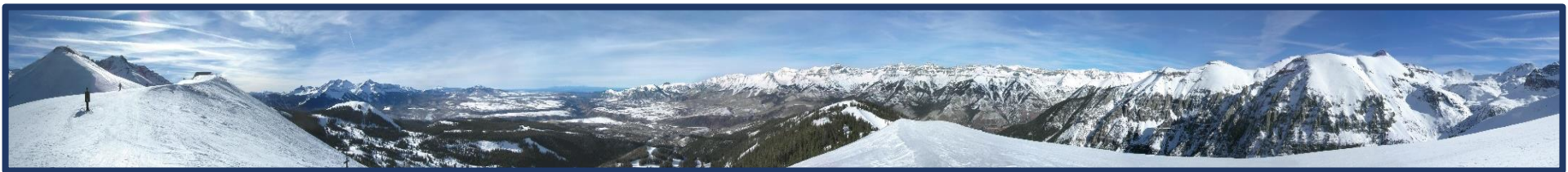
Interagency Accruals

If you are the PAYING agency:

✓ Accruals are required if you received the goods or services by June 30, but did not make the payment by June 30*.

✓ May record accruals based on estimated invoices, but do **not** pay from an estimated invoice. Wait until you receive the actual invoice and then pay.

*Effective date of payment is the date OST posts cash (GL 4310) for IAP, EFT, and JV payments; and the date shown on the face of the warrant/check, regardless of when it is received by the agency.

Interagency Receivable/Payable

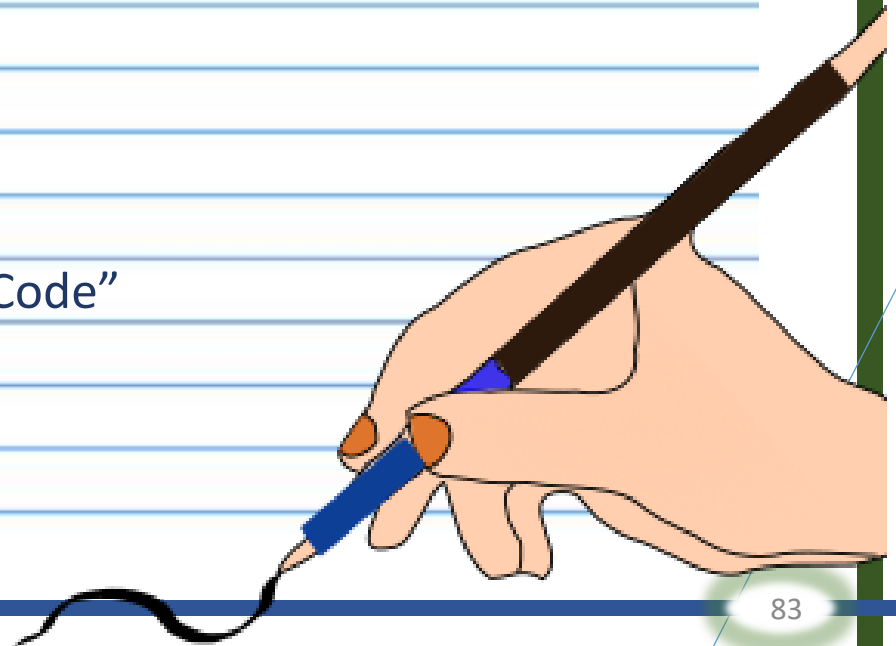All Interagency Receivables and Payables must be balanced by August 16th.

Expenditures/Expense Accruals (state agency vendors)

Practice Exercise G

Questions 1-5

Use the "Most Common Tran Code" worksheet

LET'S WORK TOGETHER

"Sometimes you must put aside your differences and work together to achieve success."

"Great things in business are never done by one person. They are done by a team of people." - Steve Jobs
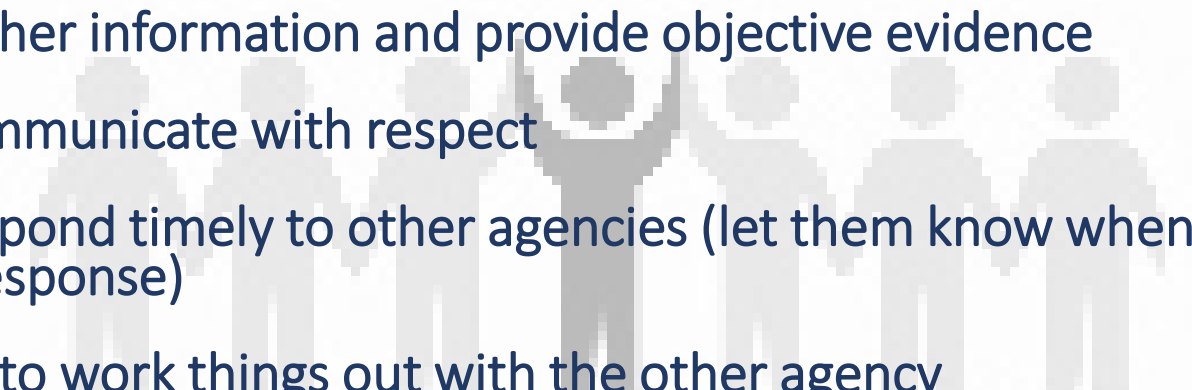
Interagency Accruals

Disputes and dispute resolution

✓ General Ledger: *Should it be recorded in GL 1354/5154 or is it an exception? Was it recorded in GL 1354/5154?*

✓ Receipt date of goods/services: *Obtain copy of signed packing slip or other evidence of delivery date to determine if received in FY 19 or FY 20.*

✓ Amount recorded: *Request list of outstanding invoices and compare to your accruals. Communicate with other agency regarding reasons for disputing amount.*

✓ Payment date: *Check payment type; check In-Process to find date OST posted cash; provide documentation to other agency.*

Interagency Accruals

Disputes and dispute resolution

- ✓ Check your records for mistakes before contacting the other agency

- ✓ Gather information and provide objective evidence

- ✓ Communicate with respect

- ✓ Respond timely to other agencies (let them know when to expect a response)

- ✓ Try to work things out with the other agency

As a last resort, contact your OFM Accounting Consultant.

Office of the State Treasurer

Account 001

Account 03K

Interfund Accruals

Interfund receivables and payables are required to balance at the agency level at fiscal year-end.

Receivable GLs	Payable GLs
1353	5153
1653	5253
1355	5155
1350	5150

Interfund Accruals

Record interfund receivables and payables when <u>ALL</u> the following are true:

- ✓ One account owes money to another account within the same agency <u>AND</u>

- ✓ It's for activities that occurred on or before June 30th <u>AND</u>

- ✓ Cash transfer is made after June 28th

Interfund Accruals

Examples of situations when interfund accruals might be required:

- ✓ Goods/services provided from an internal source
- ✓ Redistribution/allocation of costs or revenue
- ✓ Coding or data entry error

As a general rule, do **<u>not</u>** set up interfund or interagency accruals in agency type funds such as Account 01P – Suspense Account or 035 –Payroll Revolving Account.
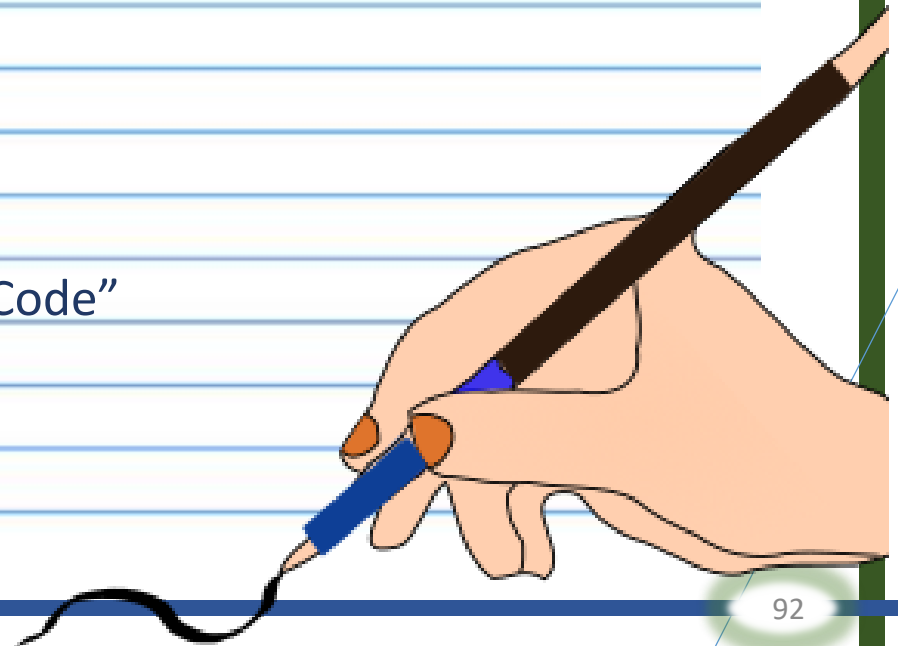
Interfund Accruals

Account	GL	Subsidiary	Description
001	5153	**03K**000	Account 001 owes money to Account 03K
03K	1353	**001**000	Account 03K is expecting money from Account 001

Interagency/Interfund Accruals

Practice Exercise H

Questions 1 - 2

Use the "Most Common Tran Code" worksheet

Adjustment and Reconciliation Activity (Phase 2)

Phase 2: August 1ˢᵗ to August 30ˢᵗ

- ✓ Post entries in FM 25
- ✓ The final opportunity for agencies to enter adjustments for the concluding FY
- ✓ See SAAM 90.20.70 for a list of items to review

Construction in Progress (CIP) GL 2510

Review & reconcile GL 2510 CIP:

When the project is complete and placed in service, move the costs to the appropriate capital asset GL 2xxx (buildings, improvements, intangible assets, etc.)

Subobject J Codes

JA	Non-capitalized Assets	JJ	Grounds Development
JB	Non-capitalized Software	JK	Architectural & Engineering Services
JC	Furnishings and Equipment	JL	Capital Planning
JD	Library Resources	JM	Art, Library & Museum Collections
JE	Land	JN	Relocations Costs
JF	Buildings	JQ	Software
JG	Highway Construction	JR	Intangible Assets
JH	Improv Other than Buildings	JZ	Other Capital Outlays

SAAM 75.70.20
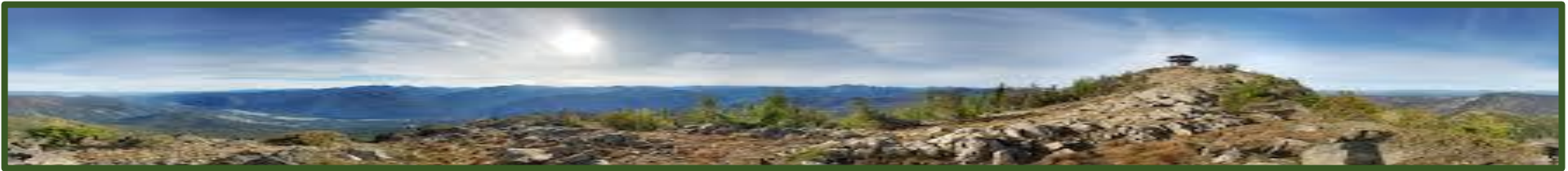
Capital Assets - Reconciliation

✓ **Check AFRS GL codes 2xxx activity:**
- Check increases against Object J expenditures (capital subobjects JC-JZ)
- Check decreases against disposal records

✓ **Annually must reconcile the Capital Asset Management System (CAMS) or substitute to AFRS**
- Beginning balances
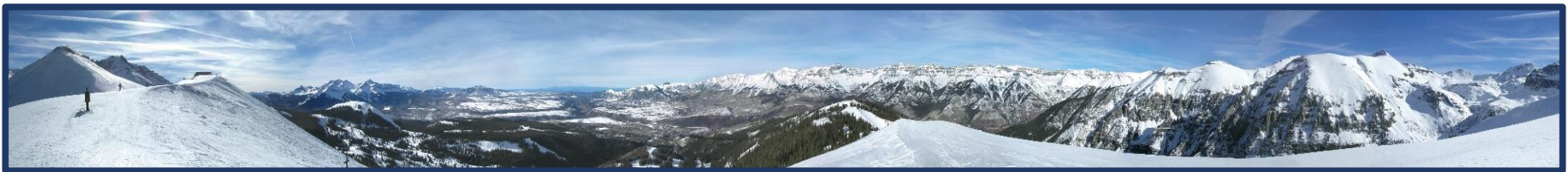- Ending balances
- Current year activity

Capital Assets - Reminders

Don't net activity - record acquisitions, disposals, and depreciation separately

When making adjusting entries, use an "R" reverse code when appropriate

A physical inventory is required at least once every other fiscal year

SAAM 30.45.10

Capital Assets -
Normal Depreciation Entry

Normal entry (use correct trans code):

Debit: Depreciation Expense
Credit: Allowance for Depreciation

Be careful when selling or disposing of capital assets; remember to remove the associated accumulated depreciation also.

Capital Assets - CAMS & Depreciation

In CAMS, depreciation runs the night of the 1st working day of the month.

- ✓ Recommend reconciling CAMS to AFRS monthly or quarterly
- ✓ Enter/remove assets & make any adjustments by July 31th so that depreciation can run correctly August 1st

Capital Assets - Immaterial Prior Period Adjustments

Sample entries for Account 997

An agency finds the cost of a piece of equipment is understated* by $10,000 in AFRS Account 997.

Account	GL Title	GL	Sub object	DR	CR
997	Furniture and Equipment	2410		10,000	
997	Capital Asset Adjustment	6597	WF		10,000

*If overstated, the entry would be opposite.

SAAM 90.30.35.f-h

Capital Assets -
Immaterial Prior Period Adjustments

✓ An agency discovers the Allowance for Depreciation is understated by $7,500 in Account 997.

Account	GL Title	GL	Sub object	DR	CR
997	Depreciation Expense	6591	WA*	7,500	
997	Allowance for Depreciation	2420			7,500

Subobject WA "Depreciation/Amortization"

✓ An agency discovers the Allowance for Depreciation is overstated by $8,500 in Account 997.

Account	GL Title	GL	Sub object	DR	CR
997	Allowance for Depreciation	2420		8,500	
997	Capital Asset Adjustment	6597	WF*		8,500

Subobject WF "Capital Asset Adjustment"

Capital Asset Transactions & Corrections

Practice Exercise I

Questions 1-2

Refer to Handout page 29

Certificates of Participation (COP)

- ✓ Debt financing through OST for a capital asset purchase
- ✓ Balances in GLs 5173 (Short-term COP) and 5273 (Long-term COP) must agree with OST.
  - OST sends a memo to agencies in July with COP data for the prior FY
- ✓ The short-term portion (GL 5173) is the principal amount due in the next FY

Certificates of Participation (COP)

✓ For governmental fund type accounts, the amount recorded in GL 3221 Revenue Source Codes 0807 & 0854 must equal the increase in the COP liability GLs 5173/5273 in Account 999

✓ COP sample entries in SAAM are in 85.85.45 (Equipment) & 85.85.50 (Real Estate), and templates on our website

ER folder: Financial Reports/Accounting/Exceptions

→ *COPs and Capital Leases – Governmental Accounts*

Fund Balance

✓ Certain GLs are offset by a fund balance GL
✓ Governmental fund type account only:

GL 1410 – Consumable Inventories

GL 9120 – Nonspendable Consumable
Inventories

ER folder: Financial Reports/Accounting/Exceptions

Consumable Inventory for Governmental Accounts
Long-Term Receivables/Payables for Governmental Accounts

Inventory Adjustments

✓ If the inventory balance (GL 14xx) in AFRS does not agree with the physical count at June 30 an adjusting entry must be made

✓ Refer to SAAM 35.10.50 for the requirements for inventory counts and 85.56 for procedures for making inventory adjustments

Leave Payable Adjustments

- ✓ GL 5125/5225 Accrued Vacation Leave Payable
- ✓ GL 5127/5227 Accrued Sick Leave Payable
- ✓ GL 5128/5228 Accrued Comp Time Payable

SWA sends a memo to agencies with instructions & calculation reports (in July/August)

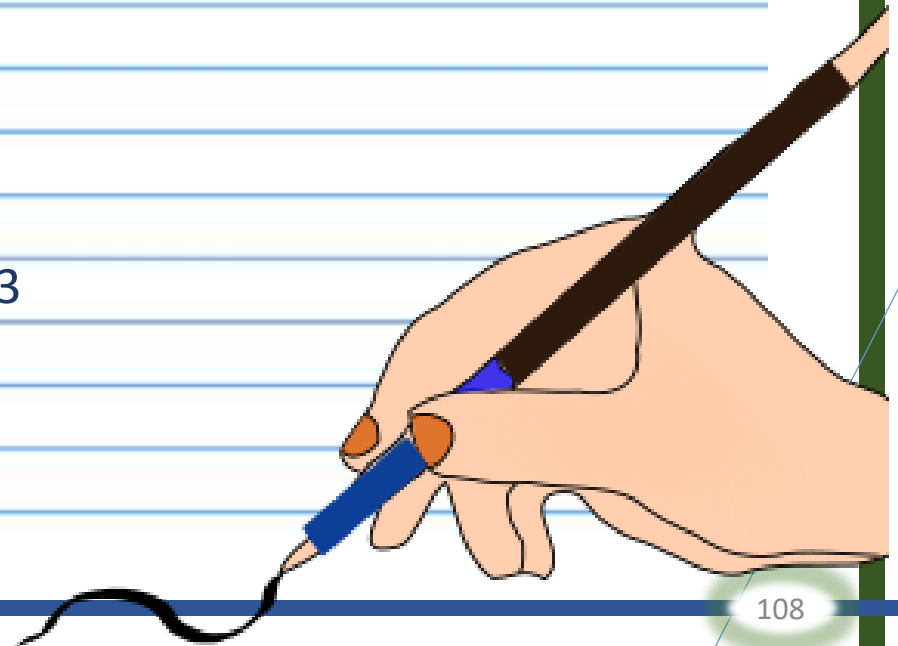Record the increases and decreases separately - <u>don't net</u> them together

Leave Payable Adjustments

Practice Exercise J

Question 1

Refer to Handout pages 42-43

Private / Local Revenue and Expenditure Balancing

✓ Revenues must be > = expenditures at the account level

✓ Applicable to appropriated accounts

✓ Expenditure authority type 7 & 9, GL 65xx

✓ Revenue source codes 05xx

✓ Should a portion be recorded in GL 5190 "Unearned Revenue"? Any excess revenue closes to fund balance

ER folder: Financial Reports/Accounting/Exceptions

→ *Private/Local Revenue/Expenditures*

Interfund Operating Transfers

✓ Transfers from one account to another account within the same agency <u>must</u> be in balance

✓ Revenue sources 0484 and 06xx and object M expenditures must balance (net to zero) at the agency level (excluding sources 0649, 0677 & 0690; exclude accounts 03K & 290)

ER folder: Financial Reports/Accounting
→ *Transfers*

Object S - Interagency Reimbursements

For Budgeted Non-Proprietary type accounts:

Paying Agency:

- Account for expenditures for interagency materials supplied or services rendered as though they were purchased from an outside vendor.

Object S - Interagency Reimbursements

For [Budgeted Non-Proprietary type](#) accounts:

Receiving Agency:

- Credits expenditures /expenses using Object S - Interagency Reimbursements.
- Object S can only have a credit balance, and only in the receiving agency.

Object S JV during the Fiscal Year

Paying Agency:

Debit: GL 65xx Expenditures/expenses (**Object E**)

        Credit: GL 71xx Cash In-process

Receiving Agency:

Debit: GL 71xx Cash In-process

        Credit: GL 65xx Expenditures/
                expenses (**Subobject SE**)

> *At FY end use Due from/Due to Other Agencies GLs 1354/5154 (instead of Cash as the offset)*

ER folder: Financial Reports/Accounting/Exceptions
      → *Object S Debit Exceptions*

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Object S - Budgeted Non-Proprietary Accounts

Original purchase made:

Agency	Sub-object	GLs	Coding
Receiving	EA	71XX	Expenditure recorded when original purchase is made

Agency receives goods/reimburses for original purchase:

Agency	Sub-object	GLs	Coding
Paying	EA	6510/71XX	Expenditure recorded when agency reimburses for goods received
Receiving	SE	71XX	Original expense is offset by SE sub-object when expenditure recovery is recorded

SAAM 85.90.60, 85.95.60

Object S - Interagency Reimbursements

Budgeted Proprietary type accounts:

For Budgeted Proprietary fund type accounts, an additional entry is needed to meet GAAP reporting requirements.

Debit: GL 6525 Expense Adjust/Elimination (**Object S**)

Credit: GL 3225 Revenue Adjustments/ Eliminations (Use appropriate revenue source code)

Budgeted Proprietary Accounts

Original purchase made:

Agency	Sub-object	GLs	Coding
Receiving	EA	/71XX	Expenditure recorded when original purchase is made

Agency receives goods/reimburses for original purchase:

Agency	Sub-object	GLs	Coding
Paying	EA	6510/71XX	Expenditure recorded when agency reimburses for goods received
Receiving	SE	71XX/	Original expense is offset by SE sub-object when expenditure recovery is recorded

Reclassify reimbursement as revenue for GAAP purposes:

Agency	Sub-object	GLs	Coding
Receiving	SE	6525/3225	Expenditure recorded when agency reimburses for goods received

SAAM 90.20.70 #9

Interagency Reimbursements – Not Object S

Non-Budgeted Proprietary accounts:

For Non-budgeted **Proprietary** type accounts, the interagency reimbursement is recorded as revenue (not Object S).

Debit: GL 71xx Cash In-Process

Credit: GL 3210 Cash Revenue (with appropriate revenue source code)

Object T – Intra-Agency Reimbursements

✓ <u>Within the same agency</u>, used to charge for services or supplies provided by one Budgeted Account to another Budgeted Account.

✓ The Paying Account debits Object T & the Reimbursed Account credits Object T.

✓ Object T is to equal <u>zero</u> for all Accounts in an agency at FY end at the <u>subobject level</u>.

(Exception: Budgeted Proprietary fund type accounts will not net to zero.)

ER Folder: Financial Reports/Accounting/Exceptions:
→ *Object T Elimination*

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Object T – Intra-Agency Reimbursements

JV during the FY:

Paying account:

Debit: GL 65xx – Expenditures **(Object T**)

Credit: GL 71xx – In-Process/Cash

Receiving account:

Debit: GL 71xx – In-Process/Cash

Credit: GL 65xx – Expenditures **(Object T)**
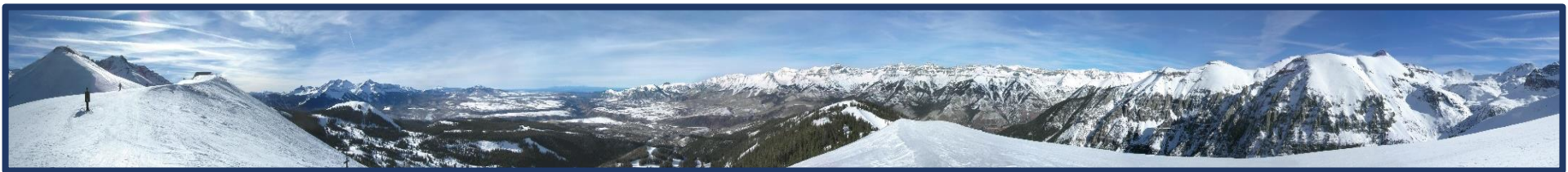
At FY end use Due from/Due to Other Funds GLs 1353/5153 (instead of Cash as the offset)

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Object T – Intra-Agency Reimbursements

✓ There are differences in the accounting for Object T in Budgeted and Non-budgeted proprietary accounts.

✓ Refer to SAAM 85.90.60.a & 85.95.50 for details.

ER Reports: Financial Reports/Accounting/Exceptions:
→ *Object T for Proprietary Accounts*

SAAM 85.90.60.a, 85.95.50

SZ and TZ – Inter/Intra-Agency Reimbursement

✓ SZ – Unidentified Interagency Reimbursements

✓ TZ – Unidentified Intra-agency Reimbursements

Agencies are required to reallocate any SZ and TZ items to the appropriate subobject of expenditure within S and T respectively at least annually at fiscal year end.

Adjustment and Reconciliation Activity (Phase 2)

We have covered some, but not all, of the Phase 2 adjustments, so…

…we recommend that you read through 90.20.70 for other GLs and data that you should review, adjust and reconcile at FY end.
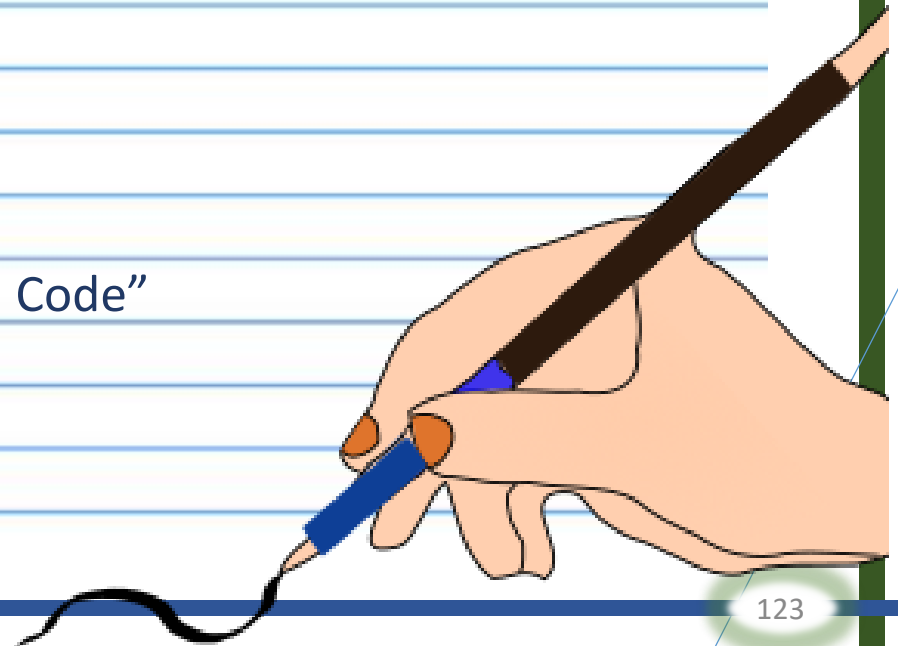
Final Review

Practice Exercise K

Questions 1-16

Use the "Most Common Tran Code" worksheet

Recommended Training Classes

- ✓ General Ledger Review
- ✓ General Ledger Reconciliation: Basics
- ✓ GL 5111 – Accounts Payable Reconciliation
- ✓ In-Process Report Training
- ✓ Administering Agency
- ✓ Intro to GAAP
- ✓ Internal Control: Basics
- ✓ Payroll Revolving Account Reconciliation
- ✓ Health Insurance Reconciliation
- ✓ Accounting for Capital Assets

Feedback

Please fill out the evaluation form.

- ✓ What worked well?
- ✓ What didn't work very well?
- ✓ Next year include_____?
- ✓ Next year don't include_____?

Pick up an answer sheet if you'd like when you leave.

Contacts and Resources

SAAM https://www.ofm.wa.gov/accounting/saam	**Enterprise Reporting** https://rp.des.wa.gov/
OFM Website http://www.ofm.wa.gov/	**Financial Systems Documentation - AFRS, CAMS, etc.** https://www.ofm.wa.gov/it-systems
Year-End Resources https://www.ofm.wa.gov/accounting/administrative-accounting-resources/year-end-closing	**AFRS** https://www.ofm.wa.gov/it-systems/agency-financial-reporting-system-afrs
Connection newsletter https://www.ofm.wa.gov/accounting/about-statewide-accounting/connection-newsletter	**On-line ER class in LMS** "DES – Enterprise Reporting Financial Reports – New User Training". (Takes about 45 minutes)
Julie Girard (360) 725-0191 Julie.girard@ofm.wa.gov	**Laura Lopez** (360) 725-0177 Laura.lopez@ofm.wa.gov