

# **Fiscal Year-End Closing June 2014**

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“A year from now you may wish you had started today.”

— [Karen Lamb](#)

# Today's Agenda

- Closing calendar for FY 14
- GL Reconciliations
- To do's & reminders
- Disclosure form changes
- Certifications
- New GASB Standards

# Faster CAFR Initiative

- Thanks to the fiscal staff at all state agencies we met our goal for the FY13 CAFR - November 8<sup>th</sup>!
- Why the push for an earlier CAFR?
- What's the goal for FY 14?

# Key dates for FY14 closing

- June 30 – Cash cutoff
- July 15 – Disclosure forms open
- July 23 – Interagency billings mailed
- July 31 – Phase 1 cutoff – accruals
- August 22 – Early Disclosure forms Phase 1B due
- September 5 – Phase 2 close – agency adjustments complete, state and federal disclosure forms due
- September 17 – State certification form due
- December 5 – Federal certification form due

# After Phase 2 close

- OFM Statewide Accounting analyzes AFRS data and disclosure forms
  - These activities often result in questions to the agencies so someone needs to be available to answer them.
  - No agency entries unless requested and/or approved by OFM.
- SAO audits the accounting data and the state's CAFR.
  - If you (or your auditor) find a material adjustment or error after Phase 2 close, contact us immediately!

# GL reconciliations

- General ledgers (GL) reconciliations should be up-to-date
  - All GLs should be reconciled to AFRS
    - Agree with subsidiary records
  - An error in one GL may mean an error in another GL
  - New language on Certification

# To Do's & Reminders

- Watch your spending - no overspent appropriations
- Record revenues and expenditures in correct fiscal year
- Interagency billings
  - Mailed out by July 23<sup>rd</sup>
  - Estimates
  - Communicate, communicate, communicate

# To Do's & Reminders

- Due to/Due from's
  - Priority should be given to interagency receivables and payables
- Record compensated absences
- Unearned and unavailable revenues properly classified

# To Do's & Reminders

- Record depreciation/accumulated depreciation
  - Reconcile capital asset GLs to capital asset system
- Review GL 2510 Construction in progress, and if complete, reclassify to appropriate capital asset GL
  - Enter in CAMS or agency capital asset system

# To Do's & Reminders

- Analytical review
  - In terms of the \$ amount change or the % change is the current year-end balance reasonable?
- Review your Trial Balance
  - Have prior year short-term receivables & payables been liquidated?
  - Do I have all GL activity reported and in the correct GL?
  - Do the balances agree with supporting documentation or internal system?

# To Do's & Reminders

- All agency entries completed by September 5<sup>th</sup>!
- Disclosure forms completed by September 5<sup>th</sup>!

# Administering Agency Responsibilities

- Administering agencies provide general oversight of financial accounting records at the Account level
- Investigate unusual activity and/or GL balances
- Alert OFM Budget and SWA about fund balance or cash issues

# State Disclosure Forms

## SAAM Section 90.40

- 20 state disclosure forms
- Not every form will apply to your agency
- Some of the forms are questionnaires
- Some of the forms prefill with AFRS beg/ending GL balances and require you to fill in the actual increase and decrease activity for the FY.

# State Disclosure Form Security

- Each agency has a security administrator (form required). They can add new users with View or Edit access.
- Log in after 7/15 to verify that your username & password are working.

# State Disclosure Forms

- 2 forms are required to be completed by all agencies
  - State Financial Disclosure Certification
  - Miscellaneous
- Certain forms are specific only to certain agencies: OST, DRS, Higher Ed

# DF - New for FY14

- Cash & Investment
  - Clarified question 11 related to externally restricted cash:
    - Should be held in a separate bank account.
    - Don't report retainage GL codes 1140 and 1240 Restricted Cash and Investments.

# DF - New for FY14

- Cash on Hand and in Bank
  - Clarified that the total of the Cash in Bank columns (Insured or Collateralized and Uninsured Uncollateralized) should equal the cash balance on the June 30 bank statement.
    - Name of institution should match PDPC bank name.
    - The amount on the 6/30 bank statement will probably vary from the AFRS cash amount.

# DF - New for FY14

- Capital asset form
  - Added column for adjustments
    - Transfers between agencies or accounts
    - Impairments
    - Certain immaterial prior year corrections
  - Increases in depreciation expense should equal increases in accumulated depreciation

## Capital Assets - Summary of Activity Disclosure

Agency Code: \_\_\_\_\_ Agency Title: \_\_\_\_\_

### 90.40.38.A Capital Assets - Summary of Activity Disclosure

#### Capital Assets

Increases in assets will be debit amounts and should be entered as positive numbers.

Decreases in assets will be credit amounts and should be entered as negative numbers.

Adjustments can be either debit or credit amounts. Examples of adjustments include: transfers between agencies and/or accounts, impairments, and certain immaterial prior year corrections. Adjustments require an entry in the Comment field.

Account Code & Title	GL Code & Title	Beginning Balance from AFRS	DR Additions	CR Deletions	Adjustments	Calculated Ending Balance	Ending Balance from AFRS	Difference (Must be zero)	Comment
Example 1: Purchase of an asset in a proprietary fund type account.									
419 - Data Processing Revolving Account	2410 Furnishings and Equipment	500,000	5,000	0	0	505,000	505,000	0	
Example 2: Disposal of an asset in a proprietary fund type account.									
419 - Data Processing Revolving Account	2350 Leasehold Improv	200,000	0	(200,000)	0	0	0	0	
Example 3: Transfer of assets from a proprietary fund type account to Account 997 "General Capital Assets Subsidiary Account"									
501 - Liquor Revolving Account	2210 Buildings	28,000,000	0	0	(28,000,000)	0	0	0	Transfer of assets from Account 501 to Account 997
997 - General Capital Assets	2210 Buildings	0	0	0	28,000,000	28,000,000	28,000,000	0	Transfer of assets to Account 997 from Account 501

# DF - New for FY14

- Lease form
  - Report data by account and fund type
    - Governmental and internal service, or
    - Enterprise
  - Report only existing leases through the ending year of the signed lease agreement.

## Lease Disclosure

Agency Code: \_\_\_\_\_ Agency Title: \_\_\_\_\_

### 90.40.45.A Lease Disclosure

- Operating Leases (state agency is lessee):** For all operating leases where the 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 "Payments to External Entities" rows. Disclose payments to the Department of Enterprise Services for state-owned property, payments to other state agencies, and internal payments within the agency for operating leases in the "Payments to Other State Agencies and Internal Payments within the Agency" rows.

In the example below, the agency has operating lease payments in governmental fund type accounts that include payments for both short term and long-term leases to both internal and external parties.

		Governmental and Internal Service fund type accounts	Enterprise fund type accounts
<b>Account</b>			
	039 Aeronautics account	150,000	
	099 Puget Sound Capital Construction	2,402,000	
	218 Multimodal Transportation	5,975	
<b>AFRS Amount Subobjects ED and EH</b>		<b>2,557,975</b>	
<b>Payments to External Entities:</b>			
	Minimum lease expense	500,000	
	Contingent lease expense	0	
<b>Payments to Other State Agencies and Internal Payments within the Agency</b>			
	Minimum lease expense	2,057,000	
	Contingent lease expense	0	
<b>Total Operating Lease Expense</b>		<b>2,557,000</b>	
<b>Difference (AFRS Amount – Entered Amount)</b>		<b>975</b>	
<b>If there is a difference, please provide an explanation below:</b>			
\$975 is for short-term leases less than one year			

# Phase 1B- Certain disclosure forms due 8/22/14

- Early disclosure for:
  - 3 Cash & Investment forms
  - 3 Bond forms
  - COPs on the Liability form
- Request an extension from SWA if the early date can't be met

# State Financial Disclosure Certification form

- Read all 25 items listed
- Signed by Agency Director & CFO
- Include attachments, if applicable
- Email (**new**) scanned signed copy with required attachments - due 9/17/14
  - Re-sign & re-submit if material changes are made after the original submission

# Financial Disclosure Certification

## SAAM 90.40.95

### New certifications:

- No. 17 – Service providing organizations and Service Organization Control (SOC) reports;
- No. 18 – Services of a specialist, such as an actuary;
- No. 19 – Impaired assets;
- No. 20 – Carrying value or classification of assets and liabilities;
- No. 21 – Expenditures made during the FY for all awards provided by federal agencies; and
- No. 22 – Methods of measurement of federal expenditures.

# Financial Disclosure Certification

## SAAM 90.40.95

Attachments may include:

- Disclosure of outstanding litigation such as a letter from the Attorney General's Office
- Narrative disclosing deficiencies in internal control (**New**)
- Pollution remediation site status report
- Narrative related to a Service Organization Control (SOC) report (**New**)
- Certification related to the use of a specialist (**New**)
- Narrative disclosing changes to methods of measurement, assumptions, or interpretations related to federal expenditures (**New**)
- Narrative related to certification exceptions detailing variances and proposed or completed corrective action

# Service Organization

- A Service Organization is a third party that processes information or handles business transactions on behalf of its customers (user entities).
- A Service Organization Control (SOC) report is designed to help service organizations build trust and confidence in their service delivery processes and controls through a report by an independent Certified Public Accountant. Each type of SOC report is designed to help service organizations meet specific user needs.

# Service Organization Control Reports

SOC Report Needed	Report used when a service organization	Controls are relevant to:
SOC 1	Provides transaction processing for amounts that are part of the state's CAFR.	Internal control over financial reporting.
SOC 2	Has control over sensitive state information and it is important to know the controls over one or more trust principles are in place and working.	Trust Principles: Security, availability, processing integrity, confidentiality, and privacy are relevant.

# Common disclosure form problems

- User can't get into the application
- Changes are made in AFRS, but the related disclosure form isn't updated
- Variances aren't explained
- Certification forms aren't submitted timely

# Implementing GAAP

- GASB

- New for FY14 reporting -
  - Stmt. 66 Technical corrections – 2012, amendment of GASB 10 & 62
  - Stmt. 67 Financial reporting for Pension plans, amending GASB 25
  - Stmt. 69 Government Combinations & Disposals
  - Stmt. 70 Accounting & financial reporting for nonexchange financial guarantees

# Year-end training classes

## Update classes

- State Fiscal Year-end Closing
- Federal Fiscal Year-end Closing

## Workshops

- Expenditures & Payables
- Revenues, Reconciliation, & Phase 2 Adjustments
- State Disclosure Forms (**New**)

# Other Recommended Training Classes

- General Ledger Review
- General Ledger Reconciliation: Basics (New)
- GL 5111 Accounts Payable Reconciliation (New)
- In-Process Report Training
- Administering Agency
- Intro to GAAP
- Internal Control: Basics
- Payroll Revolving Account Reconciliation
- Health Insurance Reconciliation

# Resources

## SAAM

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

## Year-End Resources

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

## Enterprise Reporting

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

**Questions?**