

State Fiscal Year-End Closing

Office of Financial Management
Accounting Division
May 27, 2010

Today's Agenda

- Closing schedule for FY 10
- FY end related topics
- Disclosure form review
- New GASB Standards
- Overview of recent SAAM updates

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FY 10 Closing Calendar

Date	Item
6/30	Last day of the fiscal year, cash cutoff
7/23	Interagency billings mailed
7/30	Phase 1 closes
8/2	Disclosure form application opens
9/10	Phase 2 closes – agency adjustment phase*
9/17	Disclosure form application closes, state & federal forms are due, state certification form is due
10/8	Phase 3 closes, audit adjustment phase
12/7	Federal assistance certification form is due

*early close by Community Colleges on 8/16

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Interagency Billings 90.20.50

Unless prior arrangements have been made between the billing agency and billed agency, interagency billings for services rendered as of June 30 are to be sent out by vendor agencies no later than July 23.

If a vendor agency cannot produce actual billings by July 23, the agency is to send out estimated billings by July 23 and follow up with the actual bill as soon as possible. Estimated billings are to be clearly marked as estimates.

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Phase 2 Agency Adjustment Phase

- Make every effort to get all AFRS entries in by Phase 2 close (9/10).
- Our goal is to publish the CAFR a month early this year (11/30) 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 during Phase 3 or later contact your OFM Statewide Accounting consultant.

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GL Reconciliations 90.20.70

“Agencies are to review their data to ensure that assets and liabilities are properly and completely stated, and that revenues and expenditures/ expenses are accurately reflected and recorded in the proper period using the correct coding. GL codes with subsidiary accounts should 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 (internal controls)
4. Be in compliance with SAAM & agency internal policies
5. Manage budgets effectively
6. Safeguard the state's assets
7. Accurate grant billings
8. Activity is recorded in the proper period

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Trial Balance Report Review

- 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?

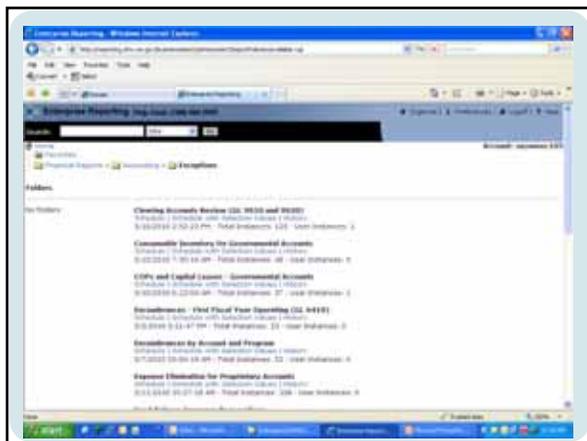
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Tools for reconciling

ER reports show problems and help with researching AFRS activity

- Questionable balance – Assets (option B)
- Questionable balance – Liabilities (option B)
- GLs with unchanged balances
- Interagency & Interfund receivables/payables
- GL Account Analysis
- and others

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Subsidiary GL example

GL 1312 Accounts Receivable 6/30/10

Company A	2,000	<i>ok</i>
Company B	3,000	<i>ok</i>
Company C	(500)	<i>problem</i>
Company D	(1,500)	<i>problem</i>
Total GL 1312	<u>3,000</u>	<i>looks ok at the GL level</i>

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Admin Agency Responsibilities 80.10.90

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

Is my Agency an Admin Agency?

- Check the Fund Reference Manual on-line new feature #3
- Run an ER Admin Agency Trial Balance report
Admin Agency = your agency #
Account = * (all)
ER report folder: Financial Reports/Administering Agency



Construction in Progress GL 2510

“The balance of this GL account represents the cost of construction work undertaken but not yet substantially completed, accepted, and placed into service.”

**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.

See updated illustrative entries in 90.30.30 and 90.30.35.

Unliquidated estimated accrual (90.20.45, 90.30.35.a)

Debit: GL 5111 Acct Payable \$1,000
Credit: GL 3215 revenue source 0486 \$1,000
GL 3215 Immaterial adjustments to prior periods
Source 0486 Recoveries of prior expenditure authority expenditures

Corrections (90.20.47, 90.30.35.b)

Over liquidated prior year estimated accrual:

Accounts Payable GL 5111 \$10,000
Cash Expend/Expense GL 6510 \$2,000
Warrants/EFT’s In-Process GL 7120 \$12,000

If the account is appropriated, a belated claim is needed for \$2,000 as it was a prior year expense. And this uses up current year expenditure authority!

**Immaterial Prior Period Adjustments
GL 3215 90.20.15**

**Recovery of a prior period expenditure
authority 90.30.35.c**

Cash/Receipts In-Process GL 7110 \$500
 Cash Revenues GL 3210, source 0486 \$500
Source 0486 Recoveries of prior appropriation expenditures

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**Revenue Accrual
Adjustments 90.20.20.e**

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

Record over accruals as a decrease to revenue in the
current period

DR Revenue / CR Receivable

Record under accruals as an increase to revenue in the
current period

DR Cash / CR Revenue

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Fiscal Year-End Financial Reporting classes

- CAFR Update
- Federal 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 Agencies
- Accounting for IT Costs - 2010
- Internal Control: Basics
- Payroll Revolving Account Reconciliation – Account 035
- Health Insurance Reconciliation

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OFM On-line Resources

Year End Closing Resources:

- FY 2010 AFRS/CAFR closing schedule
- FY 2010 OST cash memo
- FY 10 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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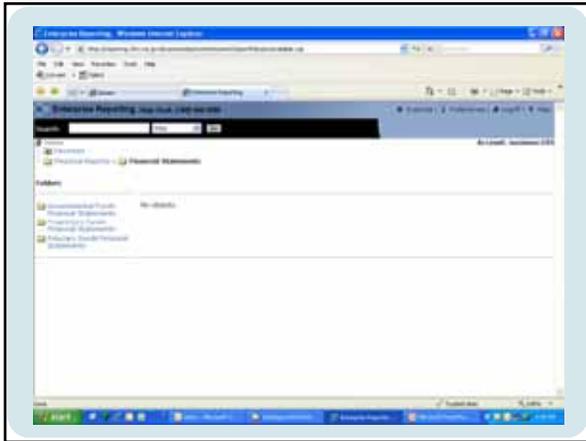


ER financial statement reports

ER folder: Financial Reports/Financial Statements

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds (new)

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SWA Email Lists

- Federal Assistance Contacts
- Fiscal Officers
- FMAC Members
- Payroll Contacts
- Transportation Contacts
- Travel Contacts
- Connection quarterly newsletter (also on our webpage)

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Disclosure Forms

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Disclosure Forms Review
What are they & why do we need them?

- It's a web based application. The forms are completed on-line by all state agencies.
- They provide information that is not available in AFRS to OFM for the CAFR and the Federal Single Audit report.
- It's a 1 year system so you need to print out your forms if you want a copy to refer to next year.

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State Disclosure Forms Review 90.40

- There are 21 state disclosure forms
- Not every form will apply to your agency
- Some of the forms are questionnaires
- Some of the forms prefill with your AFRS beg & ending GL balances and require you to fill in the actual increase and decrease activity for the fiscal year.

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State Disclosure Forms Review 90.40

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

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State Disclosure Forms Review 90.40

- If a form pre-fills with AFRS data for your agency the Lead Sheet will mark it as “required.”
- Read the instructions in SAAM for each form to determine if the form applies to your agency this fy.
 - Don’t rely on the lead sheet or you might miss a form that is required for your agency.

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State Disclosure Forms Review 90.40

- The application is open 8/2 – 9/17.
- Phase 2 closes 9/10.
- We strongly recommend that you look at your disclosure forms before Phase 2 closes as you may need to make adjustments in AFRS.
- The state disclosure certification form is due to us 9/17.

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State Disclosure Forms Review 90.40

“I certify, that to the best of my knowledge, the following statements are true:

#1 The transactions and adjustments submitted to the Agency Financial Reporting System (AFRS) for Fiscal Year 2010 accurately and completely reflect our agency's activity and ending account balances for each of the accounts listed below, in conformity with Generally Accepted Accounting Principles (GAAP) as outlined in the State Administrative and Accounting Manual (SAAM) and demonstrate legal compliance, where applicable.”

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State Disclosure Forms Review 90.40

Financial Disclosure Certification form

#6 “We are responsible for establishing and maintaining effective internal control over financial reporting. Our agency’s system of internal controls complies with the prescribed requirements in SAAM chapter 20.

#7 We are responsible for designing and implementing programs and controls to prevent and detect fraud.”

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State Disclosure Forms Review 90.40

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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Federal Disclosure Forms Review 95.20

- Agencies that expend awards of federal assistance during the fiscal year must complete applicable federal disclosure forms.
- There are 8 Federal forms. The completion date is the same as state forms (9/17).
Except:
 - The Federal Assistance Certification form is due December 7th.
 - Do NOT send it with the state certification form in September.

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Common Disclosure Form problems

- Agencies don't review their disclosure forms before Phase 2 closes.
- Changes are made in AFRS but the related disclosure form isn't updated.
- Variances aren't explained.
- Form instructions aren't followed. For example, credits must be entered with a minus sign (-), just like Excel.
- The certification forms aren't submitted timely.

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State Disclosure Form Changes –FY 10

- Cash and Investments: 2 new questions on hedging derivatives and unspent bond proceeds
- Cash on Hand and in Bank: a new comment box for explaining variances
- COP form (completed by OST only): a new question on unspent COP proceeds

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State Disclosure Form Changes –FY 10

- Deferred Revenue form: a new comment field for notes
- Bond Debt form: a new table for pledged revenue bonds
- Transfer form: include inter-agency transfers
- Miscellaneous question #4c blended component units: choose the reason for blending

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New GASB Standards

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GASB 49 – FY 09

“Accounting and Financial Reporting for Pollution Remediation Obligations”

- SAAM 85.74.50 Liabilities related to the State’s responsibility to clean up pollution or contamination.
- When 1 of 5 events or circumstances occur agencies must estimate the expected pollution remediation outlays.
- The liability is posted in AFRS, GL 5287
- Miscellaneous disclosure form question #6. A site status report is submitted with the state financial disclosure certification form.

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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:

3 stages in the development & installation:

- 1- Preliminary project stage
- 2 - Application development stage
- 3 - Post-implementation/operation stage

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GASB 51 - FY10 continued

Stage 1 – Preliminary Project Stage

- Conceptual formulation & evaluation of alternatives
- Determination of existence of needed technology
- Final selection of alternatives

Costs associated with this stage are not capitalized, expense as incurred.

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GASB 51 - FY10 continued

Stage 2 – Application Development Stage

- Design, configuration, interfaces, coding
- Installation of hardware
- Installation & licensing of commercially available software
- Testing (including parallel processing)
- Data conversion to the extent it's necessary to make the software operational.

Costs associated with this stage are capitalized, if they meet the threshold.

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GASB 51 - FY10 continued

Stage 3 – Post-Implementation/Operation Stage

- Application training
- Software maintenance
- Data conversion, if not necessary to make operational

Costs associated with this stage are not capitalized, expense as incurred.

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GASB 51 - FY10 continued

Stage	Costs	Capitalize or Expense?
1	200,000	Expense
2	4,500,000	Capitalize
3	20,000	Expense

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7/1/09 SAAM Changes - GASB 51

Chap 30:

- New Intangible Asset Capitalization Threshold
- New Capital Asset Class Codes

Chap 75:

- New and Revised GL Account Codes
- New and Revised Subobject Codes

New Glossary Definition

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7/1/09 SAAM Changes - GASB 51

Added new GL codes:

2140 Intangible Assets (Non-land) with Indefinite Useful Lives

2470 Intangible Assets with Definite Useful Lives

2480 Allowance for Amortization–Intangible Assets

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7/1/09 SAAM Changes - GASB 51

Changed titles & revised GL descriptions:

2410 Furnishings and Equipment, ~~and Software~~

6511 Depreciation/Amortization Expense

6591 Depreciation/Amortization Expense

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7/1/09 SAAM Changes - GASB 51

Added new subobject codes:

EY Software Maintenance and Leases

JB Non-capitalized Software

JQ Software

JR Intangible Assets

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7/1/09 SAAM Changes - GASB 51

Software or licenses purchased

<u>Life</u>	<u>Cost</u>	<u>Subject</u>	<u>Capitalized</u>
Less than 1 year		EY	No
More than 1 year	Less than \$1 million	JB	No
More than 1 year	More than \$1 million	JQ	Yes

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7/1/09 SAAM Changes - GASB 51

Revised titles of certain subobjects:

EB Communications and Telecommunications Services

EH Rentals and Leases – Furnishings and Equipment and Software

EL Data Processing Services (interagency)

JA Non-capitalized Assets ~~Furnishings, Equipment, and Software~~

JC Furnishings and Equipment and Software

WA Depreciation/Amortization

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7/1/09 SAAM Changes - GASB 51

Revised descriptions of existing subobject codes:

BD, BR

CH, CJ

EB, ED, EE, EG, EH, EJ, EL, ER

GA, GF

JA, JC, JD, JE, JF

SE, SJ

TE, TJ

WA, WB

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7/1/09 SAAM Glossary

Internally Developed Computer Software

“Software developed in-house by the state’s personnel or by a third-party contractor on behalf of the state. Also includes commercially available software purchased or licensed by the state and modified using more than minimal incremental effort before being placed into operation.”

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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 51 - FY10 continued

What should my agency be doing?

- If a project meets the capitalization threshold, have a system in place to capture the costs
 - Labor
 - Consultants
 - Hardware
 - Software
- Retain auditable documentation supporting the amount capitalized
- Ask us for assistance if needed

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GASB 53 – FY10

“Accounting and Financial Reporting for Derivative Instruments”

Financial securities whose value is derived from another "underlying" financial security.

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GASB 54 – FY11

“Fund Balance Reporting and Governmental Fund Type Definitions”

The objective is to improve the usefulness and understandability of governmental fund balance information. To provide more clearly defined categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent.

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GASB 54 – FY11

- **Govt fund type definitions clarified**
- **5 new classifications of fund balance:**
 - Non-spendable
 - Restricted
 - Committed
 - Assigned
 - Unassigned

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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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Chapter 45 Purchase Cards

July 1, 2009

45.10.40 Acceptable use of purchase cards:

Ok for purchases between Washington State agencies, **but only when:**

The paying and/or receiving account is a **local account** (not a treasury, treasury trust, or petty cash account); **and,**

The **receiving agency agrees to accept** the inter-agency purchase card payments. Receiving agencies have the right to refuse acceptance of purchase card payments from other state agencies.

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Chap 75 Chart of Accounts

July 1, 2009

Revenue source codes

- Definitions for the 04xx revenue source codes added
- 13 infrequently used codes were deleted

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Chapter 10 Travel

October 1, 2009

Revised the max. lodging and meal rates for some WA locations, updated the Per Diem map.

January 1, 2010

Mileage reimbursement rate went down from \$.55 to \$.50.

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Chap 85 Accounting Procedures

January 1, 2010

85.32.25 Priority of Expenditures

Requires state moneys to be conserved when agencies have both state and other funding sources available.

RCW 43.88.150

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ESHB 2921 Restrictions

March 17, 2010 through June 30, 2011

Restrictions on out-of-state travel and training, personal service contracts, and equipment acquisitions.

- Chap 10 Travel
- Chap 15 Personal Service Contracts
- Chap 30 Capital Assets

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Chapter 90 State Reporting

June 1, 2010

- Revise estimates of accrued expenditures/expenses if actual is received prior to Phase 2 close
- Travel advances receivable GL 1383 should agree to the agency's underlying documentation (see also 85.54.44 & 85.65.33)

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Chap 15 & 16 Contracts

June 10, 2010

ESB 5041

Encourages agencies to award 3% of contracts exempt from competitive bidding to veteran owned businesses

75

Chapter 25 Payroll

- 25.30.60 added language to reference SSB 6382 which restricts compensation for state employees through 6/30/11
- ESSB 6724 increases the maximum number of days of shared leave an employee can receive from 261 to 522

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75.65 Statewide Project Type Codes

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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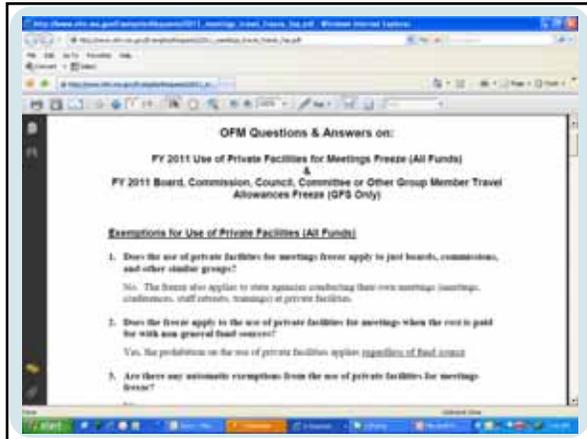


E2SHB 2617 Restrictions

July 1, 2020 – June 30, 2011

- Restricts the use of private facilities for meetings, whether cost or no cost, regardless of the funding source. Exemptions require approval. Applicable to boards, commissions & similar groups per law, and to all state agencies per policy.
- If funded by State General Fund, members of certain boards, commissions & other similar groups are prohibited from receiving an allowance for meals, lodging, or travel.

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Upcoming SAAM Updates

Chapter 10 Travel

Chapter 40 Purchase Cards

Chapter 75 Chart of Accounts

Chapter 85 Accounting Procedures

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Questions?

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Review – true or false?

1. The UW closes Phase 2 early so we should balance interagency receivables/payables with them first.
2. AFRS unbalanced in-process and error reports should be reviewed on a regular basis.
3. All GLs on my trial balance (including subsidiary GLs) should be reconciled.

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Review – true or false?

4. I know if my agency is an administering agency and what my responsibilities are.
5. Capital assets in CAMS must be reconciled to AFRS quarterly.
6. Construction in Progress GL 2510 should be reviewed occasionally.

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Review – true or false?

- 7. Debits to GL 3215 “Immaterial adjustments to Prior Periods” are generally ok.
- 8. EFTs, IAPs & IFTs (electronic payments) are the most efficient & cost effective means of payment.
- 9. We paid the Dept of Printing with a warrant dated 6/30 but they didn’t receive it until 7/2. We need to set up a payable to them at 6/30.

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Review – true or false?

- 10. We only need to complete the disclosure forms that are marked “required” on the lead sheet.
- 11. We should review our disclosure forms prior to Phase 2 close.

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Review – true or false?

- 12. GASB 51 “Accounting and Financial Reporting for Intangible Assets” requires that all 3 stages of development for internally developed computer software be capitalized.
- 13. The capitalization threshold for intangible assets is \$500,000.
- 14. The fiscal year-end closing calendar deadlines are set in stone this year.

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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://www.ofm.wa.gov/systems/default.asp>

AFRS Help Desk (360) 664-7725
Email: afrrshelpdesk@ofm.wa.gov

Suzanne Coit (360) 725-0187
Email: suzanne.coit@ofm.wa.gov

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