“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 8th!

• 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!
General Ledger
Reconciliations
GL Reconciliation emphasis

GL reconciliation means you know what makes up the balance in each GL and you have a plan for any action that is needed. This includes prior year or prior biennium GL balances that need to be corrected.
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
    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.
- New language on Certification
Subsidiary GL problem example

GL 1312 Accounts Receivable

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>2,000</td>
<td>ok</td>
</tr>
<tr>
<td>Company B</td>
<td>3,000</td>
<td>ok</td>
</tr>
<tr>
<td>Company C</td>
<td>(500)</td>
<td>problem</td>
</tr>
<tr>
<td>Company D</td>
<td>(1,500)</td>
<td>problem</td>
</tr>
<tr>
<td>Total GL 1312</td>
<td>3,000</td>
<td>looks ok at the GL level</td>
</tr>
</tbody>
</table>
To Do’s & Reminders
To Do’s & Reminders

• Clear In-Process (71xx) and Error reports

• Clear GL 9920

• Clear revenue sources 09xx

• Clear Account 01P Suspense
To Do’s & Reminders

• Watch your spending - no overspent appropriations

• Record revenues and expenditures in correct fiscal year

• Interagency billings
  • Mailed out by July 23rd
  • Estimates
  • Communicate, communicate, communicate
To Do’s & Reminders

• Due to/Due from’s
  • Most last year balances should be zero now
  • Priority should be given to interagency receivables and payables

• Liquidate over-accrued payables
  • Before Phase 2 close – adjust accrual
  • After Phase 2 close – prior year recovery
  • If under- accrued payable – belated claim
To Do’s & Reminders

• Run ER exception reports and clear all variances, such as:
  • Transfers
  • Assets with credit balances
  • Liabilities with debit balances
  • GLs with unchanged balances
  • Interfund/Interagency balances

• Record compensated absences

• Unearned and unavailable revenues properly classified
## Unearned vs. Unavailable Revenues

<table>
<thead>
<tr>
<th>GL code</th>
<th>5190/5290</th>
<th>5192/5292</th>
</tr>
</thead>
<tbody>
<tr>
<td>GL Type</td>
<td>Liability</td>
<td>Deferred Inflow</td>
</tr>
<tr>
<td>GL Title</td>
<td>Unearned Revenue</td>
<td>Unavailable Revenue. Previously “Deferred Revenue”</td>
</tr>
<tr>
<td>Description</td>
<td>Cash has been received, but the revenue has not yet been earned</td>
<td>Applies to a future period so revenue will not be recognized until that time.</td>
</tr>
</tbody>
</table>
| Examples  | • Prepaid tolls  
• Prepaid tuition  
• Insurance premiums received in advance | • 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 |
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
<table>
<thead>
<tr>
<th>Asset</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, State highway system, CIP</td>
<td>All</td>
</tr>
<tr>
<td>Other Infrastructure</td>
<td>&gt; $100,000</td>
</tr>
<tr>
<td>Buildings, Bldg improv, other improv, leasehold improvements</td>
<td>&gt; $100,000</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>&gt; $1,000,000</td>
</tr>
<tr>
<td>Capital assets acquired with a COP</td>
<td>All</td>
</tr>
<tr>
<td>Capital assets acquired with a capital lease (30.20.40)</td>
<td>When the capitalization policy is met</td>
</tr>
<tr>
<td>All other capital assets (furn., equip.)</td>
<td>Unit cost &gt; $5,000</td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
</tr>
<tr>
<td>------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>JA</td>
<td>Non-capitalized Assets</td>
</tr>
<tr>
<td>JB</td>
<td>Non-capitalized Software</td>
</tr>
<tr>
<td>JC</td>
<td>Furnishings and Equipment</td>
</tr>
<tr>
<td>JD</td>
<td>Library Resources</td>
</tr>
<tr>
<td>JE</td>
<td>Land</td>
</tr>
<tr>
<td>JF</td>
<td>Buildings</td>
</tr>
<tr>
<td>JG</td>
<td>Highway Construction</td>
</tr>
<tr>
<td>JH</td>
<td>Improv Other than Buildings</td>
</tr>
</tbody>
</table>
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
<table>
<thead>
<tr>
<th>Subobject Title</th>
<th>Pay to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities &amp; Services</td>
<td>DES</td>
</tr>
<tr>
<td>Data Processing Services</td>
<td>DES, CTS</td>
</tr>
<tr>
<td>Attorney General Services</td>
<td>AG</td>
</tr>
<tr>
<td>Personnel Services</td>
<td>DES, OFM</td>
</tr>
<tr>
<td>Audit Services</td>
<td>SAO</td>
</tr>
<tr>
<td>Admin Hearing Services</td>
<td>OAH</td>
</tr>
<tr>
<td>Archives &amp; Records Mgt Services</td>
<td>Sec of State</td>
</tr>
<tr>
<td>OMWBE Services</td>
<td>OMWBE</td>
</tr>
</tbody>
</table>
Transfers

- Be sure to use the correct Trans 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
To Do’s & Reminders

• Adhere to the OST cash cutoff memo

• Receipt goods and services by 6/30

• Complete physical inventories
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 should be completed by September 5th!

• Disclosure forms complete by September 5th!
Question:
What’s most important at FY-end?

a) All GLs (including subsidiary GLs) are reconciled.
b) Appropriations are not overspent.
c) Closing calendar dates are adhered to.
d) All of the above.
e) None of the above.
Administering Agencies
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
Disclosure Forms
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

• Liabilities by major class
  • Removed some 5xxx GL codes
  • In proprietary type accounts, an increase in COP liability (GL codes 5173 and 5273) should equal the par amount.

• Bond Debt by Major Class (Table 6)
  • Current year amortization should be recorded in GL codes 6512 or 6593.
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.

<table>
<thead>
<tr>
<th>Account Code &amp; Title</th>
<th>GL Code &amp; Title</th>
<th>Beginning Balance from AFRS</th>
<th>DR Additions</th>
<th>CR Deletions</th>
<th>Adjustments</th>
<th>Calculated Ending Balance</th>
<th>Ending Balance from AFRS</th>
<th>Difference (Must be zero)</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example 1: Purchase of an asset in a proprietary fund type account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>419 - Data Processing Revolving Account</td>
<td>3410 Furnishings and Equipment</td>
<td>500,000</td>
<td>5,000</td>
<td>0</td>
<td>0</td>
<td>505,000</td>
<td>505,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Example 2: Disposal of an asset in a proprietary fund type account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>419 - Data Processing Revolving Account</td>
<td>3350 Leasehold Improv</td>
<td>200,000</td>
<td>0</td>
<td>(200,000)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Example 3: Transfer of assets from a proprietary fund type account to Account 997 “General Capital Assets Subsidiary Account”</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>501 - Liquor Revolving Account</td>
<td>1210 Buildings</td>
<td>28,000,000</td>
<td>0</td>
<td>0</td>
<td>(28,000,000)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Transfer of assets from Account 501 to Account 997</td>
</tr>
<tr>
<td>997 - General Capital Assets</td>
<td>1210 Buildings</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>28,000,000</td>
<td>28,000,000</td>
<td>28,000,000</td>
<td>0</td>
<td>Transfer of assets from Account 997 to Account 501</td>
</tr>
</tbody>
</table>

State Reporting For Fiscal Year 2014
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

1. 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.

<table>
<thead>
<tr>
<th>Account</th>
<th>Governmental and Internal Service fund type accounts</th>
<th>Enterprise fund type accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>039 Aeronautics account</td>
<td>150,000</td>
<td></td>
</tr>
<tr>
<td>099 Puget Sound Capital Construction</td>
<td>2,402,000</td>
<td></td>
</tr>
<tr>
<td>218 Multimodal Transportation</td>
<td>3,975</td>
<td></td>
</tr>
<tr>
<td>AFRS Amount Subobjects ED and EH</td>
<td>2,557,975</td>
<td></td>
</tr>
</tbody>
</table>

Payments to External Entities:

- Minimum lease expense: 500,000
- Contingent lease expense: 0

Payments to Other State Agencies and Internal Payments within the Agency:

- Minimum lease expense: 2,057,000
- Contingent lease expense: 0

Total Operating Lease Expense: 2,557,000

Difference (AFRS Amount – Entered Amount): 975

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

$975 is for short-term leases less than one year
DF - New for FY14

• Miscellaneous disclosure
  • Added question about joint ventures

• Pension and OPEB – Higher Education institutions disclosures
  • Added Student Achievement Council
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.
<table>
<thead>
<tr>
<th>SOC Report Needed</th>
<th>Report used when a service organization</th>
<th>Controls are relevant to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOC 1</td>
<td>Provides transaction processing for amounts that are part of the state’s CAFR.</td>
<td>Internal control over financial reporting.</td>
</tr>
<tr>
<td>SOC 2</td>
<td>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.</td>
<td>Trust Principles: Security, availability, processing integrity, confidentiality, and privacy are relevant.</td>
</tr>
</tbody>
</table>
Service Organization Disclosure

• 17. If a service providing organization is utilized, our agency has obtained a Service Organization Control (SOC) report(s) from such organization and attached a narrative detailing the nature of the service provided and a summary of the report(s) obtained. If a service providing organization is utilized and our agency has not obtained a SOC report(s) or the report(s) for the current period is not available, a narrative is attached to this certification providing the information as to the service provided and the reason a SOC report(s) has not been obtained or is not available.
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
Data should not be netted on which disclosure forms?

a) Capital Assets
b) Liabilities
c) Bonds
d) All of the above
e) None of the above
Governmental Accounting Standards Board (GASB) Statements
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
Implementing GAAP

• GASB
  • Coming up in FY15 -
    • Stmt. 68 Financial reporting for Pension plans, amending GASB 27
    • Stmt. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68
SAAM updates
Preview of the July 1 Update

• Revisions to Small and Attractive Assets (Subsection 30.40.20)
• Coffee and light refreshments and meals with meetings – Exec. Order 13-06 Healthy Foods
Federal update

• Correct federal revenue and expenditure coding before Phase 2 close
• Waiting for new Compliance Supplement
Training & Resources
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


Year-End Resources


Enterprise Reporting

Questions?