



90.20 Fiscal Year-End Cut-Off Procedures

90.20.05

June 1, 2012

Introduction

This section provides policies and procedures for closing a fiscal year and for the preparation of the state of Washington's Comprehensive Annual Financial Report (CAFR). The cut-off policy provides guidance for all state agencies to review their financial data and make necessary adjustments. The agency review and subsequent adjustments give the State Auditor's Office (SAO) reliable financial data on which to form an opinion and enable timely financial reporting.

The closing calendar for fiscal year 2012 is as follows:

- The last regular working day of the fiscal year is **June 29, 2012**. Refer to the Office of the State Treasurer's (OST) closing schedule for cut-off dates for treasury activity.
 - **Interagency invoices** must be mailed by **July 23, 2012**. Refer to Subsection 90.20.50.
 - **Phase 1** is for agencies to record revenue and expenditure/expense accruals. Phase 1 closes **July 31, 2012**. Refer to Subsections 90.20.20 through 90.20.65.
 - **Phase 2** is for agencies to record adjustments necessary to correct year-end totals. Phase 2 closes **September 7, 2012**. Refer to Subsection 90.20.70.
- State disclosure forms are also due **September 7, 2012**. Refer to Section 90.40.
- **Phase 3** is for SAO to audit accounting data and recommend any necessary adjustments. State agencies are not allowed to make entries into the Agency Financial Reporting System (AFRS) during Phase 3, unless approved by the Office of Financial Management (OFM). Phase 3 closes **October 5, 2012**. Refer to Subsection 90.20.80.
 - **Phase 4** is when OFM prepares the CAFR. Refer to Subsection 90.20.90.

A schedule of phase cut-off dates is published annually by OFM as part of the directive implementing these policies. Refer to the AFRS/CAFR Closing Schedule and other year-end closing resources at: <http://www.ofm.wa.gov/resources/yearend.asp>.

90.20.10

June 1, 2012

Cash cut-off date and policies

90.20.10.a

Cash cut-off is the last working (business) day in June. Cash activity occurring **after** this date is recorded in the ensuing fiscal year.

90.20.10.b

Treasury accounts

Treasury account cash receipts received by an agency **on or before June 30** are recorded in Fiscal Month 12 or 24 as “in-process” cash prior to the June monthly cut-off. If these amounts are not deposited in the State Treasury on or before the OST fiscal year cut-off date (usually June 30), the entry by OST to treasury cash activity will be made in the ensuing period. Refer to Subsection 90.30.20 for illustrative entries.

Treasury account cash disbursements **paid on or before OST's cut-off date** are recorded as "in-process" cash prior to the June fiscal month cut-off. Refer to Subsection 90.30.50.a for illustrative entries.

90.20.10.c

Local accounts

Local account cash receipts deposited on or before June 30 are recorded with a debit to GL Code 1110 “Cash in Bank.” Local account cash receipts received on or before June 30, but not deposited until after June 30, are recorded as a debit to GL Code 1120 “Undeposited Local Cash.” Amounts recorded as GL Code 1120 are reclassified to GL Code 1110 “Cash in Bank” when deposited in the local bank account. Refer to Subsection 90.30.20 for illustrative entries.

Local account cash disbursements made on or before June 30 are recorded with a credit to GL Code 1110 “Cash in Bank.” Refer to Subsection 90.30.50 for illustrative entries.

90.20.15

June 1, 2012

Prior period adjustments and corrections

Prior period adjustments are corrections of errors discovered after a fiscal year has been closed. There are two types of prior period adjustments, material and immaterial.

OFM makes the final determination as to whether a prior period adjustment is material or immaterial. To facilitate this determination, prior period adjustments that equal or exceed the materiality level computed annually at the roll-up fund level as listed in Subsection 75.30.40 of this manual are to be brought to the attention of the agency's OFM Accounting Consultant. For purposes of Subsection 75.30.40, the materiality level is the lesser of (a) \$1 million or (b) the greater of the following two amounts: five percent of roll-up fund equity or one percent of roll-up fund gross activity (revenues plus expenditures/expenses).

90.20.15.a

Material prior period adjustments

Material prior period adjustments are reported as adjustments to beginning fund equity. If a material prior period adjustment is required, the following source documents are prepared by the agency, and the original copies are forwarded to the OFM Accounting Consultant assigned to the agency.

1. Journal Voucher - Forward a properly completed journal voucher with supporting documentation referencing the attached footnote disclosure [refer to (2) below] signed by the agency's fiscal officer indicating approval. Agencies assign the current document number and leave the reference document number blank.
2. Footnote Disclosure - Include a description of the nature of the adjustment, its impact on beginning balances, and the resulting effect on:
 - “Change in net assets” of prior periods for **proprietary and trust fund type accounts** (specifically, the under/overstatement of revenues and expenses); or
 - “Net change in fund balances” of prior periods for **governmental fund type accounts** (specifically, the under/overstatement of revenues and expenditures).

- 90.20.15.b Material prior period adjustments (except for agency fund type accounts and Subsidiary Accounts 997 and 999) are offset to GL Code 9220 “Prior Period Material Corrections (OFM Only).” Refer to Subsection 90.30.30.a for an illustrative entry.
- 90.20.15.c Material prior period adjustments to Subsidiary Accounts 997 and 999 are offset to GL Code 9910 “Current Period Clearing Account (Subsidiary Accounts Only).” Refer to Subsection 90.30.30.b for an illustrative entry.
- 90.20.15.d All material prior period adjustments (as reflected on the agency prepared journal voucher) are entered in AFRS by OFM after approval by the OFM Statewide Accounting Manager.

90.20.15.e **Immaterial prior period adjustments and corrections**

Except as noted below, immaterial prior period adjustments in governmental fund type accounts are offset by a credit to GL Code 3215 “Immaterial Adjustments to Prior Periods” with Revenue Source Code 0485 “Immaterial Prior Period Adjustments.” In proprietary fund type accounts, if the immaterial prior period correction is related to a revenue, it should be adjusted through revenue and, if it is related to an expense, it should be adjusted through expense.

Debits to Revenue Source Code 0485 “Immaterial Prior Period Adjustments” are generally not appropriate and require the approval of the agency’s OFM Accounting Consultant.

Adjustments to clear overliquidated payables or to write down inventory balances should be recorded as expenditures against the applicable expenditure authority code. Refer to Subsection 90.30.35.b for an illustrative entry.

Write-offs of accounts receivable balances should be debited to the related allowance for doubtful accounts per Subsection 85.54.55. Absent an allowance account in a governmental fund type account, the adjustment should be debited to the revenue source code that was credited when the receivable was recorded. In a proprietary fund type account, if no allowance account exists, accounts receivable are written off to GL Code 6515 “Bad Debts Expense.”

If the write-off involves the receivable of federal or private/local revenues, agencies should contact their assigned OFM Accounting Consultant.

If the receivable originated through an offset to expenditures, then the adjustment to write down the receivable should be a reversal of the original entry. If the expenditure occurred in a prior expenditure authority period, and the account involved is appropriated, refer to Subsection 85.40.10 for procedures relating to belated claims.

If, in the second year of a biennium, a prior period adjustment relates to a biennial expenditure authority that has not lapsed, the prior period adjustment is to be recorded to/against the applicable expenditure authority.

Immaterial prior period adjustments resulting in the receipt of cash for the recovery of an expenditure charged against a prior expenditure authority are recorded with a credit to GL Code 3210 "Cash Revenues" using Revenue Source Code 0486 "Recoveries of Prior Expenditure Authority Expenditures." Refer to Subsection 90.30.35.c for an illustrative entry.

Revenue Source Code 0486 should only be debited in very limited circumstances and **only** with prior approval of the agency's assigned OFM Accounting Consultant.

Refer to Subsection 90.20.45 for guidance on immaterial prior period adjustments resulting from overestimating an accrual against a prior expenditure authority.

90.20.15.f Record immaterial prior period adjustments to Subsidiary Accounts 997 and 999 as current period additions and/or deletions. If an immaterial prior period adjustment to Subsidiary Account 997 involves accumulated depreciation, it should be recorded to GL Code 6591 "Depreciation Expense (General Capital Subsidiary Account only)."

90.20.15.g Adjustments involving beginning cash balances in agency fund type accounts are to be prepared by the administering agency on a journal voucher and submitted to their OFM Accounting Consultant for entry. All other prior period adjustments to agency fund type accounts are recorded as current period activity.

90.20.15.h OFM may make adjustments between material and immaterial adjustment classifications based upon review during preparation of the CAFR.

Enterprise Reporting (ER) report to use: Accounting/Prior Period Adjustment Activity

90.20.20

June 1, 2012

Revenue recognition

90.20.20.a

Governmental fund type accounts

Revenues in governmental fund type accounts are recognized in the period in which they become both **available** and **objectively measurable** as follows:

In general, the following revenues are deemed measurable and available at June 30 and are accrued in the concluding fiscal year:

- Taxes imposed on exchange transactions (gross receipts and fuel taxes,) pertaining to underlying exchange transactions that occur as of June 30, are accrued as revenue in the concluding fiscal year if expected to be collected within twelve months of fiscal year-end.
- Federal grant revenues are recognized according to the guidelines provided in Subsection 50.30.70. In general, federal grant revenues are recognized when the qualifying grant expenditures are made provided that the availability criteria are met.
- Generally, revenues from licenses, permits, and fees are recognized as revenue in the fiscal year in which they are collected.
- Property taxes, which are due and expected to be collected within 60 days of the fiscal year-end, are accrued as revenues in the concluding fiscal year for Generally Accepted Accounting Principles (GAAP) reporting purposes.
- Private donation pledges are accrued when the eligibility requirements are met, provided that they are verifiable, unconditional, probable of collection, measurable and available.
- All other revenues are accounted for in accordance with GAAP for both budget and accounting reporting purposes.

90.20.20.b

Proprietary and trust fund type accounts

Revenues for proprietary and trust fund type accounts are accounted for on a full accrual basis which means that they are recognized in the period when earned.

90.20.20.c **Revenue accrual**

When cash has not been received by June 30 for revenues meeting the appropriate recognition criteria, record the revenue as an accrual (revenue offset by receivable) in Fiscal Month 99 or 25. Record the liquidation of these accruals (receivable offset by cash) in the ensuing fiscal year when the cash is received. Refer to Subsections 90.30.40.a and b for illustrative entries.

90.20.20.d **Revenue accrual estimate adjustments**

Record over and under accruals of estimated revenue from the prior fiscal year-end as adjustments to revenue in the current period:

- Record over accruals as a decrease to revenue in the current period.
- Record under accruals as an increase to revenue in the current period.

Refer to Subsection 90.30.35.d and e for illustrative entries.

90.20.20.e **Deferred revenue – governmental fund type accounts**

If cash was received or a receivable recorded for revenue which **does not** meet the availability recognition criteria for governmental fund type accounts, record the revenue in GL Code 5192 “Deferred Revenues - Short-Term” or GL Code 5292 “Deferred Revenues - Long-Term” depending upon when it is expected to be realized. Refer to Subsection 85.70.40. These amounts are recognized as revenue in a future period when they meet the availability recognition criteria. Refer to Subsection 90.30.40.c for an illustrative entry.

90.20.20.f **Unearned revenue – all accounts**

If cash was received for revenue for which the earning criteria has not been met in governmental or proprietary fund type accounts, record the revenue in GL Code 5190 “Unearned Revenues – Short Term” or GL Code 5290 “Unearned Revenues – Long Term” depending upon when the revenue is expected to be realized. Refer to Subsection 85.70.45. These amounts are recognized as revenue in a future period when they meet the earning criteria. Refer to Subsection 90.30.40.d

90.20.20.g

Treasury deposit income

The fiscal year-end accrual for treasury deposit income is recorded by OST as Agency 705 Treasurer's Deposit Income in either Account 076 "Treasury Income Account" or Account 409 "Investment Income Account."

1. Treasury accounts (for governmental, proprietary, and trust fund type accounts)

Treasury deposit income for treasury accounts is reported by OST as Agency 705 activity for the concluding fiscal year. OST records the interest as payable in Account 076 by a credit to GL Code 5153 "Due to Other Funds" with the appropriate subsidiary account code. In addition, OST records the interest in the various receiving accounts in Agency 705 by debiting GL Code 1353 "Due from Other Funds" with Subsidiary Account Code 076000, and crediting GL Code 3205 "Accrued Revenues" with Revenue Source Code 0401 "Investment Income."

2. Treasury trust accounts (for governmental, proprietary, and trust fund type accounts)

Treasury deposit income for treasury trust accounts is reported by OST in Agency 705. OST records the interest as payable in Account 409 by crediting GL Code 5153 "Due to Other Funds" with the appropriate subsidiary account code. In addition, OST records the activity in the various receiving accounts in Agency 705, by debiting GL Code 1353 "Due from Other Funds" with Subsidiary Account Code 409000 and crediting GL Code 3205 "Accrued Revenues" with Revenue Source Code 0401 "Investment Income."

3. Treasury and treasury trust accounts (for agency fund type accounts)

Deposit income for agency fund type accounts is reported in either Agency 705 or the administering agency. When the activity is reported in Agency 705, OST records interest payable in Account 076 or 409 by crediting GL Code 5153 "Due to Other Funds" with the appropriate subsidiary account code. In addition, OST records the activity in the various receiving agency fund type accounts in Agency 705 by debiting a receivable and crediting a liability in the agency account.

When the activity is reported in the administering agency, OST records interest payable in Account 076 or 409 by crediting GL Code 5153 “Due to Other Funds” with the appropriate subsidiary account code. In addition, OST records the activity in the various receiving agency fund type accounts in Agency 705 by debiting a receivable and crediting a liability in the agency fund type account. OST notifies administering agencies of the various agency fund type accounts of the correct amount of deposit income after the June allocation is run, which is a day after the AFRS cut-off date.

90.20.25

June 1, 2012

Expenditure/expense recognition

90.20.25.a

Governmental fund type accounts

Expenditures in governmental fund type accounts are recognized in the period in which the account liability is incurred; that is, the period in which the goods or services are received. Goods and services **must be received by June 30** to be included as an expenditure of the concluding fiscal year.

90.20.25.b

Proprietary and trust fund type accounts

In proprietary and trust fund type accounts, expenses are recognized when incurred, if measurable. All goods and services **received through June 30 must be recognized** in the concluding fiscal year.

90.20.25.c

All accounts

Record expenditures/expenses incurred in the concluding fiscal year but **paid after June 30**, as an accrual (expenditure/expense offset by payable) in Fiscal Month 99 or 25. Record liquidation of the accrual (payable offset by cash) in the ensuing fiscal year when paid. Refer to Subsection 90.30.50 for illustrative entries. If the ensuing year is the second fiscal year of a biennium and the expenditure is charged against a biennial expenditure authority code, then there is an additional entry to reverse the initial accrued expenditure and record a cash expenditure.

90.20.30

June 1, 2012

Expenditure/expense accruals for single year operating expenditure authority - mid-biennium

90.20.30.a

Expenditure/expense accruals

Record all expenditure/expense accruals charged against single year operating expenditure authority by July 31 of the ensuing year. If the amount of the accrual is known (i.e., the invoice has been received or the amount is otherwise known), record the entry to GL Code 6505 "Accrued Expenditures/Expenses."

90.20.30.b

Estimates

If the amount is not known, **but can be reasonably estimated**, record the estimate in GL Code 6560 "Estimated Accrued Expenditures/Expenses." Make estimates in accordance with the state's policy for developing accounting estimates. Refer to Subsection 90.20.55.

Note: If the actual amount becomes known prior to Phase 2 close, the estimate recorded in GL Code 6560 "Estimated Accrued Expenditures/Expenses" should be reversed and the actual amount should be recorded in GL Code 6505 "Accrued Expenditures/Expenses."

All expenditure/expense accruals (GL Codes 6505 and 6560) made during the first fiscal year of a biennium and charged against single year operating expenditure authority will be closed to fund equity during the biennium automated closing process in AFRS.

Agencies should monitor the liquidation of estimated accruals at the account/expenditure authority level. While a subsidiary worksheet is the recommended method, agencies may use any reasonable means of documenting the liquidations. Reconcile the unliquidated balances on a timely basis. Retain this subsidiary worksheet or other form of documentation for audit purposes.

90.20.30.c

Encumbrances

The balance in GL Code 6410 "Encumbrances" related to **single year** expenditure authority is to be **zero** at the end of the fiscal year. Goods and services ordered, but not received prior to close of business June 30, are accounted for as expenditures of the ensuing year or in the fiscal period received. Refer to Section 85.30.

ER report to use: Accounting/Exceptions/Encumbrances - First Fiscal Year Operating (GL 6410)

90.20.35

June 1, 2012

Expenditure/expense accruals for biennial expenditure authority - mid-biennium

90.20.35.a

Expenditure/expense accruals

Record all expenditure/expense accruals charged against biennial expenditure authority by July 31 of the ensuing year. Both actual and estimated accruals are to be recorded in GL Code 6505 "Accrued Expenditures/Expenses." Actual accruals are based on an invoice or the amount is otherwise known.

90.20.35.b

Estimates

Estimates are made if an amount is not known, **but can be reasonably estimated**. Make estimates in accordance with the state's policy for developing accounting estimates (use GL Code 6505). Refer to Subsection 90.20.55.

Reverse accrued expenditures/expenses (GL Code 6505) recorded during the first fiscal year of the biennium at the beginning of the second fiscal year of the biennium. After the reversal, payments of the accruals are to be treated the same as other expenditures/expenses of the second fiscal year.

90.20.35.c

Encumbrances

Goods and services ordered, but not received prior to June 30 of the first fiscal year of the biennium, are recorded as encumbrances in the first fiscal year by debiting GL Code 6410 "Encumbrances" with an offsetting credit to GL Code 9510 "Reserved for Encumbrances." **For budgeted accounts, total allotment charges plus these encumbrances cannot exceed the approved spending authority (approved biennial budget)**. Refer to Section 85.30.

ER report to use: Accounting/Exceptions/Encumbrances by Account and Program

Additionally, for encumbrances relating to capital appropriations, a sufficient available fund balance must exist or an appropriate budget explanation explaining the difference must be included with fiscal year-end disclosure forms as an attachment to the financial disclosure certification. Refer to Subsection 85.30.10 for further information about encumbrance accounting.

A second option for mid-biennium reporting of encumbrances related to biennial expenditure authority is to record them at a summary level by debiting GL Code 9514 “Reserved for Encumbrances for Continuing Operating Expenditure Authority” with an offsetting credit to GL Code 9510 “Reserved for Encumbrances.” This entry is reversed at the beginning of the ensuing fiscal year by debiting GL Code 9510 and crediting GL Code 9514. At the time the summary level entry is reversed, the encumbrances need to be recorded in GL Code 6410 against an actual expenditure authority code. Prior to using GL Code 9514, agencies should check with their assigned OFM Accounting Consultant.

90.20.40

June 1, 2012

Expenditure/expense accruals - end of biennium

90.20.40.a

Expenditure/expense accruals

Record all expenditure/expense accruals for the concluding fiscal year by July 31 of the ensuing year. If the amount of the accrual is known (i.e., the invoice has been received or the amount is otherwise known), record the entry to GL Code 6505 “Accrued Expenditures/Expenses.”

90.20.40.b

Estimates

If the amount is not known, **but can be reasonably estimated**, record the estimate in GL Code 6560 “Estimated Accrued Expenditures/Expenses.” Make estimates in accordance with the state’s policy for developing accounting estimates. Refer to Subsection 90.20.55.

Note: If the actual amount becomes known prior to Phase 2 close, the estimate recorded in GL Code 6560 “Estimated Accrued Expenditures/Expenses” should be reversed and the actual amount should be recorded in GL Code 6505 “Accrued Expenditures/Expenses.”

All accrued expenditures/expenses (GL Codes 6505 and 6560) are closed to fund equity during the biennium automated closing process in AFRS.

Agencies should monitor the liquidation of estimated accruals at the account/expenditure authority level. While a subsidiary worksheet is the recommended method, agencies may use any reasonable means of documenting the liquidations. Reconcile the unliquidated balances on a timely basis. Retain this subsidiary worksheet or other form of documentation for audit purposes.

90.20.40.c

Encumbrances - operating expenditure authority

The balances of GL Codes 6410 “Encumbrances” and 9514 “Reserved for Encumbrances for Continuing Operating Expenditure Authority” are to be **zero** at the end of the biennium. Goods and services ordered, but not received prior to close of business June 30, are accounted for as expenditures of the ensuing year or in the fiscal period received. Refer to Section 85.30.

90.20.40.d

Encumbrances - capital expenditure appropriations

At biennium-end, encumbrances for capital appropriations that are **reappropriated** in the new biennium are closed to GL Code 9513 “Reserved for Encumbrances for Reappropriated Capital Appropriations” in the concluding biennium, **provided a sufficient available fund balance exists**. These amounts are offset by GL Code 9510 “Reserved for Encumbrances.” The entry to close GL Code 6410 “Encumbrances” is reversed at the beginning of the ensuing biennium with the encumbrance charged to the reappropriated appropriation. Refer to Subsection 90.30.60.c for an illustrative entry.

90.20.45

June 1, 2012

**Unliquidated estimated accrued expenditures/
expenses – immaterial prior period adjustments**

Unliquidated estimated accrued expenditures/expenses from a prior expenditure authority period are adjusted using GL Code 3215 “Immaterial Adjustments to Prior Periods” with Revenue Source Code 0486 “Recoveries of Prior Expenditure Authority Expenditures.” The 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, but no later than two years following the accrual. Refer to Subsection 90.30.35.a for an illustrative entry.

90.20.47

June 1, 2012

**Shortages in estimated accrued expenditures/
expenses in appropriated accounts – belated claims**

Shortages in estimated accrued expenditures/expenses in **appropriated accounts** are to be treated as belated claims of the prior expenditure authority period. Belated claims are obligations for goods and services which were received on or before June 30 but were not accrued in the concluding expenditure authority period. Refer to Subsection 90.30.35.b for an illustrative entry. Refer to Subsection 85.40.10 for procedures relating to belated claims.

90.20.50

June 1, 2012

Interagency accruals

90.20.50.a

Interagency receivables/payables are required to be in balance at fiscal year-end. Agency cooperation is essential to balance interagency receivables and payables at the statewide level. Agencies are to contact the other agencies involved to resolve any differences. If disagreements exist, the OFM Accounting Consultant assigned to each agency should be contacted to resolve the issues.

Interagency GL Codes include:

- 1354 Due from Other Agencies
- 1654 Due from Other Agencies - LT
- 5154 Due to Other Agencies
- 5254 Due to Other Agencies - LT

There are several exceptions to the GL codes listed above for recording interagency payables. Refer to Subsection 90.20.50.b for a list of these exceptions. Also, interagency receivable/payables with the State Board for Community and Technical Colleges (SBCTC) and the Community and Technical Colleges (CTCs) require a specific subsidiary GL code, refer to Subsection 90.20.50.c.

In establishing interagency receivables/payables, the accrual should be recorded as of the date goods and services are delivered. Refer to Subsection 90.20.25.

A reasonable estimated billing, in lieu of an actual amount, is an acceptable basis for recording the receivable/payable. However, payment should be made after receipt of the actual bill, not on an estimated billing.

The type of interagency payment used to liquidate an interagency accrual depends on the cash type of the accounts involved. Payments between treasury and treasury trust accounts are to be made using the most cost effective means available, for example an interagency payment (IAP). Refer to Section 85.36. Except as noted below, the accrual is deemed liquidated on the date the cash is credited to the receiving agency. If the payment is made by warrant or local fund check, the date recorded on the payment document is considered the date of liquidation.

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.

Actual billings received by customer agencies are to be accrued in GL Code 6505 “Accrued Expenditures/Expenses” by July 31 in the concluding fiscal year, using Fiscal Month 99 or 25.

For a **biennial expenditure authority** at mid-biennium, expenditures related to estimated billings received by customer agencies are accrued in GL Code 6505 “Accrued Expenditures/Expenses” by July 31 in the concluding fiscal year using Fiscal Month 99.

At the **end of an expenditure authority period**, expenditures related to estimated billings received by customer agencies are accrued in GL Code 6560 “Estimated Accrued Expenditures/Expenses” by July 31 in the concluding fiscal year using Fiscal Month 99 or 25.

Disputed billings are treated as estimates whether based upon actual invoices or not. Disputed billings are to be paid when resolved.

Refer to the table of interagency payment methods and effective dates and the list of interagency contacts on OFM’s website at:
<http://www.ofm.wa.gov/resources/yearend.asp>.

ER reports to use: Accounting/Interagency & Interfund/Interagency payables and Interagency receivables

90.20.50.b

The following interagency payables **should not** be recorded using GL Codes 5154 or 5254. Instead the following GL Codes should be used:

GL Codes	GL Title	Description
5152	Due to Other Governments	Department of Retirement Systems (DRS) withholdings for retiree medical insurance premiums due to Health Care Authority (HCA). HCA records it as GL Code 1352 “Due from Other Governments.”
5152	Due to Other Governments	DRS special billings for retirement contributions

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State Reporting

GL Codes	GL Title	Description
5152/1352	Due to Other Governments/Due from Other Governments	Amounts due to or due from state Agriculture Commodity Commissions
5158	Due to Dept of Revenue – Taxes	Due to Department of Revenue (DOR) for sales & use taxes
5159/1359	Due to Primary Government/Due from Component Units	Amounts due to or due from discrete component units (refer to the list below).
5173/5273	Certificates of Participation Payable	Due to Office of the State Treasurer (OST) for a COP liability
5187	Industrial Insurance and Medical Aid Deductions Payable	Due to Labor & Industries (L&I) for worker’s compensation

Amounts due to or from the following discrete component units are recorded as GL Code 5159 "Due to Primary Government" or GL Code 1359 "Due from Component Units," as follows:

<u>Component Units</u>	<u>Agency Code</u>
Washington Economic Development Finance Authority	1060
Washington State Housing Finance Commission	1480
Tobacco Settlement Authority	3040
Washington Higher Education Facilities Authority	3460
Washington Health Care Facilities Authority	5990
Washington Public Stadium Authority	7270

90.20.50.c

When recording interagency receivables/payables with the State Board for Community and Technical Colleges (SBCTC) and the Community and Technical Colleges (CTCs), use the following subsidiary GL codes:

Agency Name	Agency Code	Use Subsidiary GL Code
Community and Technical Colleges	6050 to 6960	6990xx*
State Board for Community and Technical Colleges	3520	699000

* Where xx is the second and third numbers of the 4 digit agency code for the specific community or technical college. Refer to Subsection 75.20.10.

90.20.55

June 1, 2012

Accounting estimates

90.20.55.a

An accounting estimate is an approximation of an expenditure/expense, revenue, or other financial statement element. Accounting estimates are included in the state's accounting records because of the following:

1. The measurement of some amounts or the valuation of some financial statement element may be uncertain, pending the outcome of future events.
2. Relevant data concerning events that have already occurred cannot be accumulated on a timely, cost-effective basis.

90.20.55.b

Agencies are responsible for making the accounting estimates to be included in their accounting records. Estimates are based on subjective as well as objective factors. These decisions are normally based on knowledge and experience of past and current events, assumptions about conditions expected to exist, and courses of action expected to be taken.

90.20.55.c

Agencies are responsible for establishing a process for preparing accounting estimates. The process normally consists of the following:

1. Identifying situations for which accounting estimates are required.
2. Identifying the relevant factors that may affect the accounting estimate.
3. Accumulating relevant, sufficient, and reliable data on which to base the estimate.
4. Developing assumptions that represent management's judgment of the most likely circumstances and events with respect to the relevant factors.
5. Determining the estimated amount based on the assumptions and other relevant factors.

Once an agency has determined the accounting estimate amount, they must record the accounting estimate in accordance with state accounting policies.

ER report to use: Accounting/Estimated Accrued Expenditures/Expenses (GL 6560) Review

Note: If the actual amount becomes known prior to Phase 2 close, the expenditure estimate recorded in GL Code 6560 “Estimated Accrued Expenditures/Expenses” should be reversed and the actual amount should be recorded in GL Code 6505 “Accrued Expenditures/Expenses.”

90.20.60

June 1, 2012

Interfund accruals

Interfund receivables and payables, GL Codes 1353 and 5153, 1653 and 5253, 1355 and 5155, and 1350 and 5150, are required to be in balance at the agency level at fiscal year-end. For the University of Washington only, GL Codes 1667, 5167, and 5267 are also required to be in balance at the agency level at fiscal year-end.

Interfund accruals should be established when goods and/or services are delivered. When payment of an interfund payable is made by interfund transfer (IFT) or journal voucher (JV), the accrual is considered liquidated on the date that the cash is credited to the receiving fund. If payment is made by warrant or local check, the date recorded on the payment document is considered the date of liquidation.

Refer to the table of interfund transfer methods and effective dates on OFM's Administrative and Accounting Resources web page at: <http://www.ofm.wa.gov/resources/yearend.asp>.

ER reports to use: Accounting/Interagency & Interfund/Interfund Receivables/Payables and Pooled Cash and Investments Due to/Due from Other Funds (GLs 1355 and 5155)

90.20.65

June 1, 2012

Agency fund type accounts

Agency fund type accounts are custodial in nature and do not report operations or fund balance. At fiscal year-end, these accounts only report assets and liabilities existing as of June 30.

90.20.70

June 1, 2012

Adjustment and reconciliation activity

90.20.70.a

Phase 2 is the final opportunity for state agencies to enter adjustments for the concluding fiscal year before the data is provided to the SAO for final audit and released as the unaudited fiscal year activity.

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 must be reconciled to the subsidiary records.

90.20.70.b

Journal vouchers are used for adjusting entries posted during Phase 2 for Fiscal Month 99 or 25. Journal vouchers must include the biennium and fiscal month to which they pertain.

Examples of types of activities to perform and adjustments to make are as follows:

1. **Amortization of a gain/loss on bond refunding – proprietary fund type accounts.** In proprietary fund type accounts only, amortize gain/loss on a bond refunding recorded in GL Code 5268 “Deferred Gain/Loss on Bond Refunding.” Record the amortization in GL Code 6512 “Amortization Expense” using Subobject PF “Amortization of Gain/Loss on Bond Refunding.” Refer to Subsection 85.72.20.d.
2. **Capital asset/accumulated depreciation reconciliation.** Reconcile the balances in GL Code series 2XXX “Capital Assets” in AFRS with the balances for capital assets in the Capital Asset Management System (CAMS) or other authorized capital asset subsidiary system. An adjusting entry is required when the balance in AFRS does not agree with the reconciled balance. Refer to Subsection 30.40.30.

Separately record additions, deletions, and adjustments to capital assets and accumulated depreciation occurring during the year. Adjusting entries to capital assets and accumulated depreciation are not to be netted. Subsection 85.60.60 contains the procedures for adjusting capital assets.

3. **Certificates of participation (COP) payable review.** Review and adjust GL Codes 5173 and 5273 “Certificates of Participation Payable” to ensure that year-end balances are correct and agree with balances maintained by OST. **Transactions to record increases to the COP liability accounts are to be recorded separately from decreases, not netted.** Record in GL Code 5173 the COP principal amount payable in the next fiscal year.

For governmental fund type accounts, ensure that the amount of all new Certificates of Participation (COPs) recorded in Subsidiary Account 999 agrees to amounts reported in the governmental fund type accounts in GL Code 3221 “Other Financing Sources” and Revenue Source Code 0807 “Certificates of Participation.” Refer to Subsections 85.85.45 and 85.85.50.

ER report to use: Accounting/Exceptions/COPs and Capital Leases – Governmental Accounts

4. **Deferred and unearned revenue review.** Review deferred revenues recorded in governmental fund type accounts (GL Codes 5192 and 5292) and unearned revenues recorded in both governmental and proprietary fund type accounts (GL Codes 5190 and 5290). Refer to Subsections 85.70.40, 85.70.45, and 90.20.20.

ER reports to use: Accounting/Agency Trial Balance or Accounting/General Ledger Account Analysis Flexible

5. **Depreciation adjustment.** Record depreciation using the procedures contained in Subsection 85.60.40.

ER report to use: Accounting/Depreciation Expense and Increase in Allowance for Depreciation Review

6. **Expenditures within appropriations review.** Review expenditures to ensure that appropriations haven’t been overspent.

ER report to use: Accounting/Budget/Appropriations Overspent

7. **Fund equity review.** Review the balances in equity GL codes to ensure appropriate classification and compliance with order of spending policies. Refer to Subsection 80.30.65.

Additionally, the balances in the following sets of GL codes are to net to zero:

Governmental fund type accounts only:

Petty cash:

- 1130 Petty Cash, and
- 9122 Nonspendable Petty Cash

ER report to use: Accounting/Exceptions/Petty Cash/Reserve for Governmental Accounts

Inventory:

- 1410 Consumable Inventories, and
- 9120 Nonspendable Consumable Inventories

ER report to use: Accounting/Exceptions/Consumable Inventory for Governmental Accounts

All accounts – encumbrances – biennial expenditure authority – mid-biennium:

- 6410 Encumbrances, or
- 9514 Reserved for Encumbrances for Continuing Operating Expenditure Authority, and
- 9510 Reserved for Encumbrances

(Refer to Subsection 90.20.35.c)

ER report to use: Accounting/Exceptions/Encumbrances by Account and Program

All accounts – encumbrances – capital appropriations at end of biennium:

- 9513 Reserved for Encumbrances for Reappropriated Capital Appropriations, and
- 9510 Reserved for Encumbrances

(Refer to Subsection 90.20.40.d)

Exception situations:

Inventories - In governmental fund type accounts, donated commodities, such as immunization supplies, are recorded in GL Code 1415 “Donated Inventories” and are offset by GL Code 5190 “Unearned Revenues.” Refer to Subsection 85.56.40 Accounting for Donations of Consumable Inventories.

90
State Reporting

Receivables - In governmental fund type accounts, GL Codes 9131 “Nonspendable Receivables – Long-Term” and the long-term 16XX “Receivables” are to agree, with two exceptions:

- GL Code 9130 “Nonspendable Student Loans Receivable” is to agree to the net of the student loan portions of GL Code 1614 “Loans Receivable,” and GL Code 1644 “Allowance for Uncollectible Loans Receivable,” and
- There is to be no reserve if the receivable is offset by long term deferred revenue GL Code 5292 or another long term liability GL Codes 52XX.

ER report to use: Accounting/Exceptions/Long-Term Receivables/Payable for Governmental Accounts

8. General ledger balance review.

Agencies are to review and reconcile asset, liability and equity general ledger accounts.

AFRS reports to use: daily in process report, daily error report

ER reports to use:

Agencies:

Accounting/Agency Trial Balance

Accounting/Exceptions/General Ledger Accounts with Unchanged Balances

Accounting/Exceptions/Questionable Balance – Assets

Accounting/Exceptions/Questionable Balance – Liabilities

Administering agencies are to review cash and in-process accounts, GL Code series 11XX, 4XXX and 7XXX, for the accounts that they administer. Administering agencies are also to make a review of their accounts' asset, liability, and equity balances for reasonableness. If adjustments are required, administering agencies are to contact the other agencies involved. Agencies contacted are to make the requested adjustments in AFRS, or if necessary, have the agency's assigned OFM Accounting Consultant assist with making the adjustment in AFRS. Refer to Subsection 80.10.90.

Administering Agencies:

Above reports plus Administering Agency/Administering Agency Trial Balance.

9. **In-process review.** Review the AFRS daily unbalanced in-process and error reports. Agency documents listed on those reports for the concluding fiscal year should be researched and cleared as soon as possible.
10. **Interagency reimbursements (Object S) elimination.**

Budgeted proprietary fund type accounts - Normally, payments received by proprietary fund type accounts for goods and services are recorded as revenue with appropriate revenue source codes (refer to Subsection 90.30.70.b for an illustrative entry). However, in the case of budgeted proprietary fund type accounts, interagency reimbursements are recorded for budgetary purposes as credits to expense using Object S. These cases require additional entries to record revenue and to eliminate expenditure reductions for GAAP reporting. Record revenue by crediting GL Code 3225 "Revenue Adjustments/Eliminations (GAAP)" with appropriate revenue source codes and record the expenditure recovery elimination by debiting GL Code 6525 "Expense Adjustments/Eliminations (GAAP)," with appropriate subobjects within Object S. The GAAP adjustment accounts, GL Codes 3225 and 6525, are not recognized for budgetary reporting. For GAAP reporting purposes, interagency reimbursements are reflected as revenues since the two expense accounts, GL Codes 6510 and 6525, offset each other. Refer to Subsection 85.90.60.b for further information and to Subsection 90.30.70.a for illustrative entries.

ER report to use: Accounting/Exceptions/Expense Elimination for Proprietary Accounts

Other accounts - Record Object S "Interagency Reimbursements" received by accounts other than budgeted proprietary fund type accounts as normal reimbursements of expenditures by crediting GL Code 6510 "Cash Expenditures/Expenses" using Object S with appropriate subobjects. Refer to Subsection 90.30.70.c for an illustrative entry.

ER report to use: Accounting/Exceptions/Object S Debit Exceptions

11. **Interagency and intra-agency reimbursements reallocation (Unidentified Subobjects SZ & TZ).** Allocate balances in Interagency and Intra-agency Reimbursements - Unidentified (Subobjects SZ and TZ) to the appropriate subobject level under Objects S and T.

ER report to use: CAFR/Exceptions/Objects SZ and TZ Not Redistributed

12. **Inventory adjustments.** If the inventory balances (GL Code series 14XX) in AFRS do not agree with the physical count at June 30, an adjusting entry is necessary to reflect the proper balances. Section 85.56 lists the procedures to make inventory adjustments.

ER reports to use: Accounting/Agency Trial Balance or Accounting/General Ledger Account Analysis Flexible

13. **Investment review.** Review investments (GL Code series 12XX) for compliance with the investment valuation policies presented in Section 85.52. Generally, non-participating interest earning investments (e.g., non-negotiable certificates of deposit with redemption terms that do not consider market rates) are to be recorded at cost; all other short-term investments are to be recorded at amortized cost; and non-current investments are to be recorded at fair value.

14. **Leave payable adjustments.** Review and adjust leave payables as necessary to ensure correct year-end balances in compliance with Governmental Accounting Standards Board (GASB) Statements 16 and 34. Transactions to record increases and decreases are to be recorded separately, not netted. Refer to Subsections 85.72.50 through 85.72.65.

- GL Codes 5125 and 5225 Accrued Vacation Leave Payable
- GL Codes 5127 and 5227 Accrued Sick Leave Payable
- GL Codes 5128 and 5228 Accrued Compensatory Time Payable

Vacation leave payable is to include both the dollar value of the vacation leave due employees *and* the employer's share of the associated payroll related payments; e.g., Social Security and Medicare taxes.

A liability for sick leave is to be accrued for the estimated amount that will be paid to employees as sick leave buy-out upon retirement. No liability is accrued for the estimated dollar value of allowed time off.

The sick leave accrual is to include the dollar value of the estimated amount that will be paid in cash and the employer's share of the associated payroll related payments; e.g., Social Security and Medicare taxes (pension is not paid on sick leave buy-out).

Using the assumption that employees are currently taking the leave that they most recently earned (last in, first out), and given that accrued vacation and sick leave generally increase year to year, the long-term designation (GL Codes 5225 and 5227) is generally appropriate. Under this assumption, vacation and sick leave liabilities would be classified short term only when special circumstances exist, such as a significant number of retirements or terminations (resulting in unusually high vacation and sick leave buy-out) are expected in the next year.

Compensatory time payable is to include both the dollar value of the compensatory time due employees and the employer's share of the associated payroll related payments; e.g., pension and Social Security and Medicare taxes.

Additionally, review shared leave activity to ensure that it is recorded in both the accounting and payroll systems in such a way as to allow for statewide reporting of shared leave activity. Refer to Subsection 85.34.20 for procedures for making accounting entries.

ER reports to use: Accounting/Agency Trial Balance or Accounting/General Ledger Account Analysis Flexible

15. **Long-term obligations review.** Record “Long-Term Obligations” for governmental fund type accounts (GL Code series 52XX) in Account 999 “General Long-Term Obligations Subsidiary Account.” In proprietary and trust fund type accounts, long-term obligations are recorded directly in the accounts. For all long-term obligations, ensure that the amount due in the next year is recorded in the short-term GL Code (51XX). Refer to Section 85.72.

Transactions to record increases to individual liability accounts are to be recorded separately from decreases, not netted.

For governmental fund type accounts, ensure that the amount of all new capital leases recorded in the Subsidiary Account 999 agrees to amounts reported in the governmental fund type accounts in GL Code 3221 “Other Financing Sources” with Revenue Source Code 0809 “Capital Lease Acquisitions.” Refer to Subsection 85.72.30.b.

ER report to use: Accounting/Exceptions/COPs and Capital Leases – Governmental Accounts

16. **Pollution remediation obligations.** Record pollution remediation obligations (GL Code 5287) for governmental fund type accounts in Account 999 “General Long-Term Obligations Subsidiary Account.” In proprietary and trust fund type accounts, pollution remediation obligations are always fund liabilities. They are separated into short-term liabilities (e.g., accounts payable, claims and judgments payable, or accrued salaries) using appropriate general ledger codes and long-term liabilities using GL Code 5287 “Pollution Remediation Obligation.” Refer to Subsection 85.74.50.

Transactions to record increases are to be recorded separately from decreases, not netted.

The balance recorded in GL Code 5287 in Account 999 “General Long-Term Obligations Subsidiary Account” must match the total amount shown as “reportable” on the Site Status Report. In proprietary and trust fund type accounts, the total amount shown as “reportable” on the Site Status Report must equal the pollution remediation obligation amounts recorded in GL Code 5287 plus the appropriate short-term GL code(s).

If applicable, the Site Status Report is required to be submitted with the Financial Disclosure Certificate.

17. **Merchandising activity review for proprietary accounts.** Review inventory, sales revenue and cost of goods sold GL codes for reasonableness. Expenses coded to Object F “Cost of Goods Sold,” must be accompanied by an equal or greater amount coded to Revenue Source Code 0450 “Sales of Goods and Supplies – Proprietary Funds” or Revenue Source Code 0455 “Sales of Liquor.” Refer to Subsection 85.56.30.

ER report to use: Accounting/Merchandising Activity - Proprietary

18. **Object T adjustments.** Total Object T “Intra-Agency Reimbursements” are to be reviewed to ensure that they are in balance (net to zero) at the subobject level for all accounts within the following GL Codes:

- 6505 Accrued Expenditures/Expenses
- 6510 Cash Expenditures/Expenses
- 6560 Estimated Accrued Expenditures/Expenses

Budgeted proprietary fund type accounts - In the case of budgeted proprietary fund type accounts, intra-agency reimbursements are recorded as a credit to expense using Object T.

Therefore, an adjustment is required to record revenue by crediting GL Code 3225 “Revenue Adjustments/Eliminations (GAAP)” with an appropriate revenue source code and debiting GL Code 6525 “Expense Adjustments/Eliminations (GAAP)” Object T. Only in the case of GL Code 6525 transfers is there no corresponding Object T offset. Refer to Subsection 85.90.60.a for further information and to Subsections 85.95.50 and 90.30.80.a for illustrative entries.

ER report to use: Accounting/Exceptions/Object T for Proprietary Accounts

Other accounts - Record Object T “Intra-Agency Reimbursements” received by accounts other than budgeted proprietary fund type accounts as a reduction of expenditures. Refer to Subsection 90.30.80.c for an illustrative entry.

ER report to use: Accounting/Exceptions/Object T Elimination

19. **Prior period adjustments review.** Review Prior Period Adjustments to ensure that they are in compliance with Subsections 90.20.15, 90.30.30 and 90.30.35.

ER report to use: Accounting/Prior Period Adjustment Activity

20. **Private/local revenue/expenditure balancing.** Private/local revenues and expenditures should balance at the account level for budgeted accounts, expenditure authority types 7 “Private/Local” and 9 “Private/Local – Unanticipated” and Revenue Source Code series 05XX. Refer to Subsection 75.80.10.

ER report to use: Accounting/Exceptions/Private/Local Revenue/Expenditures

21. **Receivable adjustments and reconciliation.** Report receivables as the net amount expected to be collected. An adjusting entry to the related GL Code series 134X “Allowance for Uncollectible Receivables” accounts may be required to properly reflect the net estimated realizable value of the receivables. Subsection 85.54.55 describes the procedures to be followed in making the adjustments and Subsection 85.65.32 shows an illustrative entry.

Receivables should be reconciled to subsidiary systems and/or records if applicable.

22. **Revenue Source Code series 09XX reclassification.** Reclassify Revenue Source Code series 09XX to the appropriate asset, liability, revenue, or expenditure/expense account. Refer to Subsections 75.80.20 and 85.20.30.

ER report to use: Accounting/Exceptions/Major Source 09 (Non-Revenues) to be Redistributed

23. **Revenue source code elimination for bond transactions in budgeted proprietary fund type accounts.** In budgeted proprietary fund type accounts only, eliminate the following revenue source codes adjusting them through GL Code 3225 “Revenue Adjustments/Eliminations (GAAP)” to the appropriate liability account. Refer to Subsection 85.85.30.e.

0611 - Bond Transfers In
 0612 - Bond Transfers Out
 0860 - Bonds Issued
 0863 - Original Issue Premium (Discount)
 0864 - Taxable Bonds Issued
 0865 - Note Proceeds

24. **Suspense Account (Account 01P) review.** At fiscal year-end all GL codes in Account 01P must be reviewed and cleared out if appropriate. Refer to Subsection 85.20.60.

ER report to use: Accounting/Agency Trial Balance

25. **Transfer balancing.** Transfers (Revenue Source Codes 0484 and 06XX, and Object M) are to be in balance (i.e., net to zero) at the agency level. Refer to Subsection 85.90.50.

ER report to use: Accounting/Transfers

26. **Travel advances outstanding reclassification.** Travel advances recorded in GL Code 1383 “Travel Advances” should agree to the agency’s underlying documentation by employee. Refer to Subsections 85.54.44 and 10.80.60.

90.20.70.c **Federal revenue/expenditure balancing**

Federal assistance financial information required to be reported on the Schedule of Expenditure of Federal Awards (SEFA) should be reconciled and adjusted, as needed, and posted to AFRS during Phase 2. For further information, refer to Chapter 95.

90.20.70.d **Disclosure form information should be accurately recorded in AFRS**

State disclosure forms must be completed by **September 7, 2012** (Phase 2 close). Refer to Section 90.40.

90.20.80

June 1, 2012

Phase 3 – State Auditor’s Office adjustment activity

90.20.80.a

State agencies are not allowed to make entries into AFRS during Phase 3, unless approved by OFM.

During Phase 3, SAO will have the opportunity to recommend any **material** adjustments to agencies' balances. Agencies are to review the recommended adjustments from SAO.

90.20.80.b

All audit adjustments are recorded on a journal voucher form, assigned a current document number by the audited agency, indicating the applicable biennium and fiscal month, and signed by the audited agency's fiscal officer indicating agreement or disagreement. Agencies are to cooperate with and assist the auditor, to ensure the audit adjustment journal voucher is complete and accurately prepared.

90.20.80.c

To facilitate the audit adjustment phase, promptly notify the agency's OFM Accounting Consultant of any adjustments requested by SAO.

90.20.80.d

Submit SAO audit adjustments to OFM by the Phase 3 cut-off. SAO audit adjustments are to be reviewed by the OFM Accounting Consultant. If appropriate, OFM will post the recommended adjustments to agencies' balances in AFRS.

90.20.90

June 1, 2012

Phase 4 – Office of Financial Management CAFR preparation

- 90.20.90.a OFM will prepare the state of Washington CAFR after the Phase 3 cut-off for the concluding fiscal year. During this process, it may be necessary to make certain corrections to the data for financial statement presentation purposes. If adjustments are needed, agencies will be consulted and will receive copies of journal vouchers for adjustments made to agency records by OFM.
- 90.20.90.b The audited AFRS data at the close of the fiscal year will be used by the state for all subsequent fiscal year reports. This includes budgetary control reporting and preparation of biennial budget requests.
- 90.20.90.c Agencies preparing and/or publishing agency financial statements are to use the final audited AFRS data. Refer to Subsection 90.10.60.