FISCAL YEAR-END EXPENDITURES AND PAYABLES WORKSHOP

Instructor: Laura Lopez
EXPENDITURES/PAYABLES WORKSHOP
AGENDA

- General information
- SAAM Chapter 90 – State reporting
- Exercises

INTRODUCTIONS
You will understand and know:

- Year end accounting for expenditures/expenses and payables (policy and process)
- Fiscal year closing schedule
- Common interagency payable/receivable problems and ideas on how to handle them
- Online resources that are available

You will complete exercises related to the concepts presented in class
Provides a snapshot in time that becomes the CAFR (Comprehensive Annual Financial Report)

CAFR is prepared using data from AFRS and disclosure forms:
- To meet legal requirements of RCW 43.88.027
- For bond-rating agencies
- To provide financial information to decision makers
- To demonstrate openness/transparency to citizens

Legally, CAFR must be published by Dec. 31st, but goal for FY 17 is October 27th
ONGOING ACTIVITIES

DAILY
- Process batches: deposits, payments, JVs, cancellations, etc.
- Correct errors, release batches, clear in-process

MONTHLY
- Monitor budgets
- Review exception reports & correct as needed
- Reconcile General Ledgers

The more you keep things up-to-date throughout the year, the less to do at year-end.
Starting July 1\textsuperscript{st}, there are 3 fiscal months open:

- FM 24 (regular monthly activity through July 14\textsuperscript{th})
- FM 25 (FY 17 adjustment activity)
- FM 01 (for FY 18 activity)

Analyze each document and post it to the appropriate fiscal year. Do it right the first time!
Batch Type X_ (in AFRS)

Do not use batch type X_ for FY 17 accruals. Automatic reversals will error out in AFRS.
**IMPORTANT DATES TO REMEMBER**

- June 30 – last day of FY 17, cash cutoff
- July 14 – disclosure form application opens
- July 21 – interagency billings must be mailed
- July 31 – end of Phase 1 – agency accruals
- Aug 18 – Phase 1B - certain state disclosure forms due
- Aug 18 – Interagency receivable/payable balancing due*
- Sept 1 – end of Phase 2 – agency adjustments completed
- Sept 1 – remaining disclosure forms are due
- Sept 13 – state financial disclosure certification is due
- Oct 27 – CAFR published (goal for 2017)
- Jan 31 – federal assistance certification is due

* Prioritize interagency receivable/payable reconciliations as many agencies have early internal close dates.
Cash cut-off is the last working day in June (FY17 = June 30th)

After June 30th, cash activity is recorded in fiscal year (FY18).

- If cash activity (disbursements or receipts) is posted by June 30th, there is no FY 17 accrual. For treasury accounts, “posted” means OST has posted cash activity to GL 4310 in AFRS.

- Through FM 24, continue using In-Process GLs (7120, 7140) to record disbursements. After FM 24, In-Process activity should be limited.
CASH DEADLINES FOR JUNE PAYMENTS

If cash cutoff is met, there is no FY 17 accrual

- AFRS EFT ................................. June 28th
- Warrants ................................. June 29th
- IAP/IFT .................................... June 29th

Transaction must be entered in AFRS by close of business on these dates and must post that night with no errors.

- JV, Warrant Cancellations, or Cash Receipt ............. June 30th

These documents must be received by OST by specified times.

Refer to OST cash cutoff memo
General Rule:
The Expenditure/Expense is recognized in the period the goods or services are received.

Record expenditures/expenses incurred but not paid as of June 30th as an accrual in FM 24/25:

Debit: Expense/Expenditure (65xx)

Credit: Payable (51xx)
Expenditure/Expense General Ledger Codes

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

Biennial Expenditure Authority

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

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

Single Year Operating Expenditure Authority

Expenditure Authority that is good for one year and authorizes agency to spend up to certain amount of money.
Expenditure/expense accruals when *amount is known* (use GL 6505)

- **Invoices ➔ Payments**
  
  In AFRS, generally, transaction codes that generate a payment record the accrual automatically per SAAM.

- **Corrections or distributions ➔ JV**
  
  These are generally movements of expenditures/expenses within an agency and will be covered in the Interfund section.
Expenditure/expense accruals when amount is not known but *can be reasonably estimated*

**Debit:** Estimated accrued expenditures/expenses (GL 6560)

**Credit:** Appropriate payable (GL 51xx)

**Purpose:**
- Timing
- Budget Management

*Do NOT* make a payment based on an *ESTIMATED* invoice or statement!
Encumbrances (GL 6410) – Reservation of Expenditure Authority (SAAM 85.30.10.a)

Use encumbrances for:
- Material obligations/contracts

Do NOT use encumbrances for:
- Routine costs
- Salaries/wages/employee benefits
- Taxes
Encumbrance balances must be zero at the end of the biennium. To liquidate balances:

- Make a payment IF goods/services were received by June 30\textsuperscript{th} AND you have received an invoice
  Use TC 211 or 221 with modifier ‘F’
  (6505/5xxx & 9510/6410)

- Manual liquidation if goods/services were NOT received by June 30\textsuperscript{th} OR goods/services were received but you have not received an invoice
  Use TC 207 with modifier ‘F’ (9510/6410)
While operating encumbrances need to be liquidated, capital encumbrances need to be reclassified.

- For encumbrances related to capital appropriations (that are re-appropriated) there must be sufficient fund balance to cover the amount recorded in GL 9513.
Exercise 1

Practice Handout – page 1
Review Exercise 1

Questions A - E
Agencies are to establish a process for preparing accounting estimates.

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

Cooperation between fiscal, program staff, purchasing unit, contract unit, etc. is essential!
Exercise 2
Practice Handout – page 2
Review Exercise 2

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

- Remove un-liquidate payable balances within twelve months (90.20.45)
  - **DR:** Payable (51xx)
  - **CR:** Immaterial Adjustments to Prior Period (3215)
    - Source 0486-Recoveries of Prior Expenditure Authority Expenditures

- Shortages in prior year estimates require belated claim* (90.20.47)
  - Request and obtain approval from OFM
  - Charge current year expenditure authority

*applies to appropriated accounts only
Prior period adjustments are corrections of errors discovered after a fiscal year has been closed. They can be material or immaterial.

- **Material adjustments** require OFM approval and OFM input. Agency must supply backup document and justification.

- **Immaterial adjustments** can be made by agencies using GL 3215 as the credit.
  - Source 0485 – Immaterial Prior Period Adjustments
  - Source 0486 – Recoveries of Prior Expenditure Authority Expenditures

**Debits to GL 3215 and debits to source 0485 and 0486 are generally not allowed and require OFM approval (before posting).**
Exercise 3
Practice Handout – page 4
Review Exercise 3

Questions 1 - 4
TEAMWORK
Overcoming differences to work towards a common goal.
**IMPORTANT**

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

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

- Actual invoice ➔ record as accrued (GL 6505)
- Estimated invoice ➔ record as estimated (GL 6560)  
  (single year expenditure authority only)
**SPECIAL HANDLING REQUIRED**

**Subsidiary codes:**
- Community & Technical Colleges (6990xx)
- State Board for Community and Technical Colleges (699000 – NOT 352000)
- **SAAM 75.20.10** lists all agency codes

Focus on reconciling interagency receivable/payables early
Do **NOT** use GL 5154 for some interagency payments:

- Dept. of Revenue for sales and use tax ➔ use GL 5158
- HCA, DRS (certain items), DOT (Good to Go!) ➔ use GL 5152
- Dept. of Labor & Industries for medical aid deductions ➔ use GL 5187  
  [note: if accrued by HRMS, pay in FY 18]
- State Treasurer for Certificates of Participation ➔ use GL 5173/5273
- Discrete Component Units ➔ use 5159

Complete list of exceptions to using GL 5154 and list of component units are in SAAM 90.20.50.b.
If you are the BILLING agency:

- Must have delivered goods or rendered services by June 30
- Invoices must be sent to other agency by July 21. Estimated invoices are OK, but should be clearly marked as estimates. Actual invoice is still required once amount is known.

You should be able to provide a listing of all invoices outstanding as of June 30 to support receivable balance for any agency requesting it.
If you are the PAYING agency:

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

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

*Effective date of payment is the date OST posts cash (GL 4310) for IAP, EFT, and JV payments; and the date shown on the face of the warrant/check, regardless of when it is received by the agency.
All Interagency Receivables and Payables must be balanced by August 18th.
Exercise 4
Practice Handout – page 6
State Agency Vendor Expenditures
Review Exercise 4

Questions A - C
Review Exercise 4

Questions D - E
Disputes and dispute resolution

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

- **Receipt date of goods/services:** Obtain copy of signed packing slip or other evidence of delivery date to determine if received in FY 17 or FY 18.

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

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

- Check your records for mistakes before contacting the other agency
- Gather information and provide objective evidence
- Communicate with respect
- Respond timely to other agencies (or let them know when to expect a response)
- Try to work things out with the other agency

As a last resort, contact your OFM Accounting Consultant.
Interfund receivables and payables are required to balance at the agency level at fiscal year-end.

<table>
<thead>
<tr>
<th>Receivable GLs</th>
<th>Payable GLs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1353</td>
<td>5153</td>
</tr>
<tr>
<td>1653</td>
<td>5253</td>
</tr>
<tr>
<td>1355</td>
<td>5155</td>
</tr>
<tr>
<td>1350</td>
<td>5150</td>
</tr>
</tbody>
</table>
Record interfund receivables and payables when **ALL** the following are true:

- One account owes money to another account within the same agency **AND**
- It’s for activities that occurred on or before June 30th **AND**
- Cash transfer is made after June 30th **AND**
Examples of situations when interfund accruals might be required:

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

As a general rule, do not set up interfund or interagency accruals in agency type funds such as Account 01P–Suspense Account or 035–Payroll Revolving Account.
Exercise 5
Practice Handout
page 7
## EXERCISE 5 – INTERFUND ACCRUALS

### Question A

<table>
<thead>
<tr>
<th>Account</th>
<th>TC</th>
<th>FM</th>
<th>GL-Subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>001</td>
<td>271</td>
<td>25</td>
<td>1353-01B000</td>
</tr>
<tr>
<td>001</td>
<td>271</td>
<td>25</td>
<td>1353-057000</td>
</tr>
<tr>
<td>001</td>
<td>271</td>
<td>25</td>
<td>1353-216000</td>
</tr>
<tr>
<td>01B</td>
<td>253</td>
<td>25</td>
<td>5153-001000</td>
</tr>
<tr>
<td>057</td>
<td>253</td>
<td>25</td>
<td>5153-001000</td>
</tr>
<tr>
<td>216</td>
<td>253</td>
<td>25</td>
<td>5153-001000</td>
</tr>
</tbody>
</table>
## Question B

<table>
<thead>
<tr>
<th>Account</th>
<th>TC</th>
<th>FM</th>
<th>GL-Subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>001</td>
<td>271</td>
<td>25</td>
<td>1353-108000</td>
</tr>
<tr>
<td>108</td>
<td>253</td>
<td>25</td>
<td>5153-001000</td>
</tr>
<tr>
<td>001</td>
<td>026</td>
<td>01</td>
<td>1353-108000</td>
</tr>
<tr>
<td>108</td>
<td>025</td>
<td>01</td>
<td>5153-001000</td>
</tr>
</tbody>
</table>
Exercise 6

Practice Handout – page 8
Review Exercise 6

Questions 1 - 2
Review Exercise 6

Questions 3 - 5
GOD PLEEEASE GIVE ME A BREAK!

DON'T EVEN ASK!
For **Budgeted Non-Proprietary type** accounts:

Paying Agency:
Account for expenditures for interagency materials supplied or services rendered as though they were purchased from an outside vendor.
For Budgeted Non-Proprietary type accounts:

Receiving Agency:

Credits expenditures /expenses using Object S - Interagency Reimbursements.

Object S can only have a credit balance, and only in the receiving agency.
OBJECT S JV DURING THE FISCAL YEAR:

Paying Agency:
**Debit**: GL 65xx Expenditures/expenses *(Object E)*  
**Credit**: GL 71xx Cash In-process

Receiving Agency:
**Debit**: GL 71xx Cash In-process  
**Credit**: GL 65xx Expenditures/expenses *(Subobj. SE)*

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

ER Financial Reports/Accounting/Exceptions: *Object S Debit Exceptions*
Budgeted Proprietary type accounts:

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

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

**Credit:** GL 3225 Revenue Adjustments/Eliminations (Use appropriate revenue source code)
Non-Budgeted Proprietary accounts:

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

Debit: GL 71xx Cash In-Process

Credit: GL 3210 Cash Revenue with appropriate revenue source code
Within the same agency, used to charge for services or supplies provided by one Budgeted Account to another Budgeted Account.

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

Object T is to equal zero for all Accounts in an agency at FY end at the subobject level.

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

ER Financial Reports/Accounting/Exceptions: Object T Elimination
JV during the FY:

- **Paying account:**
  - **Debit:** GL 65xx – Expenditures (Object T)
  - **Credit:** GL 71xx – In-Process/Cash

- **Receiving account:**
  - **Debit:** GL 71xx – In-Process/Cash
  - **Credit:** GL 65xx – Expenditures (Object T)

At FY end use Due from/Due to Other Funds GLs 1353/5153 (instead of Cash as the offset)
There are differences in the accounting for Object T in Budgeted and Non-budgeted proprietary accounts.

Refer to SAAM 85.90.60.a & 85.95.50 for details.

ER Financial Reports/Accounting/Exceptions:
Object T for Proprietary Accounts
SZ AND TZ – INTER/INTRA-AGENCY REIMBURSEMENT

- **SZ** – Unidentified Interagency Reimbursements
- **TZ** – Unidentified Intra-agency Reimbursements

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

- Complete Evaluation
- Pick Up Answer Sheet

Thank you!!!