



**DAS** DEPARTMENT OF  
ADMINISTRATIVE  
SERVICES  
CHIEF FINANCIAL OFFICE

# 2015 SARS YEAR-END CLOSE TRAINING

Employment Auditorium

June 16, 2015

# AGENDA

- Brief GASB Update & What's Coming from SARS – Rob Hamilton
- Budgetary Accounting – Barb Watson
- Year-end Schedule – Monique Fawver
- Changes to Disclosures – Karen Williams
- Schedule of Expenditures of Federal Awards (SEFA) – Michael Cutler
- \*\*\*Break\*\*\*
- Interagency/Interfund Transactions – Rob Hamilton
- Expenses, Expenditures and Payables – Sangit Shrestha
- Capital Outlay and Non-capital Assets – Barbara Homewood
- Capitalization of Intangible Assets – Shri Vajratkar
- Key takeaways and closing comments – Rob Hamilton

# BRIEF GASB UPDATE

- Effective in FY 2015:
  - Statements 68, 71 – Pensions
  - Statement 69 – Government combinations and disposals
- Effective in FY 2016:
  - Statement 72 – Fair value measurement
  - Statement 73 – Pensions (related assets) outside scope of Statements 67 and 68
  - Statement 76 – GAAP hierarchy
  - Statement 78 – External investment pools (likely)
- Effective in FY 2017 and beyond (selected highlights):
  - OPEB – following guidance of Statements 67 and 68
  - Tax abatements
  - Leases
  - Fiduciary responsibilities

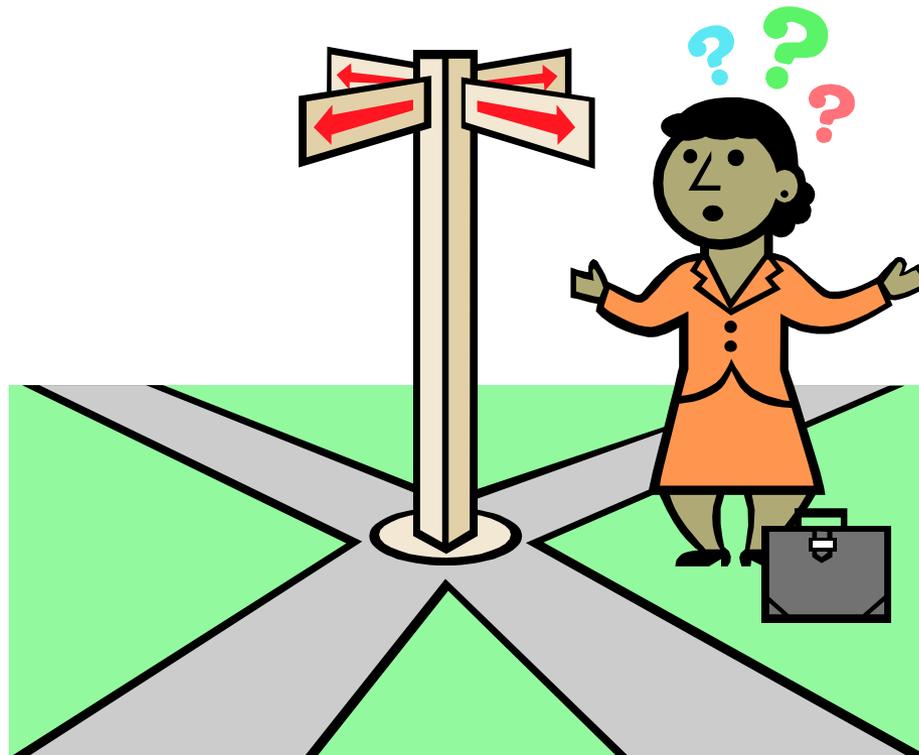
# WHAT'S COMING FROM SARS

- Posted final OAMs
  - Bonds & COPs (15.65.10)
  - Debt Refunding (15.65.30)
- OAMs soon out for comment
  - Investments (15.15.00)
  - Derivative Instruments (15.20.00)
  - Revenues and Receivables (15.35.00)
  - Pensions (New OAM)
- SARS generated information distributed to agencies
- Uniform Guidance Training – Fall 2015
- Internal Control Training (Green Book) – Early 2016
- Review of OAM Chapters 10, 30 and 35



# Applying Budgetary Policies at End of the Biennium

Can I still record this in the old  
biennium?



# Oregon, Things Look Different Here!



# Fiscal vs. Appropriation Year

- Generally Accepted Accounting Principles (GAAP) requirements determine which **fiscal year** (FY) transactions should be recognized
- Oregon's budgetary accounting policies established in the OAM determine which **appropriation year** (AY) transactions should be recognized

# Key Topics

- General Fund Revenue / Receivables
- Interfund Transfers with General Fund
- Expenditures
- Encumbrances
- Commitments

# General Fund Revenue

- Recognize **General Fund revenue** in the appropriation year during which the revenue was received in cash
- Revenue recognition for Federal, Lottery, and Other funds is not addressed in budgetary policies

# General Fund Revenue Accrual

Agency receives General Fund revenue on July 6:

- *Cash* revenue will be recorded in **AY 17**
- *Accrued* revenue needs to be recorded in **fiscal year 2015** for financial reporting purposes

# General Fund Revenue Accrual

## Example

Accrue **General Fund** revenue for financial reporting:

- TC 436 (Month 13, FY 2015, **AY 15**)

Dr 0503 Accounts Receivable - Unbilled

Cr 3105 Revenue - FS Accrual

Auto reversal of TC 436:

- TC 981 (Month 1, FY 2016, **AY 15**)

Dr 3105 Revenue - FS Accrual

Cr 0503 Accounts Receivable - Unbilled

# General Fund Revenue Accrual

Example (continued)

Record **General Fund** cash revenue:

- TC 190 (Month 1, FY 2016, **AY 17**)

Dr 0065 Unreconciled Deposit

Cr 3100 Revenue - Cash

# Move General Fund Receivable

- Document supported **General Fund** receivables, not collected as of June 30 at the end of the biennium, will need to be moved to the new biennium
- Non-document supported receivable accruals do not need to be moved:
  - TC 436 will auto reverse
  - TC 104 will need to be reversed using TC 104R

# Move General Fund Receivable

## Example

A **General Fund** accounts receivable was initially established in AY 15 but was not collected by June 30, 2015

*Initial entry (AY 15) was:*

TC 103 Establish doc supported A/R

Dr 0501 Accounts receivable – Billed

Cr 3101 Revenue – Accrued

# Move General Fund Receivable

Example (continued)

## **Step 1:**

Reverse A/R established with TC 103  
but not yet collected at June 30

TC 118 (Month 12, FY 2015, **AY 15**)

Dr 3101 Revenue – Accrued

Cr 0501 Accounts Receivable –  
Billed

# Move General Fund Receivable

Example (continued)

## **Step 2:**

Accrue **General Fund** revenue for financial reporting purposes

TC 436 (Month 13, FY 2015, **AY 15**)

Dr 0503 Accounts Receivable –  
Unbilled

Cr 3105 Revenue – FS Accrual

# Move General Fund Receivable

Example (continued)

## **Step 3:**

Move document supported **General Fund** accounts receivable forward to new biennium

TC 213 (Month 1, FY 2016, **AY 17**)

Dr 0501 Accounts Receivable – Billed

Cr 3101 Revenue – Accrued

# Move General Fund Receivable

Example (continued)

## **Step 4:**

When revenue is collected, record cash revenue and liquidate A/R

TC 176 (Month 2, FY 2016, **AY 17**)

Dr 0065 Unreconciled Deposit

Dr 3101 Revenue - Accrued

Cr 0501 Accounts Receivable - Billed

Cr 3100 Revenue - Cash

# Move General Fund Receivable

Example (continued)

Effects of movement of GF Receivable Example entries:

- Accrued revenue is reported in **FY 2015**
- Auto reversal results in no net effect to **AY 15** revenue
- Document-supported accounts receivable is moved from **AY 15** to **AY 17**
- General Fund cash revenue is reported in **AY 17**

# Reduction of Revenue



- If the biennium is still open: record reduction in same appropriation year as the original revenue was posted
- If the biennium is closed: record as an expenditure
- Applicable to all appropriated fund types

# Interfund Transfers With the **General Fund**

- Recognize in appropriation year during which the *cash is moved*
- If cash is moved July 1 or later, it must be recorded in the new biennium
- Both sides of the transaction (to and from) must be recorded in the same biennium by both agencies or funds

# General Fund Transfer

## Example

Agency A collects **General Fund** revenue on June 29 but does not transfer money to Agency B until July 6

- Agency A records **General Fund** revenue (Month 12, FY 2015, **AY 15**)

Dr Cash

Cr Revenue Control - Cash

# General Fund Transfer

Example (continued)

Agency A records **General Fund transfer** to Agency B:

- TC 720 (Month 1, FY 2016, **AY 17**)  
Dr 3550 Operating Transfer Out  
Cr 0070 Cash
- TC 721 (Month 1, FY 2016, **AY 17**)  
Dr 0070 Cash  
Cr 3150 Operating Transfer In

# General Fund Transfer

Example (continued)

- An entry by each agency is needed to accrue the **General Fund** transfer in FY 2015 (Month 13) for financial reporting
- Accrual coded to AY 15 will be offset by auto-reversal, which will also post to AY 15 for a net zero effect to *interfund transfers* for **AY 15**

# General Fund Transfer

Example (continued)

Agency A accrues *transfer to* Agency B

- TC 919 (Month 13, FY 2015, **AY 15**)

Dr 3550 Operating Transfer Out

Cr 1532 Due to Other Agencies

Agency B accrues *transfer from* Agency A

- TC 920 (Month 13, FY 2015, **AY 15**)

Dr 0586 Due from Other Agencies

Cr 3150 Operating Transfer In

# Avoid Confusion

- A “transfer” of expenditures using TC 415 and 416 is **not** an *interfund transfer*
- *Movement of expenditures* should be recorded in the *same AY* as the original expenditures

# Movement of Expenditure

## Example

- On June 29 the *General Fund* paid expenditures for an *other funds* budget item
- On July 21, the expenditures were moved from the General Fund to the Other fund (June closes on July 17)

# Movement of Expenditure

Example (continued)

- TC 415 in Other Fund (**AY 15**)  
Dr 3500 Expenditure Control – Cash  
Cr 0070 Cash
- TC 416 in General Fund (**AY 15**)  
Dr 0070 Cash  
Cr 3500 Expenditure Control – Cash

# Movement of Expenditure

Example (continued)

Since the GAAP fund for the two D23 funds is not the same, the agency must record the entries in *Month 1 of FY 2016* and record an additional entry to *accrue* the movement of expenditures in FY 2015 (Month 13) for financial reporting

# Movement of Expenditure

Example (continued)

The entry to accrue the movement of expenditures in FY 2015 (Month 13) for financial reporting:

- TC 925 in **Other** Fund (AY 15)
  - Dr 3505 Expenditure Control – FS Accrual
  - Cr 1532 Due to Other Funds
- TC 926 in **General** Fund (AY 15)
  - Dr 0586 Due From Other Funds
  - Cr 3505 Expenditure Control – FS Accrual

# Expenditure Recognition

To charge obligations against a prior biennium appropriation:

- **the services must be performed or supplies received**
  - by June 30, and
  - the vendor paid by December 31

# Encumbrance Definition

- **Obligations** in the form of purchase orders or contracts which are **chargeable to an appropriation or limitation** and for which a **part of the appropriation or limitation is reserved, and**
- Intend to represent **obligations that will be liquidated with available financial resources of the current biennium**

# Remember !!!

**If you did not receive the goods or services by June 30, you will not be able to charge anything further to the old biennium's appropriation**

# Review Your Encumbrances

1. Encumbrance no longer valid
  - Record entries to eliminate for financial reporting purposes.
2. Goods or services *received* at June 30
  - Liquidate encumbrance and report the obligation as a liability
3. Goods or services *not received* by June 30
  - Either (1) cancel or (2) eliminate and move encumbrance to the new biennium and disclose a commitment

# Eliminate Invalid Encumbrance

TC 93 IR (Month 12, FY 2015)

Dr 3011 Reserved for Encumbrances

Cr 2734 Encumbrance

Control/Non-Doc Supported

**Encumbrances = 0**

# Goods and Invoice Received by June 30

Record TC 225 (during Month 13)

Dr 3501 Expenditure Control-  
Accrued

Dr 3011 Reserved for Encumbrances

Cr 1211 Voucher Payable

Cr 2735 Encumbrance Control

# Effects of Transaction

- The obligation is recorded as an accrued expenditure (FY 2015 and AY 15) with an offsetting liability
- The encumbrance for the obligation is liquidated (removed from appropriation table)

# Goods Received by June 30 but **No Invoice**

- Record TC 437 (during Month 13)
  - Dr 3505 Expenditure Control – FS Accrual
  - Cr 1215 Accounts Payable
- Record TC 931R (during Month 13)
  - Dr 3011 Reserved for Encumbrances
  - Cr 2734 Encumbrance Control – Non-doc

# Goods Received by June 30 but **No Invoice**

(continued)

Auto reversal of TC 437:

- TC 983 (Month 1, FY 2016, **AY15**)

Dr 1215 Accounts Payable

Cr 3505 Expenditure Control – FS Accrual

Auto reversal of TC 931R:

- TC 963R (Month 1, FY 2016, **AY15**)

Dr 2734 Encumbrance Control – Non-doc

Cr 3011 Reserved for Encumbrances

# Effects of Transactions

- The obligation is recorded as an accrued expenditure (FY 2015 and AY 15) with an offsetting liability
- The encumbrance for the obligation is eliminated for FY 2015 financial reporting (does not affect appropriation table)
- *Document-supported* encumbrance is still on the books as AY 15 encumbrance

# Payment Made

Assume the invoice for goods or services is received and paid September 13, 2015

- Record TC 225 (Month 2, FY 2016, **AY 15**)

Dr 3501 Expenditure Control - Accrued

Dr 3011 Reserved for Encumbrances

Cr 1211 Voucher Payable

Cr 2735 Encumbrance Control - Doc

# System Generated Entry

TC 380 (Month 3, FY 2016, **AY 15**) to  
liquidate voucher payable

Dr 1211 Voucher Payable

Dr 3500 Expenditure Control – Cash

Cr 3501 Expenditure Control – Accrued

Cr 0070 Cash

# Effects of Transactions

- Cash expenditure is recorded in FY 2016 for **AY 15** (offset by auto-reversal of accrued expenditure)
- *Document-supported* encumbrance is liquidated

# Goods **Not** Received by June 30

Eliminate Encumbrance in **AY 15**

- TC 93 IR (during *Month 12, FY 2015*)
  - Dr 3011 Reserved for Encumbrances
  - Cr 2734 Encumbrance Control/Non-Doc Supported

# Goods **Not** Received by June 30

(continued)

## Re-establish Encumbrance in **AY 17**

- TC 212 (post to *Month 1, FY 2016*)  
Dr 2735 Encumbrance Control – Doc  
Cr 3011 Reserved for Encumbrances

# Effect of Transactions

- Document supported encumbrance is removed from **AY 15**
- Document supported encumbrance is established for **AY 17**
- Commitment will need to be disclosed

# Commitment Definition

- Commitments represent obligations related to unperformed agreements that are not encumbered
- Obligations are not expected to be paid with current financial resources
- Disclosed in the notes to the State's financial statements

# Commitment Disclosed

- For FY 2015 year end closing, disclose “commitment” for goods ordered or services contracted for that have **not** been fulfilled by calendar date June 30
- When eventually paid for, will be charged to 2015-2017 budget

# Commitment Examples

Long-term contracts or agreements associated with:

- Grants
- Loans
- Leases
- Capital Construction

# Commitment vs. Encumbrance

- Encumbrance is *recorded*, commitment is only *disclosed*
- An obligation is either one or the other, but not both (do not duplicate)
- If uncertain which you have; consult the OAM:
  - Commitments 15.80.00
  - Encumbrances 20.20.00



# Balance Type 33 Grant Commitments

If you are using balance type 33 to track your grant activity be sure to include it in your commitment disclosures

# Reduction of Expense

- Only in special circumstances
  - See OAM 20.40.00
- May not exceed actual expense
- Must occur in same appropriation year as the original expenditure
- If appropriation year already closed must be recorded as revenue

# Due date reminder

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- Agency disclosures due Friday, August 21 (**Gold Star Date**)
- SEFA disclosures due Friday, August 21 (**Gold Star Date**)
- Schedule of Key Dates

# R\*STARS Reports Year-end Schedule

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- Close of June is July 17, at which point there will be a full report run
- During Month 13 (ends August 14), agencies can request various R\*STARS reports, which run each Tuesday evening
- SFMA Calendar:  
<http://www.oregon.gov/DAS/EGS/FBS/SFMS/docs/2015agy.pdf>

# Datamart Tables Update Schedule

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- Updates over the weekend
  - GL Detail Table
  - GL Summary Table
  - All Accounting Event Table
- YE Tables – Contain FY 2015 data only
  - Updates Tuesday/Thursday/Saturday evening during Month 13
    - YE GL Detail Table
    - YE GL Summary Table
  - Updates the final three Wednesday evenings of Month 13
    - YE Accounting Event Table
  - Repository Reports with “YE” in the title and the SWB Reports update on the same schedule.

# DAFR6610 YE Period 13 Operating Statement

Open from Repository

Repository

- Data Model
- Standard Query
- Standard Query with Reports
  - 89 Screen Recon
  - Budget vs. Actual
  - D23 Balances
  - DAFR6610 Month
  - DAFR6610 Period 13
  - DAFR6610 Period 13-Agy Object
  - DAFR6610 YE Period 13**
  - DAFR6620 Month
  - DAFR6620 Period 13
  - DAFR6620 YE Period 13
  - DAFR9210
  - GAAP Offsets Query
  - Grant Awards vs Exp + Match
  - Object Profile Report
  - Operating Transfer Detail
  - Organization Structure Profile

Model Info

Unique Name: DAFR6610 YE Period 13  
Creator: dasby82  
Created: 01/27/14 12:00 AM

Description

Replica of SFMA DAFR 6610 Operating Statement. This extracts data only from the year end general ledger table created specifically for year end data analysis. It lists Period 13 totals.

Open  
Cancel  
Help

**DAFR6610 YE Period 13**

**START using  
July 20, 2015**

# DAFR6620 YE Period 13 Balance Sheet

The screenshot shows a software interface titled "Open from Repository". On the left is a tree view under "Repository" with the following items:

- Data Model
- Standard Query
- Standard Query with Reports
  - 89 Screen Recon
  - Budget vs. Actual
  - D23 Balances
  - DAFR6610 Month
  - DAFR6610 Period 13
  - DAFR6610 Period 13-Agy Object
  - DAFR6610 YE Period 13
  - DAFR6620 Month
  - DAFR6620 Period 13
  - DAFR6620 YE Period 13**
  - DAFR9210
  - GAAP Offsets Query
  - Grant Awards vs Exp + Match
  - Object Profile Report
  - Operating Transfer Detail
  - Organization Structure Profile

On the right is the "Model Info" panel for the selected model:

Model Info  
Unique Name: DAFR6620 YE Period 13  
Creator: dasby82  
Created: 01/27/14 12:00 AM

Description:  
Replica of SFMA DAFR 6620 - Balance Sheet. Extracts data from the YE General Ledger table. Lists Period 13 balances for the current FY and closed balances of the prior fiscal year. After Period 13 is complete the data from this table is purged.

Buttons: Open, Cancel, Help

**DAFR6620 YE Period 13**

**STOP using  
August 17, 2015**

# Statewide Balance (SWB) Reports

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- Same update schedule as the YE Tables
  - SWB Report Schedule:  
<http://www.oregon.gov/DAS/CFO/SARS/docs/SWBreports/SWBalancingDates2015.pdf>
- Website:  
<http://www.oregon.gov/DAS/CFO/SARS/Pages/swbreports.aspx>
- No update messages will be sent out during Month 13

# Statewide Balance (SWB) Reports

The screenshot displays the website interface for Statewide Accounting & Reporting Services. A dark blue header at the top contains the text "Statewide Accounting & Reporting Services". On the left side, there is a vertical navigation menu with the following items: "DAS Divisions" (with a dropdown arrow), "About Us", "Contact Us", "Forms", "News Groups", "OAM Policies", "Publications", "Statewide Balancing Reports", "CFO Home", and "SARS Home". The main content area on the right features a prominent heading "SWB Reports - Updated 5-18-15, data as of 5-15-15" which is circled in red. Below this heading is a "Resources" section containing several links: "Resources", "Advances To/From Other Funds", "Due To/From Other Funds", "Indirect Transfers", "Interagency Transfers", and "Operating Transfers". At the bottom of the main content area, there is another dark blue header labeled "Resources" followed by three links: "CAFR Contacts", "SFMS System Contacts" (with a note "(includes links to BT Contacts and SFMS Analysts)"), and "Statewide Balancing Processing Dates: 2015".

# Resources for Month 13

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- Agency Guide to Year-end Closing
  - [www.oregon.gov/DAS/CFO/SARS/pages/agency\\_guide.aspx](http://www.oregon.gov/DAS/CFO/SARS/pages/agency_guide.aspx)
  - Checklist located at Section D.10
  - Instructions to access repository reports at Section D.4
- Datamart ad hoc queries and repository reports
- R\*STARS reports
- Statewide balancing reports
- Prior year closing entries and disclosures
- Chapter 15 of the Oregon Accounting Manual
- SARS Analyst



# Disclosures

Changes for FY 2015

# SEFA Disclosures

- EIN and DUNS numbers moved
- Transfers In
- Transfers Out

## **TRANSFER IN**

Transfer In (Hyperion) \_\_\_\_\_

Increase / decrease per SEFA Correction Form, if applicable \_\_\_\_\_

Total Transfer In \_\_\_\_\_

## **TRANSFER OUT**

Transfer Out (Hyperion) \_\_\_\_\_

Increase / decrease per SEFA Correction Form, if applicable \_\_\_\_\_

Total Transfer Out \_\_\_\_\_

# Debt Disclosures

- Change in Outstanding Debt
  - Discl 2a, 3a, and 4a

Schedule of Changes in Outstanding General Obligation Bonds					
	Balance 7/1/2013	Post-closing & other Adjustments**	Additions	Deductions	Balance 6/30/2014
Principal					
Discount (GL 1712)					
Premium (GL 1713)					
Deferred Gain/Loss on Refunding (GL 1705)					
Deferred Outflows- Loss on Refunding (GL1000)					
Deferred Inflows - Gain on Refunding (GL1851)					
Accreted Interest (GL 1700)					

FY 14

# Debt Disclosures cont.

- ▶ Debt Repayment Schedule
  - ▶ Discl. 2b and 3b

## 2b. General Obligation Bonds - Debt Repayment Schedule

Please complete the following schedule to reflect the principal and interest payments necessary over the life of your agency's general obligation bonds. The schedule of principal and interest payments should be as of the fiscal year end. Interest requirements for variable-rate debt should be determined using the rate in effect at 6/30/2015. Total principal repayments should agree to the principal outstanding as noted in disclosure 2(a). Complete a separate page for each fund type (Government-wide Reporting Fund, Enterprise Fund, Internal Service Fund, or Pension and Other Employee Benefit Trust Fund). Complete as many pages as necessary.

Fund Type:

**Note ~ Use a separate page for each constitutional provision**

Constitutional Provision:

Debt Repayment Schedule - General Obligation Bonds			
Year Ending	Principal	Interest	Total
2016			

# Debt Disclosures cont.

- General Appropriation Bonds
  - Discl. 5 a-c

## 5a. General Appropriation Bonds - Changes in Outstanding Debt

Please complete the following schedule to reflect the changes in your general appropriation bonds. Ending balances should agree to R\*STARS balances at the close of month 13. Complete a separate page for each fund type (Government-wide Reporting Fund, Enterprise Fund, Internal Service Fund, or Pension and Other Employee Benefit Trust Fund) and each constitutional provision . Complete as many pages as necessary.

Fund Type:

Describe the projects or purposes for which the proceeds are being used for:

**Schedule of Changes in Outstanding General Appropriation Bonds**

	Balance 7/1/2013	Post-closing & other Adjustments**	Additions	Deductions	Balance 6/30/2014



# Debt Disclosures cont.

- ▶ Use correct signage - DR (CR)
- ▶ Use DAFR 6620 for:
  - ▶ Beginning balances
  - ▶ Ending balances
- ▶ Use DAFR 6610 for:
  - ▶ Additions
  - ▶ Deductions

# Debt Disclosures cont.

## ▶ DAFR 6620

GL	GL Title	Prior Year	Current Year
1276	Bonds Pay – current	(125,000.00)	(130,000.00)
1714	Bonds Pay – noncurrent	(4,085,602.00)	(3,955,602.00)

## ▶ DAFR 6610

GL	GL Title	Current Year
6425	Principal	(125,000.00)

	Balance 7/1/2014	Post-closing & other Adjustments**	Additions	Deductions	Balance 6/30/2015
Principal	(\$ 4,210,602.00)			\$ 125,000.00	(\$4,085,602.00)

# General Disclosures

## ➤ B. Insurance Recoveries

4. If the answer to Question 2 is **No**:

a. Does the insurance recovery relate to a loss (other than a capital asset impairment) incurred in FY 2015? For example, an asset written down/off due to theft or damage; or the theft of/damage to a noncapitalized asset where the original expenditure for the asset was made in FY 2015.

Yes  No

If Yes, provide the: Comptroller object used to record loss - OR - the Comptroller object used to record original expenditure of noncapitalized asset:

and the amount:

# General Disclosures cont.

- Pollution Remediation Obligation
  - New letter 'T' disclosure
  - Previously #30

## I. POLLUTION REMEDIATION OBLIGATION - OAM 15.77.00

*A **pollution remediation obligation** is an obligation to address current or potential detrimental effects of existing pollution that the agency has or will address. Pollution remediation obligations do not include pollution "prevention" or "control" activities with respect to current operations, such as obligations to install smokestack scrubbers, treat effluent, or use environment-friendly products; for example, low-sodium road salts. Pollution obligations also do not include fines and penalties, nor grants to lower-level governments for their pollution remediation activities.*

The following do not apply to this disclosure:

- Pollution prevention or pollution control obligations
- Landfill closures and postclosure care obligations
- Future pollution remediation upon retirement of an asset
- Capital asset impairments under GASB 42
- Non-exchange transactions, such as brownfield redevelopment grants, under GASB 33

Does your agency have any pollution remediation obligations to report as of this fiscal year end?

Yes  No

# General Disclosures cont.

- ▶ Long – Term Payables
  - ▶ Disclosures 5, 6, and 7
  - ▶ Require account balances, increases, and decreases
  - ▶ Please use positive numbers only
  - ▶ GLs added to Note 6
    - ▶ 1720 Accounts Payable, non-current
    - ▶ 1650 Pension Related Debt, current
    - ▶ 1755 Pension Related Debt, non-current

GAAP Fund	GL Acct	Beginning Balance *	Claims Incurred (Increases)	Claims Paid (Decreases)	Ending Balance	Amount Due Within One Year	Liquidating GAAP Fund
5006	1740	\$66,537,000.00		\$19,000.00	\$66,518,000.00		5006



# Disclosure wrap up

- ▶ Disclosure forms must agree to Month 13 balances on DAFRs 6610 and 6620.
- ▶ Gold Star due date is Aug. 21 to submit forms to SARS Analyst
  - ▶ General
  - ▶ Debt
  - ▶ and SEFA
- ▶ Individual forms on SARS web site -
  - ▶ <http://www.oregon.gov/DAS/cfo/SARS/Pages/index.aspx>



# **Schedule of Expenditures of Federal Awards (SEFA)**



# AGENDA

## SEFA Year End Reporting Training

- Overview of SEFA Reporting Process
- SEFA Repository Reports
- Disclosure Forms and Processes
- Questions



## SEFA Year End Reporting Process Overview

- August 14 - Month 13 close; federal revenue and expenditures to be recorded on GAAP basis (record accruals)
- Expenditures reported in the SEFA must be reported on the same basis of accounting as the originating funds
- SEFA Expenditures should tie to books

## SEFA Reporting Process (cont.)

- August 21 (Gold Star Date) 
  - Agencies transmit completed SEFA year-end forms and disclosures to SARS
- September
  - SARS sends preliminary (summary) agency data, compiled at statewide level, to Audits Division
  - Audits Division analyzes the data to determine the major federal programs



## SEFA Reporting Process (cont.)

- October through February
  - Audits Division conducts audits of federal programs (some are contracted out)
  - SARS coordinates with agencies and Audits Division regarding corrections to initial data
  - Audits Division publishes Statewide Single Audit Report by the middle to end of March

# SEFA Repository Reports





## Grant Profiles

- Queries are based on use of Grant Profiles and standard accounting as outlined in OAM 15.42.00
- Agency SEFA Repository reports will not be accurate if profiles and standard accounting, as specified in OAM policy, are not followed



## Grant Profiles (cont.)

- Grant profiles needed for SEFA reporting:
  - D35 Grant Type (maintained at state level)
  - D40 Grant Category (maintained at state level)
  - D28 Grantor (maintained at agency)
  - D47 Grant Number (maintained at agency)
  - 29 Grant Control (maintained at agency)
- Agency choice profiles for lower-level reporting
  - D48 Grant Object (maintained at agency)
  - 026 Program Cost Account (maintained at agency)



## D35 Grant Type

- Grant Type 01 = Federal grant – reimbursable (direct award)
- Grant Type 02 = Federal grant – advanced (direct award)
- Grant Type 05 = Indirect federal grant – reimbursable
- Grant Type 06 = Indirect federal grant – advanced



## D35 Grant Type

- Grant Type 07 = Federal as other funds – reimbursable (direct award)
- Grant Type 08 = Federal as other funds – advanced (direct award)
- Grant Type 09 = Indirect federal as other funds – reimbursable
- Grant Type 10 = Indirect federal as other funds – advanced



# D40 Grant Category

- Maintained centrally
  - Consist of a CFDA number and title
    - Also shows the previous grant category
- 



## D28 Grantor Profile

- Maintained by agency
  - One D28 profile for each grantor
    - If receiving money from multiple divisions within another agency, only one need be set up.
- 



# D47 Grant Number Profile

- Maintained by agency
- Unique number assigned by agency
  - Can use grant number with G/F or O/F match
  - The exception is if grant is federal funds budgeted as other funds with other funds match
    - Must have **two** grant numbers to track grant and match
- If no CFDA number available, a Grantor's grant number **must** be used



## 29 Grant Control

- Agency maintained
- Allows agency to set a grant phase
- Can allow for a grant general ledger
- Letter of Credit information
- Allows setting an object posting level and object allowed
- Cash and budget level of control
- Clearance patterns
- Other data items related to an individual grant



# Standard Accounting Treatment - Distributions to Subrecipients

- When sending federal funds to a subrecipient, record the distribution using comptroller objects listed in OAM 15.42.00
- When accruing subrecipient expenditures, **use T-Code 941.**
- Record a separate transaction for each subrecipient, even for accruals and corrections so the amounts can be reported by CFDA number with the subrecipient name and ID number.
- Use the “Distribution to Subrecipients” SEFA Repository report regularly to spot missing subrecipient details.

# Accessing the SEFA Reports in the Repository

Refer to Chapter F and Section 6.g of the  
*Agency Guide to Year End Closing*

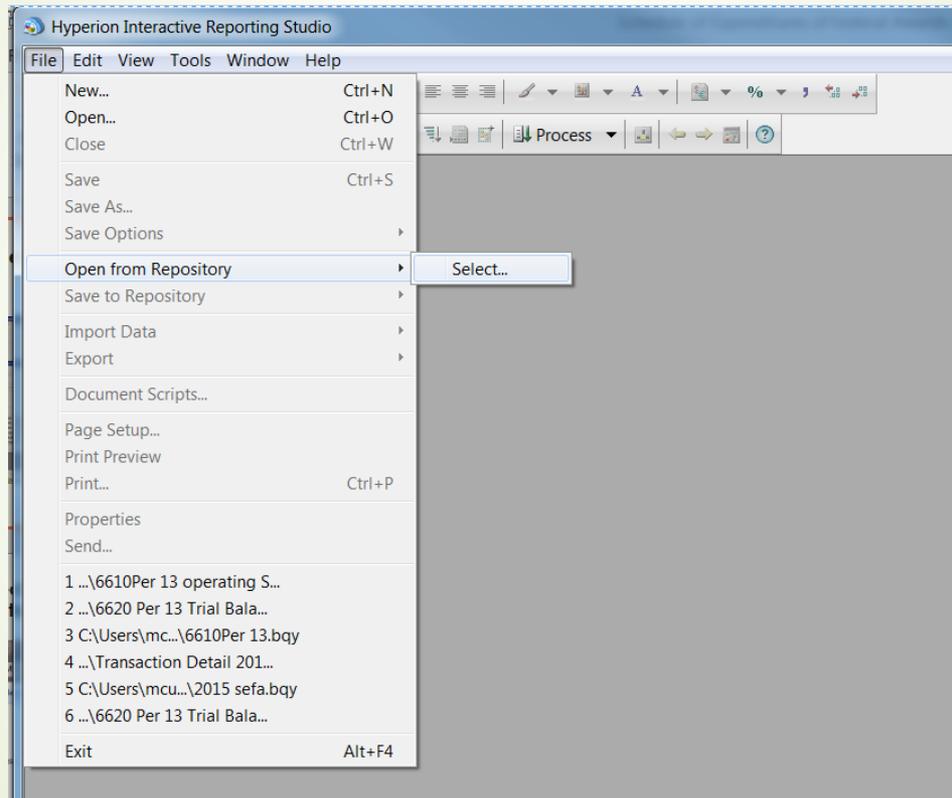
[http://www.oregon.gov/DAS/CFO/SARS/pages/  
agency\\_guide.aspx](http://www.oregon.gov/DAS/CFO/SARS/pages/agency_guide.aspx)



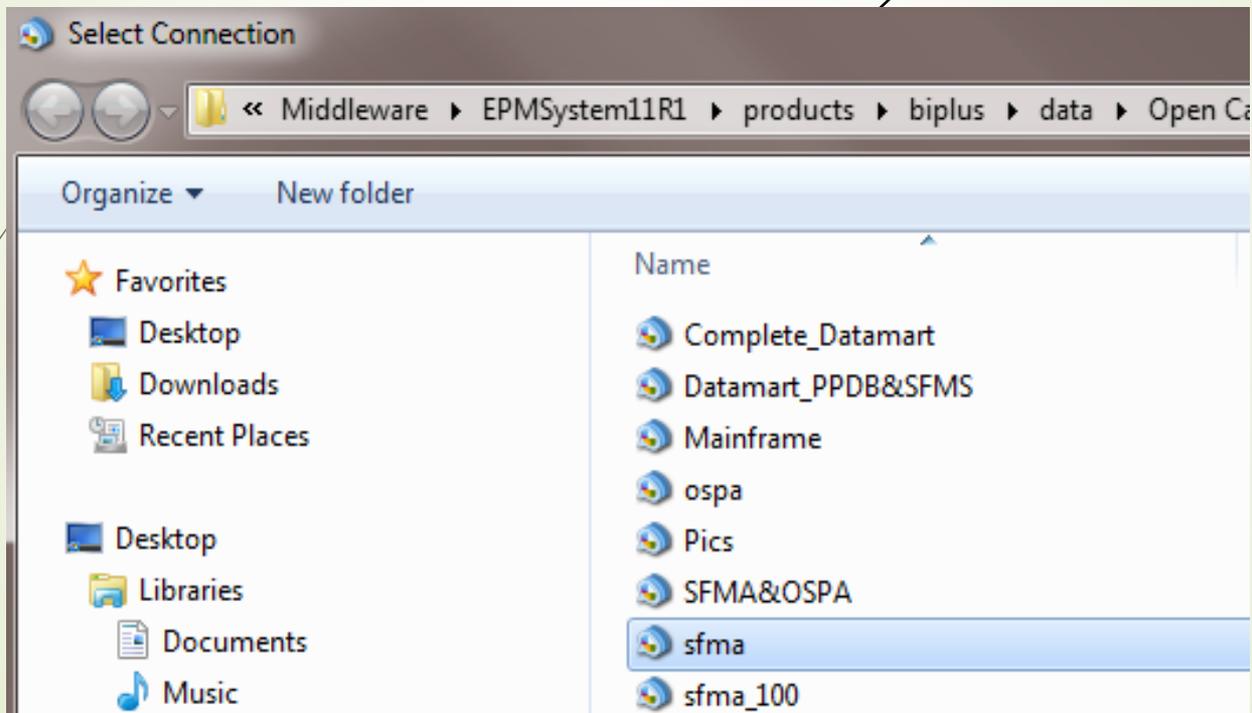
## Connecting to the Repository

- Security to access the datamart
- Obtain an Open Catalog Extension (OCE) that is able to “see” the Repository
- Datamart website for the OCE download:  
<http://dasapp.oregon.gov/datamart/>
- Create new OCE:
  - Click on the Hyperlink title: “How to create an OCE file (pdf)” (at the bottom of that page)

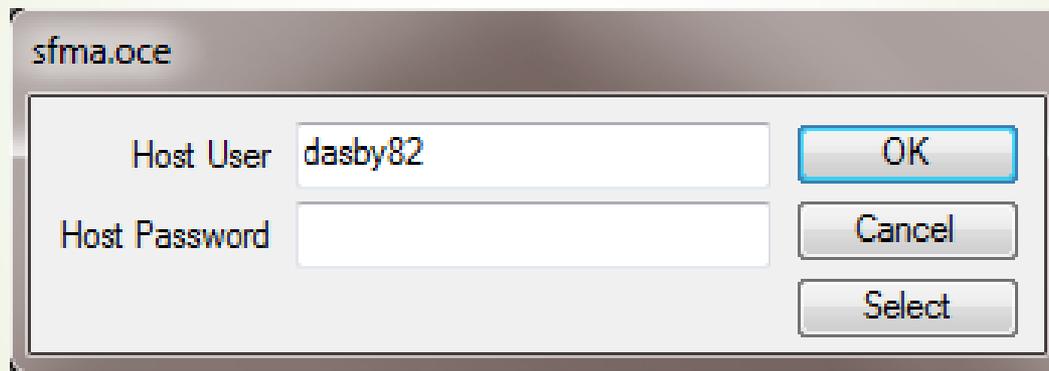
# Select File > Open from Repository



Then, select the OCE you defined for the repository tables



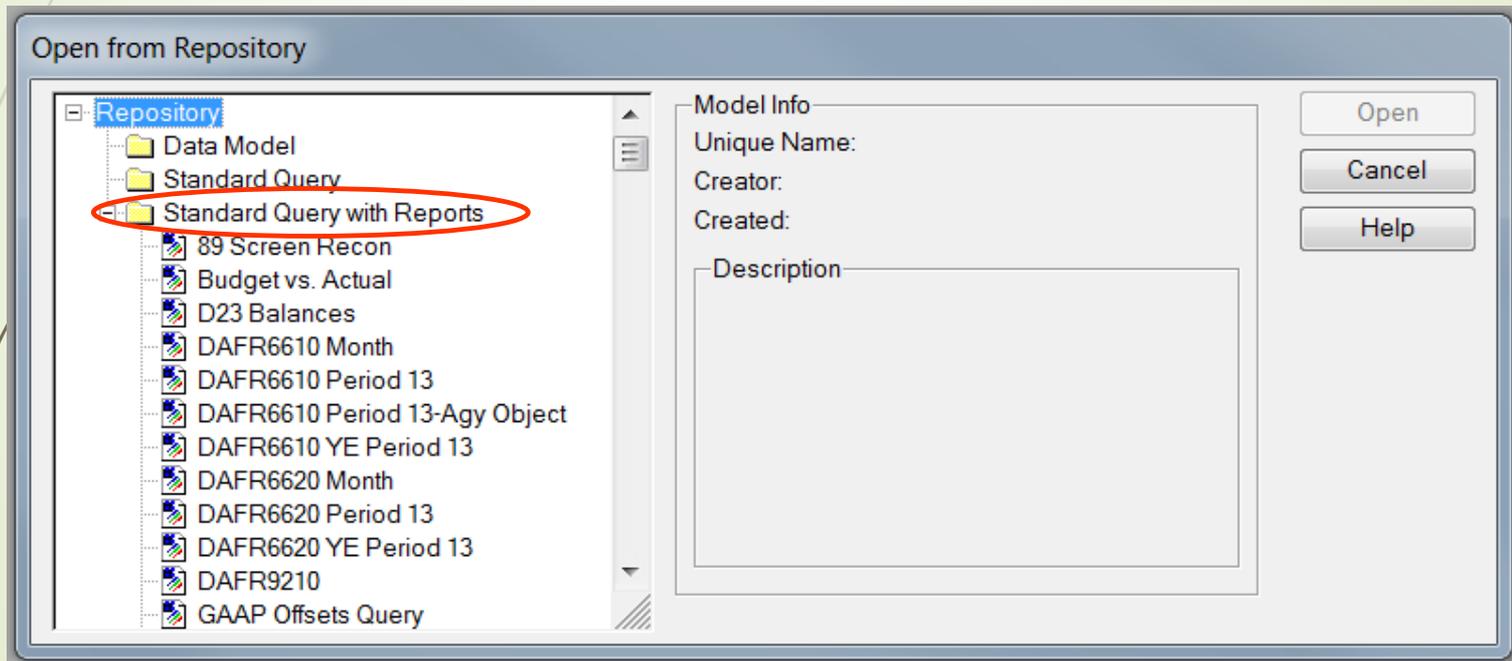
# Enter your user ID & password



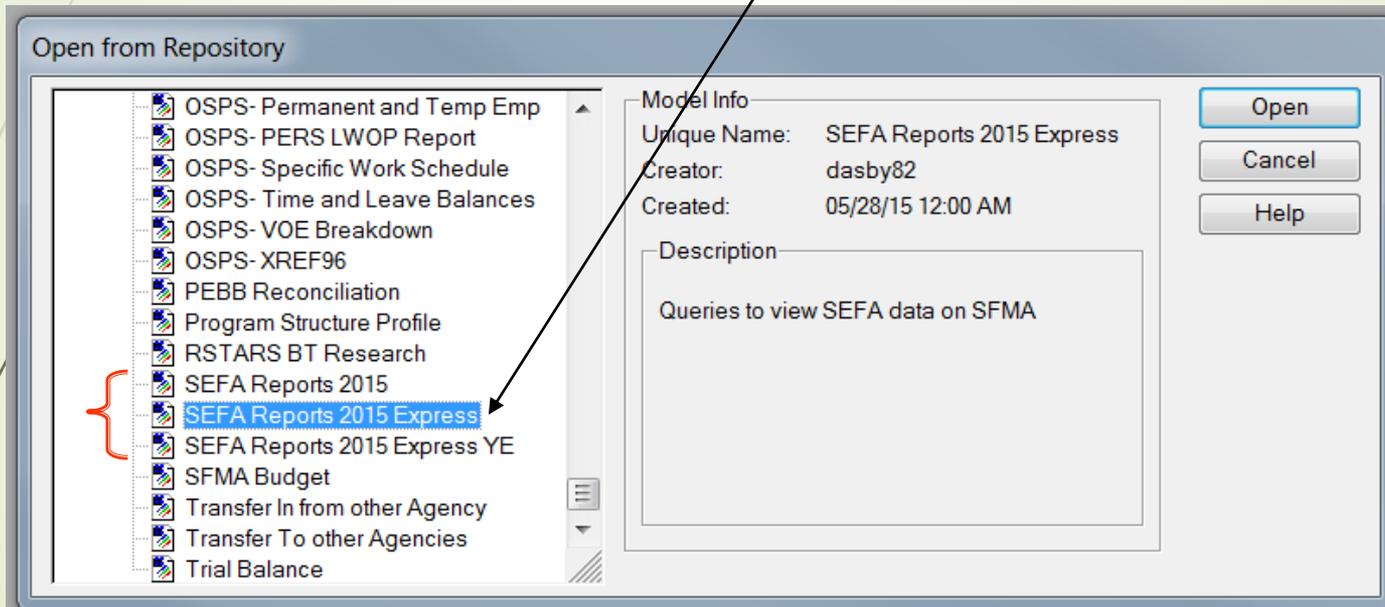
sfma.oce

Host User	<input type="text" value="dasby82"/>	<input type="button" value="OK"/>
Host Password	<input type="text"/>	<input type="button" value="Cancel"/>
		<input type="button" value="Select"/>

# From the repository, select “Standard Query with Reports”



# Select the report, and open it from the repository



# Add Agency, User ID, and password

The screenshot shows the Hyperion Interactive Reporting Studio interface. On the left is a 'Sections' pane with a tree view containing items like 'EISMain', 'RPT\_Expenditur', 'RPT\_Revenues I', 'RPT\_Transfers II', 'RPT\_Transfers C', 'RPT\_Subrecipier', 'RPT\_SEFA Inflow', 'RPT\_July thru Se', 'RPT\_Oct thru D', 'RPT\_Jan thru M', 'RPT\_April thru J', 'Detail Subrecipie', 'Results', and 'Report - Subrec'. The main area has a light green background and contains a disclaimer, a 'SEFA Reporting 2015' title, a form for entering agency and user information, a 'Report Selector' dropdown, and navigation instructions.

**Department of Administrative Services - Datamart Admin - Disclaimer:**  
*Please utilize this shared Repository Report! The purpose of sharing this report is to allow agencies to have an outlet to access reports created by different agencies. DAS cannot guarantee this report will function properly for your agency, due to specific agency structures. Please feel free to make modifications to suit your agency. If you have any questions or concerns, please contact the Datamart Business Analyst by emailing the Datamart support inbox at 'Datamart.Support@oregon.gov'.*

## SEFA Reporting 2015

Enter your agency number (3 digits), Datamart username and password, and then click the Process button to run your SEFA reports

Agency Number

User ID  Password

**Report Selector**  
Expenditures Report

To return from a report click on the  in the upper right corner of the screen,  
or the toolbar, or click  in the toolbar

This query is intended to provide information on amounts recorded for Federal Funds. It is to be used by an agency to review amounts being recorded on SFMA, in a form similar to what is reported on their Schedule of Expenditures of Federal Awards (SEFA).

Agencies are responsible for the final amounts reported on the SEFA. This data model is only a tool to review information, and is not final until agency certification of the amounts.

**Below are some helpful federal related links:**

- [Federal OAM Policy](#)
- [SARS Website](#)
- [Hyperion 'Kill Queries' Link](#)
- [CFDA.GOV](#)
- [OMB Homepage](#)



## SEFA Repository Report Selector

- Federal Expenditures
  - Federal Revenues
  - Transfers In
  - Transfers Out
  - Distributions to Subrecipients
  - SEFA Inflow/(Outflow)
- 



# Ensure Accuracy of SEFA Repository Reports

- Use the Agency Review checklist
- Document a standard review process
- Compare to prior year
- Notify SARS of errors or omissions in the SEFA repository reports



## Focus of Review

- Are revenues plus transfers in approximately equal to expenditures plus transfers out?
- Are the changes in reported amounts by CFDA reasonable from the prior year to the current year?
- Does the total in the distribution to subrecipients report match to the total “Passed-Through to Subrecipients” amount on the expenditures report?
- Does every detail line of the subrecipient detail report identify a subrecipient?

# Federal: Inflows = Outflows

- Agency XXX

- ▣ Revenue 500

---

- ▣ Transfer Out 25

- ▣ Expenditures 475

*Direct (150)*

*Pass-thru (325)*

- ▣ Subrecipient detail report  
total = 325

- Agency OOO

- ▣ Transfer In 25

---

- ▣ Expenditures 25

*Direct (25)*

## SEFA Disclosures 2015



# SEFA Disclosures

## DISCLOSURE CHECKLIST

**Complete the following disclosures; N/A is not an option.**

1. EINS and DUNS Number
2. Reconciliation of SEFA Revenues, Expenditures, and Transfers

**Complete the following disclosures or check the box N/A for 'not applicable'.**

N/A

3. Loans and Loan Guarantees
4. Federal Noncash Assistance

### 1. EIN AND DUNS NUMBERS

Please list all Employer Identification Numbers (EIN) and Data Universal Numbering System (DUNS) numbers that your agency used to apply for federal funds for fiscal year ended June 30, 2015

EIN	DUNS	Description

# SEFA Disclosures (cont.)

## 2. RECONCILIATION OF SEFA REVENUES AND EXPENDITURES

Complete the reconciliation and transfer the total revenue and total expenditure amounts to the Transmittal of SEFA Disclosures and Agency Certification form. All corrections should be detailed on the SEFA Corrections spreadsheet.

### **REVENUES**

Direct Revenue (Hyperion)

Increase / decrease per SEFA Correction Form, if applicable

Total Direct Revenue

---

Indirect Revenue (Hyperion)

Increase / decrease per SEFA Correction Form, if applicable

Total Indirect Revenue

---

Total Federal Revenue (Direct + Indirect)

---

# SEFA Disclosures (cont.)

## **EXPENDITURES**

Direct Expenditures (Hyperion)

Increase / decrease per SEFA Correction Form, if applicable

Total Direct Expenditures

---

Distributions to Subrecipients (Hyperion)

Increase / decrease per SEFA Correction Form, if applicable

Total Distributions to Subrecipients

---

Total Federal Expenditures (Direct + Distributions)

---

# SEFA Disclosures (cont.)

## 2. RECONCILIATION OF SEFA REVENUES, EXPENDITURES, AND TRANSFERS - continued

<b><u>TRANSFER IN</u></b>	
Transfer In (Hyperion)	
Increase / decrease per SEFA Correction Form, if applicable	
Total Transfer In	

<b><u>TRANSFER OUT</u></b>	
Transfer Out (Hyperion)	
Increase / decrease per SEFA Correction Form, if applicable	
Total Transfer Out	

# SEFA Disclosures (cont.)

## 3. LOANS AND LOAN GUARANTEES

### Part I

Did your agency receive any Direct Federal Loans?

Yes  No

If **Yes**, complete the following:

Catalog of Federal Domestic Assistance (CFDA) program number:

Program title or description:

Does the program have continuing compliance requirements?

Yes  No

## SEFA Disclosures (cont.)

### **Federal Awards Expended**

Beginning-of-the-year balance of loans from previous years for which the federal government imposes continuing compliance requirements:

Any interest subsidy, cash, or administrative cost allowance received:

The amount on new loans made (distributed) during the fiscal year:

Total federal awards expended for loans and loan guarantees per OMB Circular A-133, Subpart B, section .205(b):

---

---

The amount of the Federal Awards Expended total that is included in the SEFA:

### **Outstanding loans and loan guarantees subject to continuing compliance requirements**

Total loans and loan guarantees outstanding at year-end for which the federal government imposes continuing compliance requirements:

If the amount included in the SEFA is different than the new loans made during the year, please explain:

# SEFA Disclosures (cont.)

## Part II

Does your agency have revolving loan funds that are established with federal funds?

Yes

No

If **Yes**, complete the following:

Catalog of Federal Domestic Assistance (CFDA) program number:

Program title or description:

# SEFA Disclosures (cont.)

## Loans and Loan Guarantees

### 3. LOANS AND LOAN GUARANTEES - continued

#### Part II

The amount of new loans made during the fiscal year:

The amount from the preceding line that is included in SEFA:

If the amount included in the SEFA is different than the new loans made during the year, please explain:

If the terms of the grant award requires different amounts to be reported in the SEFA, please contact your SARS Analyst.



## SEFA Disclosures (cont.)

### 4. FEDERAL NONCASH ASSISTANCE

if your agency issues federal noncash assistance in the form of free rent, food commodities, donated property, or donated surplus property, please complete the following for each type of noncash assistance.

Catalog of Federal Domestic Assistance (CFDA) program number:

Program title or description:

Type of assistance:



## SEFA Disclosures (cont.)

### Inflow

Direct amount of value received during the fiscal year:

Indirect amount of value received during the fiscal year:

Total value received:

---

---

\*\*Pass-through Organization Name (Non-federal):

Pass-through ID:

Transfer In:

## SEFA Disclosures (cont.)

### Outflow

Direct amount of value distributed during the fiscal year:

Indirect (Subrecipient) amount of value during the fiscal year:

Total value distributed:

\*\*Subrecipient Organization Name:

Subrecipient Tax ID:

Transfer Out:

How was the value determined?

Fair market value at time of receipt

Assessed value provided by the federal agency

# Transmittal of SEFA Information

## Transmittal of: SEFA Disclosures and Agency Certification

To: Statewide Accounting and Reporting Services (SARS)

From: Agency Number

Agency Name

For: Fiscal Year Ended June 30,

### 1. The following checked items are transmitted with this certification:

SEFA Disclosures

Schedule of Expenditures of Federal Awards and Subrecipient Schedules

Total Federal Revenues:

Total Federal Expenditures:

Total Federal Transfers In:

Total Distributions to Subrecipients:

Total Federal Transfers Out:

# Transmittal of SEFA Information (cont.)

## 2. Agency Certification of Accuracy and Completeness

I certify that to the best of my knowledge the transmitted information accurately and completely reflects the agency's financial activities for the fiscal year noted above, and that this information agrees with the ending account balances in the agency's financial accounting system.

In addition, I certify that to the best of my knowledge the agency's financial activity is accurately and completely reflected in the agency's financial accounting system in conformity with generally accepted accounting principles and legal requirements. Any *differences* between the balances reported in the transmitted disclosures and the agency's financial accounting system have been communicated in writing to the agency's SARS analyst.

\_\_\_\_\_  
CAFR Accountant Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chief Fiscal Officer or Director Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

# Review Before Sending

- Please take some time to review your SEFA information before submitting it to your SARS analyst and avoid having issues later
- In the Hyperion SEFA report:  
Save 'query results with document' prior to sending





## Correction Forms

- Sent to SARS for the correction of an error in CFDA number, dollar amount, transfer, revenue, etc.
- May also use to correct expenditures reported as *direct expenditures* versus amounts reported as *distributions to subrecipients*



## What to Send to SARS by August 21

- SEFA Disclosure Forms (electronic)
- Repository Reports (saved results file; file attached to e-mail) or
  - Excel Reports (file attached to e-mail)  
(Must have SARS approval)
- (Signed) SEFA Transmittal Form (electronic or hard copy)
- Correction Forms (As soon as error is found)

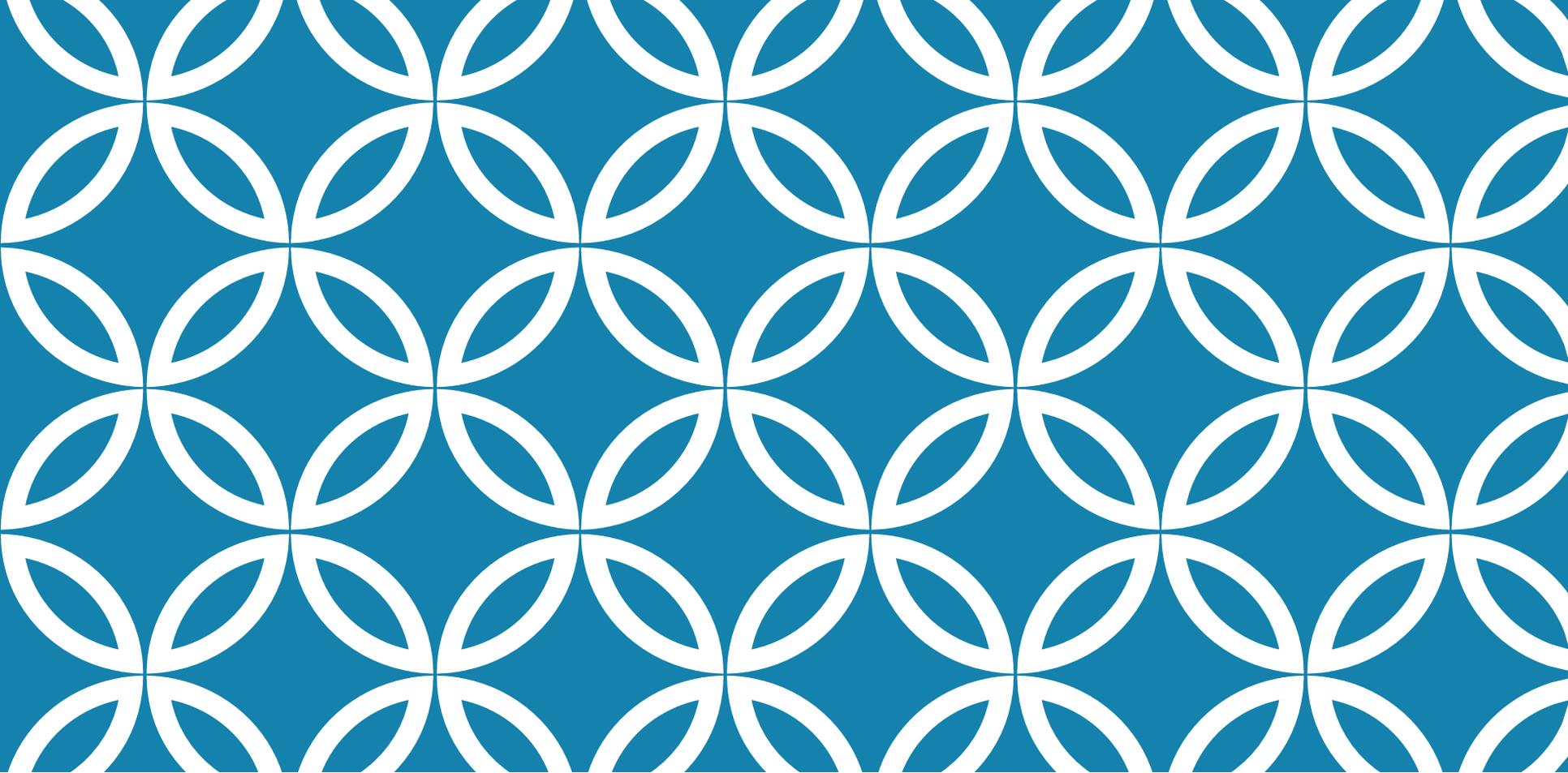


## Resources

- Chapter G in Agency Guide to Year-end Closing:

[http://www.oregon.gov/DAS/CFO/SARS/pages/agency\\_guide.aspx](http://www.oregon.gov/DAS/CFO/SARS/pages/agency_guide.aspx)

- OAM 15.42.00
- [www.CFDA.gov](http://www.CFDA.gov)
- SARS Analyst



# INTERAGENCY AND INTERFUND TRANSACTIONS

OAM 15.45.10

# BACKGROUND

- Applicability of OAM
- Inter- vs. Intra-
- GASB authority
  - Statement No. 14, *The Financial Reporting Entity*
  - Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*
  - Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
  - Statement No. 38, *Certain Financial Statement Note Disclosures*

# TYPES OF INTERAGENCY/INTERFUND TRANSACTIONS

## Reciprocal Interagency/Interfund Activity

- Interagency/Interfund Services Provided and Used
- Interagency/Interfund Loans
  - OAM 15.45.20

## Nonreciprocal Interagency/Interfund Activity

- Interagency/Interfund Reimbursements
- Interagency/Interfund Transfers
- Agent Relationships

# INTERAGENCY/INTERFUND SERVICES PROVIDED AND USED

- Sale of goods/services between funds for a price approximating their external exchange value
- Would be treated as revenues and expenses/expenditures if they involved external parties
- Primary accounting treatment of internal service funds
- Examples:
  - DAS motor pool
  - DOJ legal services
  - SOS audit services
  - DOR collections (Other Agency Accounts)

# INTERAGENCY/INTERFUND SERVICES PROVIDED AND USED, CONTINUED

Internal Service Fund (ISF) provides services to Special Revenue Fund (SRF):

## ISF:

Enter TC 103, debiting A/R (0501) and crediting accrued revenue (3101) to establish the A/R

## SRF:

Enter TC 730, debiting cash expenditure (3500) and crediting cash (0070) to pay the ISF

## ISF:

Enter TC 731, debiting cash (0070) and accrued revenue (3101) and crediting cash revenue (3100) and A/R (0501) to receive the payment from the SRF, reclassify the revenue, and clear the receivable

# INTERAGENCY/INTERFUND REIMBURSEMENTS

- “Repayments from the funds responsible for particular expenditures or expenses to funds that initially paid for them” – GAAP
- Increases expense/expenditure in the reimbursing fund and corresponding decrease in expenses/expenditures in the reimbursed fund
- Original expenditure and (accrued) reimbursement should occur in the same fiscal year, otherwise it’s revenue to reimbursed fund
- Consistent with OAM 20.40.00, *Budgetary Accounting and Reporting: Reduction of Expense*
  - Do not use reduction of expense (ROX) to sidestep legislatively approved budget.
  - Do not use to distort true program costs

# INTERAGENCY/INTERFUND REIMBURSEMENTS, CONTINUED

Examples of appropriate use of reimbursements:

- One fund pays an invoice partially attributable to another fund
- Allocation of overhead
- Job rotations
- Receipts associated with Employer-at-Injury Program and the Preferred Worker Program
- Insurance Recoveries

Examples of inappropriate use of reimbursements:

- When goods/services provided
- When there's no expenditure being repaid (i.e. transfers)

# INTERAGENCY/INTERFUND REIMBURSEMENTS, CONTINUED

To reimburse the General Fund (GF) for portion of invoice paid on behalf of Special Revenue Fund (SRF) within an agency:

## GF:

Enter TC 416, debiting cash (0070) and crediting cash expenditure (3500)

## SRF:

Enter TC 415, crediting cash expenditure (3500) and crediting cash (0070)

TC 416 must be processed with TC 415 as a balanced transaction

If reimbursement occurs between agencies using a balanced transfer, use reimbursing agency use TC 740 and reimbursed agency use TC 741

# INTERAGENCY/INTERFUND TRANSFERS

- All interfund/interagency transactions not properly accounted for elsewhere
- If there's ever a disagreement on form of transaction, contact SARS
- For transfers within an agency:
  - CO 1301 Transfer In From Other Fund
  - CO 1401 Transfer Out To Other Fund
- For transfers of indirect cost moneys from federal fund to other fund within an agency:
  - CO 1356 Transfer In From Indirect Cost Center
  - CO 1456 Transfer Out To Indirect Cost Center
- For Transfers from a general fund (appropriation) to another fund type within an agency:
  - CO 1303 Transfer In From General Fund
  - CO 6200 Intra-agency General Fund/Other Fund Transfer

# INTERAGENCY/INTERFUND TRANSFERS, CONTINUED

Transfers between agencies:

## Receiving agency

- Credit CO that corresponds to Transfers From Other Funds:
  - D08 1400 for governmental funds; or
  - D08 1475 for proprietary funds

## Paying agency

- Debit CO that corresponds to Transfers To Other Funds or Special Payments to State Agencies, depending upon how it's budgeted:
  - D08 1450 (Trx out) for governmental funds;
  - D08 1476 (Trx out) for proprietary funds;
  - D08 6200 (Special pmt to S.A.) for governmental funds; or
  - D08 6250 (Special pmt to S.A.) for proprietary funds
- CO must correspond to the applicable agency, based on the CO title

# INTERAGENCY/INTERFUND TRANSFERS, CONTINUED

“Transfers” to discretely presented component units (DPCU):

- Not considered transfers for financial reporting purposes
- Debit CO that corresponds to Revenue Transfers Out or Special Payments
  - D08 6380 (Rev trx out) for governmental funds
  - D08 6385 (Rev trx out) for proprietary funds
  - D08 6100 (Special pmt) for governmental funds
  - D08 6350 (Special pmt) for proprietary funds
- Amounts receivable and payable between agency and DPCU must be reported separately and cannot be combined with accruals between funds of the primary government for financial reporting purposes
  - Presented as Due to/from Component Unit, respectively

# INTERAGENCY/INTERFUND TRANSFERS, CONTINUED

- As noted previously, for financial reporting purposes, transfers are only appropriate within the primary government, therefore they cannot be used for fiduciary funds or external entities, including discretely presented component units and certain semi-independent agencies:
  - Private purpose trust funds (GAAP Fund 7002)
  - Pension and other employee benefit trust funds (GAAP Funds 61XX)
  - State Accident Insurance Fund (SAIF)
  - Oregon Health and Science University
  - University of Oregon
  - Oregon State University
  - Portland State University
  - Semi-independents noted in ORS 182.454

# INTERAGENCY/INTERFUND TRANSFERS,

## CONTINUED

- Transfers represent cash transactions, therefore, the effective date of both sides must always be equal to the current system date. Cash transactions between agencies must not be back-dated
- Guidance for transfers of capital assets contained in OAM 15.60.10

# INTERAGENCY/INTERFUND TRANSFERS,

## CONTINUED

Responsibility for determining amounts, FY and AY for transaction and advising other agency:

- Collecting agency if tax, license, or fee revenue will be transferred
- For interagency grants and reimbursable contracts, the agency that receives the grant or provides the services

Transfer amounts are to be accrued using *GL 0586, Due from Other Funds/Agencies* and *GL 1532, Due to Other Funds/Agencies*

# INTERAGENCY/INTERFUND TRANSFERS,

## CONTINUED

OLCC has legal authority to collect beer/wine tax, which is later transferred to DHS to fund Substance Abuse Prevention and Treatment Program:

### OLCC:

Enter TC 190, debiting unreconciled deposit (0065) and crediting cash revenue (3100) to receive the initial tax

Enter TC 720, debiting transfers out (3550) and crediting cash (0070) to transfer the money to DHS

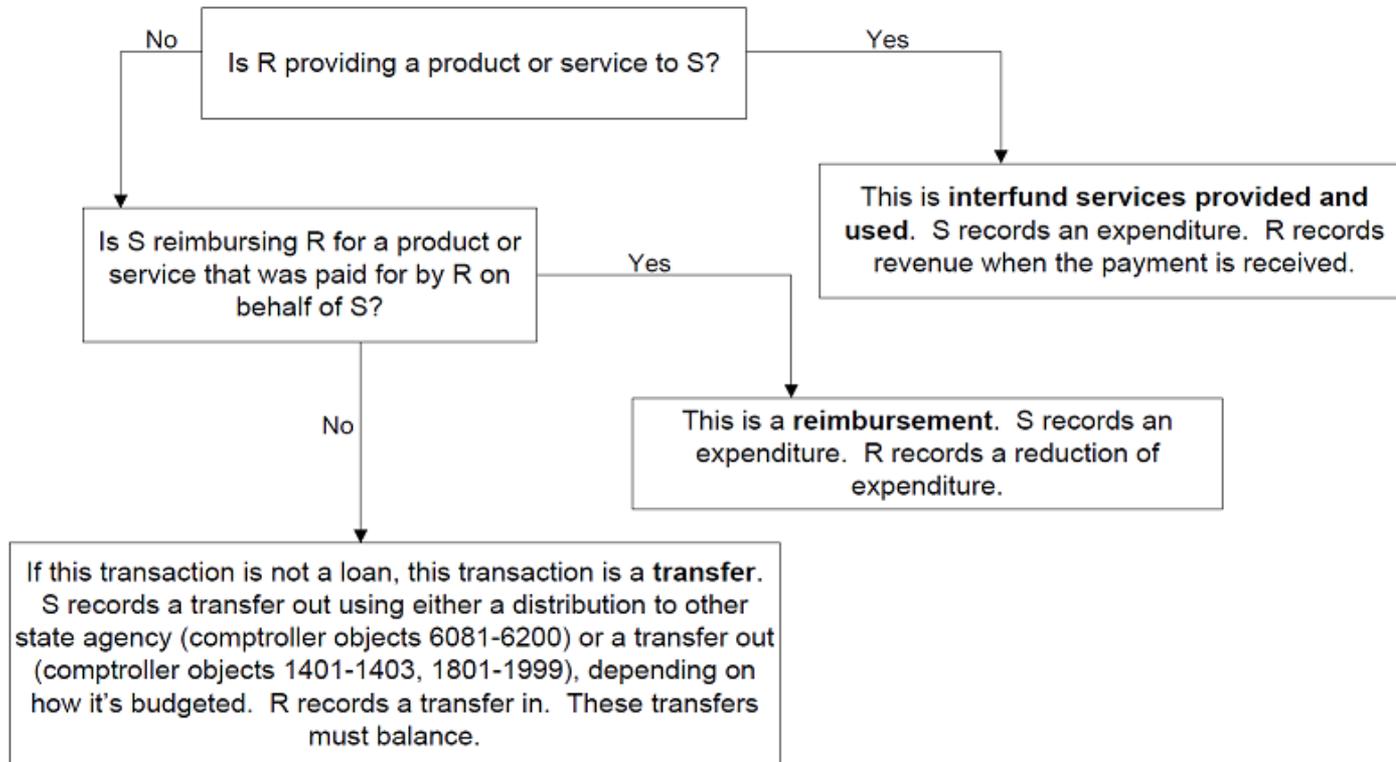
### DHS:

Enter TC 721, debiting cash (0070) and crediting transfers in (3150) to receive the transfer from OLCC

# DECISION TREE (¶ 119)

S = Fund in agency sending moneys

R = Fund in agency receiving moneys



# AGENT RELATIONSHIPS

- Only the agency with the legal authority to levy the tax or assess the fee records the revenue (authorized agency)
- Collecting agency may use agency fund, but not mandatory unless legally required (collecting agency)
- Collecting agency uses deposit liability
- Revenue recognized by authorized agency upon receipt from collecting agency

Criteria for agent relationships:

- One agency collects fees on behalf of another agency
- Collecting agency not legally authorized to levy tax or assess the fee

# GASB 38 CONSIDERATIONS

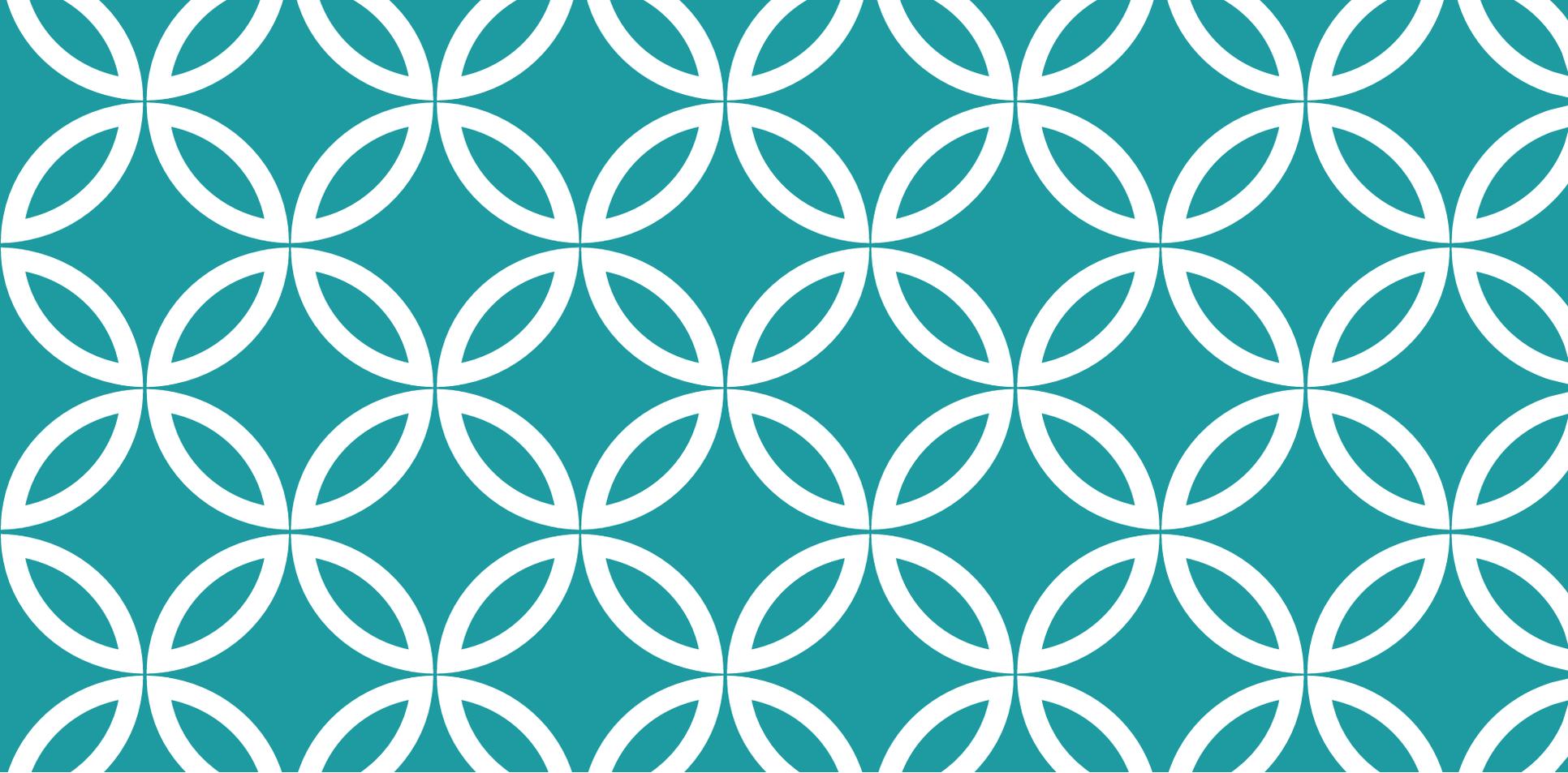
- G38 code required for interagency/interfund:
  - Transfers
  - Due To/From entries
  - Advances To/From
- Sending agency must communicate to receiving agency. We've heard of instances when the receiving agency first learns of interagency transaction because it shows up on SWB report
- Mistakes made by the sending agency have to be fixed by the receiving agency with an entry or the money needs to be sent back for correction
- Remember the impact of due to/from transactions on the other agency during Month 13 – best practice is to complete them by soft close (8/7)
- Look to the SWB Reports noted previously by Monique. Currently updated monthly, but will be updated three times per week during Month 13

# G38 CODE FORMAT — AAAFFFF0

- AAA = agency number of the other agency involved
  - For a transfer between funds within your agency, it will be your agency number
- FFFF = the d23 fund number of the other fund involved in the transaction
- 0 = a placeholder

# OTHER CONSIDERATIONS

- If your agency has not collected interagency A/R by 7/1/15, you must reclassify the amount to Due From Other Agency (GL 0586) and the other agency must reclassify the interagency A/P to Due To Other Agency (GL 1532)
- Chapter C of the Agency Guide to Year-end Close is a great resource. Specifically C.4.d. which covers reviewing interfund/interagency accounts, which begins on page C-5 (pdf page 7)



# FINANCIAL REPORTING



# GOVERNMENT-WIDE STATEMENT OF NET POSITION

Statement of Net Position  
June 30, 2014  
(In Thousands)

	Primary Government			Corr
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 2,853,831	\$ 3,260,191	\$ 6,114,022	\$
Cash and Cash Equivalents - Restricted	-	50,290	50,290	
Investments	1,388,375	32,643	1,421,018	
Investments - Restricted	-	94,199	94,199	
Securities Lending Collateral	321,008	154,379	475,387	
Accounts and Interest Receivable (net)	1,266,597	569,390	1,835,987	
Taxes Receivable (net)	570,483	-	570,483	
Pledges, Contributions, and Grants Receivable (net)	-	-	-	
Internal Balances	117,909	(117,909)	-	
Due from Component Units	-	22,090	22,090	
Due from Other Governments	-	7,440	7,440	

# GOVERNMENT-WIDE STATEMENT OF NET POSITION

continued

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**Noncurrent Assets:**

Cash and Cash Equivalents	-	66,765	66,765	-
Cash and Cash Equivalents - Restricted	1,216,715	345,772	1,562,487	-
Investments	173,938	121,775	295,713	691,830
Investments - Restricted	169,137	515,018	684,155	2,037,943
Custodial Assets	22,742	-	22,742	-
Taxes Receivable (net)	550,492	-	550,492	-
Interfund Loans	(179)	179	-	-
Advances to Component Units	-	38,438	38,438	-
Net Contracts, Notes, and Other Receivables	361,134	116,364	477,498	2,156
Loans Receivable (net)	610,757	1,797,291	2,408,048	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	84,934
Net Pension Asset	1,178,100	-	1,178,100	-

# GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Unrestricted Investment Earnings	5,516	-	5,516	-
Contributions to Permanent Funds	297	-	297	-
Additions to Permanent Endowments		770	770	
Transfers - Internal Activities	133,008	(133,008)	-	-
Total General Revenues, Contributions, Special				
Items, Extraordinary Items, and Transfers	9,653,943	(114,648)	9,539,295	-
Change in Net Position	553,523	636,117	1,189,640	357,355
Net Position - Beginning	11,943,504	5,017,612	16,961,116	5,079,521
Prior Period Adjustments	(65,274)	(4,828)	(70,102)	14
Cumulative Effect of a Change in Accounting Principles	(32,112)	(13,333)	(45,445)	(18,434)
Net Position - Beginning - As Restated	11,846,118	4,999,451	16,845,569	5,061,101
<b>Net Position - Ending</b>	<b>\$ 12,399,641</b>	<b>\$ 5,635,568</b>	<b>\$ 18,035,209</b>	<b>\$ 5,418,456</b>

# 13. INTERFUND TRANSACTIONS

Interfund balances reported in the fund financial statements as of June 30, 2014 (in thousands):

Due to Other Funds	Due from Other Funds				
	General	Health and Social Services	Public Transportation	Environmental Management	Common School
General	\$ -	\$ 32,888	\$ 32	\$ 2,310	\$ 37
Health and Social Services	555,191	-	-	156	-
Public Transportation	261	-	-	12,465	-
Environmental Management	2,315	-	3,598	-	89
Common School	25,390	-	-	770	-
Nonmajor Governmental Funds	8,141	21,325	-	3	-
Housing and Community Services	-	-	-	-	-
Lottery Operations	140,644	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Nonmajor Enterprise Funds	22,706	748	-	1,345	-
Internal Service Funds	14,640	-	-	-	-
Fiduciary Funds	-	-	-	-	-
<b>Total</b>	<b>\$769,288</b>	<b>\$ 54,961</b>	<b>\$ 3,630</b>	<b>\$ 17,049</b>	<b>\$ 126</b>

# 13. INTERFUND TRANSACTIONS

continued

Advances from Other Funds	Advances to Other Funds			Total
	Common School	Nonmajor Enterprise Funds	Internal Service Funds	
General	\$ -	\$ -	\$ 584	\$ 584
Environmental Management	300	-	-	300
Nonmajor Governmental Funds	-	48	-	48
University System	-	119,975	-	119,975
Internal Service Funds	-	131	-	131
<b>Total</b>	<b>\$ 300</b>	<b>\$ 120,154</b>	<b>\$ 584</b>	<b>\$ 121,038</b>

# 13. INTERFUND TRANSACTIONS

continued

Transfers to Other Funds	Transfers from Other Funds				
	General	Health and Social Services	Public Transportation	Environmental Management	Common School
General	\$ -	\$ 94,324	\$ 1,230	\$ 57,282	\$ 98
Health and Social Services	34,856	-	-	612	-
Public Transportation	6,004	-	-	29,260	-
Environmental Management	46,230	72	399	-	3,559
Common School	50,779	-	-	4,835	-
Nonmajor Governmental Funds	152,941	67,345	23,736	191	-
Housing and Community Services	-	-	-	-	-
Lottery Operations	512,427	-	-	-	-
Unemployment Compensation	-	-	-	-	-
University System	4,454	-	-	-	-
Nonmajor Enterprise Funds	147,983	8,681	-	324	-
Internal Service Funds	15,574	2,632	-	577	-
<b>Total</b>	<b>\$ 971,248</b>	<b>\$ 173,054</b>	<b>\$ 25,365</b>	<b>\$ 93,081</b>	<b>\$ 3,657</b>

# Expenses, Expenditures and Payables

OAM 15.40.00 PO (Effective Date July 1, 2001)

and OAM 15.40.00 PR (Effective Date February 8, 2002)

# Expenses vs. Expenditures: Terminology

- ▶ Expenses
  - ▶ Economic resources measurement focus and accrual basis of accounting
  - ▶ “Charges incurred, whether paid or unpaid, for operation, maintenance, interest, and other charges presumed to benefit the current fiscal period.” (OAM 65.00.00, *Glossary*)

# Expenses vs. Expenditures: Terminology - continued

- ▶ Expenditures
  - ▶ Current financial resources measurement focus and modified accrual basis of accounting
  - ▶ “Decreases in net financial resources under the current financial resources measurement focus not properly classified as other financing uses.” (OAM 65.00.00, *Glossary*)
  - ▶ Budgetary terminology

# Expenses vs. Expenditures: Fund Type

## Expenses

- ▶ Government-wide Reporting Fund (8500)
- ▶ Proprietary Funds
  - ▶ Enterprise Funds (40XX)
  - ▶ Internal Service Funds (50XX)

## Expenditures

- ▶ Governmental funds
  - ▶ General Fund (00XX)
  - ▶ Special Revenue Funds (11XX)
  - ▶ Capital Projects Fund (3001)
  - ▶ Debt Service Funds (200X)
  - ▶ Permanent Fund (7505)

# Expenses vs. Expenditures: Recognition

## ▶ Exchange Transactions

- ▶ “Transactions in which each party to the transaction gives up or receives essentially equal value.” (OAM 65.00.00, *Glossary*)

## ▶ Nonexchange Transactions

- ▶ “Transactions in which one party gives value or benefit to another party without directly receiving equal value in exchange.” (OAM 65.00.00, *Glossary*)

# Expenses vs. Expenditures: Recognition, continued

## Expenses

- ▶ Exchange transactions
  - ▶ Recognize when exchange occurs, regardless of timing of cash flow
- ▶ Nonexchange transactions
  - ▶ Recognize when all eligibility transactions have occurred

## Expenditures

- ▶ Recognize when the liability is expected to be paid with available financial resources
- ▶ Unless specifically exempted, expenditures should be accrued

# Expenses vs. Expenditures: Recognition, continued

- ▶ At fiscal year end, liabilities and the related expenditures may be accrued with the following entry:
- ▶ TC 437 To establish expenditure accrual (auto reverses)

DR 3505 Expenditure Control - Financial Statement Accrual	XXX
CR 1215 Accounts Payable	XXX

# Expenses vs. Expenditures: Recognition, continued

- ▶ Some expenditures are recognized in governmental funds only when due and payable (matured). These typically are related to general long-term indebtedness and include:
  - ▶ Debt service principle and interest payments on formal debt issues.
  - ▶ Compensated absences.
  - ▶ Claims and judgments.

# Liability

- ▶ GASB Concepts Statement No. 4 defines a liability as present obligations to sacrifice resources that the government has little or no discretion to avoid.
- ▶ Based on the basis of accounting, the same event could be a liability in one fund, but not in another.

# Liability Recognition

- ▶ The following liabilities should not be recognized in a governmental fund:
  - ▶ Unmatured principal of long-term debt, such as bonds, notes, or capital leases
  - ▶ Accrued interest on long-term debt
  - ▶ Liabilities related to compensated absences, claims and judgments, or special termination benefits when not payable from current financial resources
  - ▶ Liabilities associated with operating leases containing scheduled rent increases

# Liability Recognition - continued

- ▶ Reported in government-wide reporting fund instead
- ▶ Financial resources that have been accumulated for eventual payment of the unmatured portion of the liability do not represent an outflow of current financial resources and therefore should not be recognized as an additional governmental fund expenditure or liability.

# Prompt Payment

- ▶ Private vendors providing goods and services shall be paid within 45 days
  - ▶ Overdue charges are paid at 2/3 of 1% per month, not to exceed 8% per annum
- ▶ Contractors performing on public contracts shall be paid within 30 days
  - ▶ Overdue charges are paid at 3x the discount rate on 90-day commercial paper in effect at the Federal Reserve Bank, not to exceed 30%

# Merchant Fees

- ▶ Merchant fees are discount fees paid by agencies to financial institutions.
- ▶ Merchant fees should be recorded as an expense in comptroller object 4730 and the related credit card revenue should be recorded at the gross amount.

# Collection Fees

- ▶ Collection fees are amounts paid to collection agents for the cost of collecting accounts receivable.
  - ▶ Either the Department of Revenue (DOR) or a private collection firm (PCF) may be hired by state agencies to pursue collection of past due accounts receivable.
- ▶ Collection fees should be recorded as an expense and the related revenue should be recorded at the gross amount.
  - ▶ Use comptroller object 4720 if collected by DOR
  - ▶ Use comptroller object 4725 if collected by PCF

# Bad Debt Expense

- ▶ Bad debt expense should be recorded only in conjunction with transactions in which there is no revenue associated with the receivable, for example loans receivable.
- ▶ For receivables that have an associated revenue, such as taxes receivable, uncollectible amounts should be reflected as a reduction of revenue rather than bad debt expense
- ▶ In either case, the receivable should be recorded at gross amount, with an offsetting entry to Allowance for Doubtful Accounts reflecting the estimated uncollectible amounts.

# Financial Statement Presentation

## ▶ **Governmental Funds**

- ▶ presented in the statement of revenues, expenditures and changes in fund balances by function except capital improvements and debt service.
- ▶ Transfers, refunding debt payment, special and extraordinary items are “other financing uses”

# Financial Statement Presentation - continued

## ▶ Government-wide Reporting Fund

- ▶ expenses are reported by function, excluding those that meet the definition of a special or extraordinary item
  - ▶ Special Item: within management's control and unusual or infrequent in occurrence
  - ▶ Extraordinary Item: both unusual and infrequent in occurrence

# Financial Statement Presentation - continued

## ▶ Proprietary Funds

- ▶ expenses separated into operating expenses and nonoperating expenses and reported by major category
  - ▶ Salaries and wages; services and supplies; cost of goods sold; distributions to other governments; special payments; loan interest expense; depreciation expense; bad debt expense; among others
  - ▶ Operating expenses generally result from providing services and producing goods
  - ▶ Nonoperating expenses are not directly associated with agency operations. Most common is investment expense

# Financial Statement Presentation - continued

## ▶ **Fiduciary Funds**

- ▶ expenses are reported as deductions from net position in the statement of changes in fiduciary net position.

# Capital Assets and Non-Capital Assets

It's Not Always Black and White

# What Is The Difference?

## Capital Assets

- Have a useful life of one year or more
- Are used in agency operations
- Total cost (purchase price + ancillary costs) is \$5,000 or more

## Non-Capital Assets

- Have a useful life of one year or more
- Are used in agency operations
- Total cost (purchase price + ancillary costs) is less than \$5,000

# Ancillary Costs

- In order to capitalize, the cost must be directly identifiable with a specific asset.
- Necessary to acquire the asset and prepare for its intended use.
  - Land: costs associated with purchasing, surveying, site preparation, etc.
  - Construction in Progress: overhead
  - Equipment and Machinery: freight costs, insurance, installation, etc.
  - Buildings: demolishing of existing buildings, and 1% for art

# Do Not Capitalize

- Costs to determine which asset to purchase
- Interest (unless Enterprise funds using tax-exempt debt)
- Training
- Moving

# Entries

- **Governmental Funds**
  - Record the purchase in the operating fund
  - Capitalize in the GWRF
- **Enterprise Funds and Fiduciary Funds**
  - Record both the purchase and the capitalization in the operating fund
- Always use the same Comptroller Object when capitalizing

# Do Not Depreciate

- Land (indefinite life)
- Construction in Progress (asset not ready for use)
- Works of Art and Historical Treasures (Extraordinarily long lives)
  - Not held for financial gain
  - Protected, unencumbered, cared for, and preserved
  - Proceeds from sale will purchase other items for collection
- Land Use Rights with indefinite lives

# Depreciation

- Begins when placed in service
- Asset has a definite useful life
- Use OAM 10.60.20.108 as a GUIDE
- Use straight-line method

# Building Capitalization Options

- Treat the components as part of the building
- Treat the components as separate capital assets
- Treat the components as part of the building, then treat subsequent component replacements as disposals

# Repair v. Improvement

- Repairs/Maintenance
  - Preserves the asset's utility
  - Return asset to original condition
  - Expense when incurred
- Improvements/Additions
  - Increases asset's utility
  - Extends asset's total estimated useful life
- Sometimes both

# Et al

- Review estimates of useful lives
- Impair and idle
- Trade-in
- Donated Assets
- Transfer of Assets
- Disposal
- AND MORE!

# Intangible Assets

An intangible asset possesses *all* of the following characteristics:

- ❑ It lacks physical substance.
- ❑ It is non-financial in nature
- ❑ It has an initial useful life of more than one year.

## Common types of intangible assets:

- ❑ Right-of-way easements.
- ❑ Other types of easements.
- ❑ Land use rights, such as mineral, water, or timber rights.
- ❑ Patents, copyrights, and trademarks.
- ❑ Computer and Web site software.

# Recognition

- Recognize an intangible asset *only* if it is identifiable.
  
- Consider an intangible asset as identifiable if it is *either*:
  - Separable, i.e. capable of being separated and sold, transferred, licensed, etc.
  
  - OR-
  
  - It arises from contractual or other legal rights.

# Accounting for Intangible Assets

- ❑ The state's capitalization threshold is \$5,000.
- ❑ Consider rights related to land as “Bundled”. Do not record them as separate assets.
- ❑ Account for a land use right without acquiring the underlying land as a separate intangible asset.
- ❑ Record the obligation to make payments over the life of the agreement as a long-term liability.

# Accounting for Intangible Assets

- ❑ Land use rights that may be obtained from a third party through a legal agreement:
  - Right to access land, such as an easement.
  - Right to explore or exploit natural resources.
  
- ❑ Right-of-way easement along with infrastructure assets
  - Report the easement as a separate asset.
  - Fair value based on acquisition cost had it not been donated.

# Accounting for Intangible Assets

- ❑ Intangible assets acquired or created primarily for obtaining income or profit - Investments.
- ❑ Software acquired through a licensing agreement - Capitalize as an intangible asset.
- ❑ Computer software system with more than one module or component - analyze each individual component or module separately rather than the system as a whole.

# Internally Generated Intangible Assets

Internally generated intangible assets (IGIA) are:

- ❑ Created or produced by the agency or an outside entity contracted by the agency

-OR-

- ❑ Acquired from a third party but requires more than minimal incremental effort to achieve desired service capacity.

# Internally Generated Intangible Assets -Specified Conditions Approach-

- Capitalize outlays only after:
  - Determination has been made on the specific objective of the project and the service capacity expected upon completion.
  - Technologically feasible to complete the project for the expected service capacity.
  - Intention to complete the project or to continue development of a multiyear project needs to be demonstrated.

# Internally Generated Computer Software

Preliminary Project Stage	Application Development Stage	Post-implementation/ Operation Stage
Conceptual formulation of alternatives	Design of chosen path, including software configuration and interfaces	Application training
Evaluation of alternatives	Coding	Software maintenance
Determination of existence of needed technology	Installation to hardware	
Final selection of alternatives	Testing, including parallel processing phase	

# Internally Generated Computer Software

## □ Data Conversion

- Qualifies as an activity of the application development stage

-BUT-

- *only* to the extent it is necessary to make the computer software operational.
- Else, treat it as an activity of the post-implementation operation stage.
- Includes purging/cleansing of existing data, conversion and reconciliation of data from old system to new system.

# Internally Generated Computer Software

- Can be capitalized only after:
  - The activities in the preliminary project stage are completed
  - AND-
  - Management implicitly or explicitly authorizes and commits to funding the project
- For off-the-shelf software, these criteria are generally considered met upon the government's commitment to purchase or license the software

# Internally Generated Computer Software

- ❑ Reporting of activity outlays:
  - Preliminary project stage - expense as incurred
  - Application development stage - capitalize once criteria is met; cease capitalizing when software is operational
  - Post-implementation/operation stage - expense as incurred
  
- ❑ Reporting should be based on nature of activity, not timing of its occurrence

## Software Modifications or Upgrades

- Capitalize outlays for modification of computer software already in operation if it results in:
  - An increase in the functionality of the software  
OR
  - An increase in the efficiency of the software  
OR
  - An extension of the estimated useful life
  
- Else, account for the modification as maintenance and expense the outlays incurred.

## Software Licensing

- ❑ Software licensing agreements are not subject to **OAM 15.60.30, *Capital Leases***, even if the agreement is referred to as a “lease.”
  
- ❑ Capitalize the software and report it as an intangible asset.
  
- ❑ Software Licenses purchased as a bundle:
  - Individual computers - Expense if <\$5,000 per license
  - Server Install - Capitalize if >\$5,000

# Software as a Service (SaaS)

- ❑ Software licensing and delivery model.
- ❑ Licensed on a subscription basis and is centrally hosted.
- ❑ If arrangement includes a software license - account for the license element as discussed in the previous slide.
- ❑ If arrangement does not include a software license - account for the arrangement as a service contract.

# Accounting for Intangible Assets

- ❑ Amortize intangible assets with limited lives on a straight-line basis.
- ❑ Do not amortize intangible assets with indefinite lives.
- ❑ Sale or retirement of an intangible asset - remove the asset and accumulated amortization from the books.
- ❑ Recognize any gain or loss arising from the disposition.

# KEY TAKEAWAYS

## Budgetary Accounting

- General Fund revenue – record in biennium received
- General Fund interfund transfer – record in biennium cash moved
- Expenditure for all fund types – record in biennium when services/supplies received
- Encumbrances must be zero at end of FY 2015
- Any obligations for goods/services to be provided in AY 17 must be disclosed as a commitment

## Year-end Schedule

- Repository reports with “YE” in the title and the SWB reports update on the same schedule
- “YE” reports contain FY 2015 information only
- Begin using DAFR 6610 and 6620 “YE” reports on July 20 and stop using them August 17

# KEY TAKEAWAYS, CONTINUED

## Changes to Disclosures

- Be sure to agree disclosures to the DAFR 6610 and 6620
- Watch page and disclosure numbers – some have changed
- Due date for all disclosures is August 21

## SEFA

- Review your reports regularly throughout the year
- Double-check reports before submitting to SARS
- Accrue subrecipient expenditures using a T-Code 941

# KEY TAKEAWAYS, CONTINUED

## Interagency/Interfund Transactions

- Account for interagency/interfund transactions for the circumstances – no one size fits all
- Communicate with other agency

## Expenses, Expenditures and Payables

- Record revenue and expense at gross
- Uncollectible receivables adjustment – reduce revenue in governmental funds and bad debt in proprietary funds

# KEY TAKEAWAYS, CONTINUED

## Capital Outlay and Non-capital Assets

- Use professional judgment
- Be sure to document how and why your decision was made

## Capitalization of Intangible Assets

- Recognize an intangible asset only if it is identifiable
- Capitalize software acquired through a licensing agreement, if it meets useful life and cost criteria
- Remember the three stages when determining what to capitalize for internally generated software

**Remember to look to the OAM, and if you have any questions, please contact SARS**

# CONTACTS

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