Statewide Financial Reporting

.101 The fiscal year end closing process culminates with the issuance of the State's Comprehensive Annual Financial Report (CAFR). All agencies identified by Statewide Accounting and Reporting Services (SARS) as part of the State's reporting entity are included in the CAFR. This includes agencies who do not maintain their accounting records on R*STARS. SARS publishes the CAFR annually for the fiscal year ended June 30.

.102 Data from R*STARS, together with data from agencies not on R*STARS, is used to compile the statewide financial statements. Account balances as of the close of Month 13, modified by any required audit adjustments, are reported in the CAFR. During the compilation of the financial statements, SARS ensures that the State’s financial position and results of operations are fairly presented in accordance with generally accepted accounting principles (GAAP). SARS will combine the data in governmental funds, internal service funds, and the government-wide reporting fund in order to prepare the governmental activities column of the government-wide financial statements. Data in enterprise funds will be used to prepare the business-type activities column of the government-wide financial statements.

.103 Information that may be required for disclosure in the notes to the financial statements is obtained through year end disclosure forms. Agencies need to complete applicable disclosure forms and submit them to SARS within established timelines. A Certificate of Accuracy and Completeness, signed by the agency's chief fiscal officer, should accompany the disclosure forms. SARS relies upon agency disclosure information to compile required note disclosures.

.104 The CAFR will include an audit opinion as to whether the State’s financial position and results of operations are fairly presented in accordance with GAAP. As the constitutional auditor of public accounts, the Secretary of State Audits Division conducts the statewide audit. The statewide audit is required to be a Single Audit in accordance with the Single Audit Act of 1984, as amended, because the State receives federal funds. The Audits Division selects certain accounts and federal programs to audit at specific agencies as part of the Single Audit.

.105 In order to comply with provisions of the Single Audit Act, SARS prepares a federal reporting package as required by OMB Circular A-133 (refer to OAM 30.10.00 PO for more information). The reporting package is required to include a Schedule of Expenditures of Federal Awards (SEFA). Each agency should complete the year end disclosure form on federal revenues and expenditures to determine if SEFA reporting is applicable to their agency. Agencies that receive federal funds, directly or indirectly, are required to provide information for the statewide SEFA. If applicable, agencies will submit pertinent information to SARS by the due date for inclusion in the SEFA.
Year End Closing Process

.106 The quality of the CAFR depends on the accuracy and completeness of year end closing activities. Year end financial statement adjustments and accruals are recorded in R*STARS in month 13, the last period of each fiscal year. Normally, cash transactions that occur during the year are posted prior to the close of month 12 (June). Agencies should maintain up-to-date accounting records during the year and use month 13 for adjustments needed for reporting in conformance with GAAP at year end. Agencies are responsible for selecting appropriate transaction codes to record transactions in R*STARS. The agency’s assigned SARS and SFMS analysts are available to provide guidance when needed. Supporting documentation should be attached to month 13 transactions in the same manner as other accounting entries.

.107 Month 13 transactions must be recorded with an effective date of 06/31/YY (YY is the fiscal year), regardless of the document date. When recording entries in the second year of a biennium, care should be taken to ensure the transaction is posted to the proper appropriation year. After the system date changes (July 1), the appropriation year (AY) defaults to the new AY, not the AY that should be used in month 13.

.108 For most accruals recorded in month 13, reversing entries are generated automatically in R*STARS in July of the new fiscal year. This helps to ensure revenues and expenditures are not duplicated. When the actual payment is made or the income is received, it will be offset by the reversal. SARS recommends posting transaction codes that auto-reverse in month 13, rather than month 12, since it is cleaner for the audit process if all year end accruals are recorded in month 13.

.109 To facilitate year end closing, agencies are encouraged to use accounting estimates if actual accrual amounts are not available in a timely manner. Using estimates is an acceptable accounting practice, provided the basis on which the estimates are made is fundamentally sound, sufficiently documented, can be audited, and conforms with generally accepted accounting principles.

.110 During the year end closing process, agencies are responsible for ensuring transactions between agencies balance, as appropriate. This will ensure interfund transactions, as disclosed in the notes to the financial statements, balance on a statewide basis. For example, this would include transfers, loans between agencies, or year end accruals of interagency transactions. To facilitate communication between agencies, SARS maintains a statewide list of agency contacts. If the agency’s CAFR contact changes, SARS should be notified to update the list.

.111 Some D23 funds are reported as GAAP fund 6406, Clearing Agency Fund. This means the fund is being used as a clearing account to distribute financial resources to other funds within the State (either other funds within the agency or funds in other state agencies). The clearing account balance should not be reported in agency funds. Rather, it should be reported as assets in the appropriate funds. Thus, agencies with D23 funds being reported as GAAP fund 6406 are required to distribute cash from the clearing account by the close of June. The cash balance in GAAP fund 6406 should be zero on a statewide basis by the close of June.

.112 SARS will provide a schedule of year end closing activities to agencies which will reflect the time frame necessary to prepare audited statewide financial statements by the statutorily required due date. Other guidance will be provided to agencies through the Agency Guide to Year Closing, maintained by SARS.

Post-Closing Adjustments

.113 On occasion, it may be necessary to post adjustments to the statewide financial statements that were not discovered until after the close of month 13. These adjustments may be identified by the agency, by SARS, or proposed as audit adjustments by the Audits Division. Agencies should coordinate post-closing adjustments with SARS and the Audits Division, if applicable. Post-closing adjustments must be significant in amount. When adjustments are made to the CAFR
balances, agencies should follow-up by recording a post-closing entry in the subsequent fiscal year. These are not prior period adjustments. They are adjustments to bring R*STARS balances in agreement with balances reported in the CAFR. Agencies should strive to post all necessary year end adjustments during month 13 to alleviate the need for post-closing adjustments.

Subsequent Open Accounting Months

.114 The time necessary to complete the year end closing will require subsequent fiscal periods (e.g., July, August, September) to remain open on a statewide basis until year end accounting adjustments are recorded and the ending fiscal year is closed. R*STARS agencies may close completed fiscal periods on an agency basis, while the statewide closing of a fiscal period may occur at a later date.

Requirements for Agency Financial Statements

.115 Agencies are not required to submit annual financial statements to SARS unless specifically required by statute or by the federal government, as a condition to receive funds from an entity external to the State, or by the direction of SARS.

.116 For those agencies that issue annual audited financial statements, the information in the agency issued financial statements must agree with CAFR reported balances, if that agency's information is presented discretely in the CAFR. In this case, agencies are required to submit one copy of their financial statements to SARS for inclusion in and agreement with the CAFR.

.117 Agencies that do not maintain their accounting records on R*STARS will provide copies of their financial statements, or equivalent data sufficient to prepare financial statements, to SARS for the statewide compilation process.