

CHAPTER B

YEAR-END CLOSING OVERVIEW

B.1. Why is Year-End Closing Important?

The discipline provided by the year-end closing process and the financial audit performed by the Secretary of State, Audits Division, together, ensure the integrity of the information published in Oregon's Annual Comprehensive Financial Report (ACFR). This process represents a significant commitment of time, but it is very important to the state. The ACFR is required by federal and state law and is critical to the marketability of state bond issues. As a result, many stakeholders are interested in the data contained in the ACFR, including bond underwriters, bond rating agencies, creditors, citizens, and the Legislative Assembly.

B.2. Overview of the Year-End Closing and ACFR Preparation Process

The pre-closing review is the first step in the process. Following the close of Month 10 (April), Statewide Accounting and Reporting Services (SARS) analysts review agencies' accounting records and communicate their findings. This review provides an opportunity for agencies to research problems and determine appropriate accounting adjustments prior to the close of Month 12 (June). It is also the best time for agencies to revisit the prior year's work papers, balance interagency transactions, update ongoing reconciliations, and plan for year-end.

Most agencies also use Month 13 to record year-end accruals and any last minute adjustments. Month 13 is a separate fiscal period in R*STARS designated specifically for finalizing year-end entries after the close of Month 12. Throughout Month 13, agencies can monitor the results of their accounting adjustments using the Datamart Repository reports or R*STARS requestable reports.

Following the close of Month 13, SARS extracts the year-end account balances from the Datamart and downloads the file into a special system designed specifically for compiling governmental financial statements. SARS also prepares "ACFR" adjustments for entering data received from agencies that are not on R*STARS (drop-in agencies). SARS compiles the information for the notes that accompany the financial statements from the data agencies provide when they complete the *General Disclosure* and *Debt Disclosure* packages.

B.3. Year-End Closing Sequence of Events

A summary of the key events that support a successful year-end closing are discussed below. Please contact your SARS analyst as soon as possible if you have concerns or questions about the following events.

Pre-closing Procedures. Prior to the close of Month 12, develop a strategy for the year-end close, prepare pre-closing review corrections and adjustments suggested by your SARS analyst, communicate with other agencies to correct out-of-balance interagency transactions (including SEFA transfers), and inform SARS of any outstanding issues. Month 12 is also the last chance to make corrections to the GAAP Fund on the D23 Fund profile. SARS analyst reviews should be considered as a second pair of eyes, and agencies should not be solely dependent on them.

Budgets. Agencies must enter their budget information into R*STARS by the close of Month 12. SARS queries the expenditure budgets from the 62 Appropriation Table in R*STARS for the Budgetary Statement of Legal Compliance (BSLC) and for the Budgetary Schedules in the ACFR. *NOTE: SARS uses the Oregon Budget Information Tracking System (ORBITS) for budgeted revenues.*

Training/Updates. SARS provides fiscal year-end training and/or updates as needed. Updates to the *Agency Guide to Year-End Closing* and the year-end disclosure packages are posted online at

the SARS Website. The disclosure packages include *General Disclosures*, *Long-term Debt Disclosures* and *SEFA Disclosures*.

Month 12 Close. Agencies should plan to be substantially finished with the year-end closing as of the close of Month 12. Most agencies will still need Month 13 to record additional accruals, etc.

Month 13 Close. All year-end adjustments must be completed by the close of Month 13. SARS will prepare manual ACFR entries for any post-closing adjustments the auditors require. (Once the ACFR has been issued, SARS will advise agencies on how to record the post-closing adjustments in R*STARS).

R*STARS Reports. If your agency uses R*STARS, order R*STARS requestable reports as of the close of Month 12. During month 13, these reports may be ordered twice a week. Use these reports, plus your on-line access to R*STARS, to identify errors and accounting problems.

Datamart. Agencies may also use the Datamart to monitor Month 13 activities. Agencies can run their own queries or use the standard reports available through the Datamart Repository. The Datamart will be updated on the usual Friday night schedule. In addition, three tables are created after the close of Month 12 that contain current year data only. Two of these tables are updated three times a week during period 13 on Tuesday, Thursday, and Saturday nights. They are the YE G/L DETAIL and YE G/L SUMMARY. The Repository reports that are tied to these year-end tables contain YE in the title and will have new data on Monday, Wednesday, and Friday mornings. In addition, the YE ACTIVE ACCTG EVENT table will allow you to view transactional detail for Month 13 only. The table is updated on Tuesday night for viewing Wednesday and Thursday night for viewing Friday.

Soft Close. SARS encourages agencies to self-impose a deadline of one week prior to the close of Month 13 for recording all year-end adjustments. By doing so, agencies build in more time to complete the General, Long-term Debt, and SEFA Disclosure forms. If incorrect balances are discovered in the process, there is still time to make corrections before the close of Month 13.

Reconcile Disclosures. Prior to submitting your disclosure packages to SARS, make sure the account balances per the disclosure forms agree to the Month 13 balances in R*STARS.

Agency Certification. In addition to the General and Long-term Debt Disclosures submitted to SARS, state agencies must also complete a certification form which requires the agency's Chief Financial Officer or Director to certify the accuracy and completeness of the attached data. This form is due at the same time as the disclosure packages.

SARS Review. SARS reviews agency accounting data using Datamart reports and records ACFR adjustments or other actions as needed. SARS also reviews disclosure forms for accuracy and completeness.

Drop-in Agencies and Agencies with Separately Issued Audited Financial Statements. SARS requires agencies that are separately audited to submit copies of their audited financial statements with accompanying notes and applicable disclosures. The final audited financial statement balances for those agencies not on R*STARS are "dropped in" to the ACFR. A few small agencies not on R*STARS are required to complete a special disclosure packet for drop-in purposes.

Federal Awards. After Month 13 closes, agencies use a standard OBIEE query from the Datamart repository for Schedule of Expenditures of Federal Awards (SEFA) reporting. Agencies transmit their SEFA data by signing a certification form with summary totals. Agencies using Excel spreadsheets, rather than the grant profiles, will send them to SARS. If an agency finds an error in its SEFA report, changes should be submitted using the Excel "corrections" spreadsheet.

ACFR Preparation. After the close of Month 13, ACFR preparation begins.

ACFR Publication. Upon completion of the statewide audit and issuance of the auditor's opinion, SARS publishes the ACFR. The statutory deadline for publishing the ACFR is December 31.

B.4. Best Practices for a Successful Year-End Closing

The following guidelines are suggested as best practices for agencies to ensure a successful year-end closing:

- **Start early, set priorities, finish on time.**
Resource constraints are a fact of life. Plan to start early. Set your priorities and identify the material issues as soon as possible.
- **Make the most of the pre-closing review.**
The pre-closing review helps agencies get a head-start on problem areas. Dealing with the problems as soon as possible helps reduce the workload and stress during year-end closing when time is limited.
- **Get management's attention and support**
Make sure the CFO of your agency understands the critical importance of the financial data your agency provides through the year-end closing process. Agency management will be asked to certify the accuracy and completeness of the data.
- **SARS reviews**
The agency should not rely on SARS reviews for year-end balances. SARS reviews are meant as a second set of eyes to ensure GAAP is followed appropriately and not to correct agency issues.

B.5. Year-End Closing Communications

SARS uses three methods to communicate with agencies' ACFR contacts.

- **ACFR Contacts News List Server**

SARS uses the ACFR Contacts News List Server to email information related to year-end closing and financial reporting. Click on the following link to subscribe to ACFR Contacts News: <https://omls.oregon.gov/mailman/listinfo/ACFR-contacts-news/>.

- **Email**

When SARS needs to distribute information with large attachments in either Microsoft Word or Excel format, each SARS analyst communicates separately with his/her assigned agencies.

- **SARS Web Page**

The SARS Website contains links to the *Agency Guide to Year-End Closing*, the *Oregon Accounting Manual*, and other reference material prepared specifically for State of Oregon fiscal employees: <http://www.oregon.gov/das/Financial/Acctng/Pages/Index.aspx>

B.6. Year-End Process for “Drop-in” (Non-R*STARS) Agencies

Agencies that are not in R*STARS, but are part of the State’s reporting entity, are “dropped in” to the statewide financial statements. Drop-in agencies must submit their financial statements to SARS, first in draft form and then in final form, according to the current fiscal year’s closing schedule. Drop-in agencies are encouraged to follow the basic procedures found in this manual in the chapters on Pre-closing Review and Year-End Closing.

Agencies treated as “drop-in” agencies.

List of Drop-in Agencies	
Agency No.	Agency Name
177	Oregon State Lottery
435	SAIF Corporation *
590	Oregon Health & Science University *
591	University of Oregon *
592	Oregon State University *
593	Portland State University *
594	Western Oregon University *
595	Southern Oregon University *
596	Eastern Oregon University *
597	Oregon Institute of Technology *
60310	Oregon Agriculture Commodity Commissions
625	State Fair Council *
733	Oregon Travel Information Council
951	Oregon Film & Video Office
971	Oregon Corrections Enterprises
976	Oregon Tourism Commission
	<i>* Discretely Presented Component Units</i>

B.7. Overview of Year-End R*STARS Programs

For agencies in R*STARS, five system programs operate behind the scenes to carry out the year-end accounting closing process in the system. The following summary is provided as general information about the R*STARS closing programs. Detailed information about the year-end closing programs are available in the SFMS Desk Manual and the R*STARS Data Entry Guide.

Program #	Program Name	Expected Run Date	Purpose
DAFM 355	Create new year profiles	End of May, prior to the beginning of the new biennium	To automatically create profile records for the next biennium.
DAFM 353/ DAFM 356	Year-end rollover extract/merge duplicate records	June 30, every fiscal year (after batch cycle)	To roll financial balances to the next fiscal year and roll nominal account balances to the appropriate equity account.
DAFM 351	General ledger close	After close of Month 13, every fiscal year	To generate transactions to close nominal accounts to income summary and to the appropriate equity account.
DAFM 348	Encumbrance liquidation	Third Monday of December before biennium end	To cancel outstanding encumbrances and pre-encumbrances for lapsing appropriations.

B.8. Gold Star Certificate

The Chief Financial Office's *Gold Star Certificate* is presented to state agencies that provide accurate and complete financial information in a timely manner. Some agencies have received the *Gold Star* every year since it was first awarded. Clearly, the *Gold Star* is a challenge to earn. However, if your agency is diligent in its efforts to maintain accurate and complete accounting records *throughout* the fiscal year, it should be an easy matter to complete the year-end close on time.

In conjunction with the start of the Pre-closing Review process, SARS notifies state agencies of the specific activities required to earn the *Gold Star* and the due dates. *Gold Star* criteria may change from year to year to accommodate specific year-end situations and issues.

The Chief Financial Office's *Gold Star Certificate* is the state agency equivalent of the internationally recognized Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. The State of Oregon has earned the GFOA Certificate every year since 1992. Through the collaborative efforts of SARS and agency accounting staff, Oregon has continued to meet the stringent GFOA reporting requirements.

Agencies' participation in the *Gold Star Certificate* program helps Oregon meet its statewide fiscal performance goals and is critical to the timely preparation of Oregon's ACFR and the statewide *Schedule of Expenditures of Federal Awards*.