2017 GAAP Workshops

Office of Financial Reporting

June/July, 2017

Agenda

- Introductions
- General Topics
- GAAP Packet Checklist
- Clean-up Topics
- Debt, as relevant

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INTRODUCTIONS AND SIGN-IN TO DESKTOP PORTAL.MAGIC.MS.GOV

GENERAL TOPICS

Objectives

- **OFR's Objective**
  - Communicate an understanding of who does what during the CAFR effort
  - Provide support for FY2017 GAAP Packet Effort
    - General Knowledge and Information Sharing
    - MAGIC Tools and Tricks
    - What's Changing
- **Agency's Objectives**
  - —
  - —
  - —

Terminology

- Accrual
  - Goods or services received as of June 30 that were paid during the lapse period from the old budget year. (When you receive the Goods in June, but pay the invoice in July, we have to "Accrue" (or back-date) the liability for the expense to the prior year)
- Special Periods
  - 13 – GAAP Entries
  - 14 – Compilation Entries
- Agency/OFR GAAP Entry Document Types
  - Y0/Y2/Y4 (Does Not Reverse)
  - Y1/Y3/Y5 (Does Reverse)

General Information

- All GAAP Entries will be via the JV Spreadsheet Upload, so that we can use the special period functionality
  - All Agency GAAP entries will use Special Period 13
  - Compilation and Audit Entries will use Special Period 14
  - Assignment Field:
    - Agencies: AGYGAAP
    - OFR: OFRGAAP
- Many of the OFR entries for Fixed Assets and Long Term Debt will be posted before the GAAP period.
- All submissions should be electronic one file per fund (Excel workbook and PDF)
  - Naming Convention Business Area_FundNumber_Form
- Review of CAFR and Fund Types
  - GAAP Fund Types define the column in the CAFR
  - Internal Service Funds will be going away
- Bank Accounts
  - Should be reconciled monthly
  - OFR requests that you post activity in MAGIC monthly

FY2017 Accrual Approach

- All activity:
  - Fixed Assets, Revenue and Expense
  - NEW: Entered and Posted on or before 08/21/2017
  - In Lapse Period for fiscal year 2018 for budget year 2017
  - Except goods receipts that are entered in Fiscal Year 18
    - These are Commitments, not Expenses
    - Please make every effort to get June Goods Receipts posted with a June Posting Date
- Non-Transfer results will be posted in Summary (Business Area, Grant, Fund, CC/IO/WBS) this year on the same fund as the expense
- Transfers will be posted line-for-line to preserve OFR's ability to match Transfers In and Transfers Out
- For other than Federal Revenue, if the revenue was earned during FY2017, but not collected, enter a customer invoice in the Lapse Period and apply the payment to it when it is received.
  - If entered before 8/21/2017, OFR will accrue this, otherwise the agency will have to.
- Due To/From and Transfers: Please include the partner agency name and fund on the Line Item Text

OFR CAFR Entries

- **Accruals**
  - Agencies will be responsible for reviewing what's accrued
  - OFR will provide specific instructions in this workshop for how OFR will identify items to accrue through a cut-off date
  - Agencies will accept or adjust these accruals as part of their GAAP packet submission
  - Agencies are responsible for posting accruals that are posted after the cut-off date.
    - OFR will send a list of candidates after the Lapse period ends
    - For audited funds, entering these as Audit Adjustments rather than GAAP package entries is acceptable
  - Goods physically received after June 30 should not be accrued as these are technically commitments at year-end.
  - Goods received before July 1, but not posted (via MIGO transactions) until the Lapse Period should be accrued
    - These will be excluded from the OFR accrual, as there is no reliable way to determine the date goods were physically received. Agencies will be responsible for these accruals.

Reporting for Items included in OFR Revenue Accruals
Demo/Variant Details

- Transaction: FAGLL03
- Selection Variant: OFRAccualR
- Main Screen
  - Revenue Accounts (excluding Federal)
    - 40000000 - 42099999,
    - 42300001 - 49999999
- Additional Selections G/L Account Line Items Folder
  - Fiscal Year 2018
  - Fiscal Periods 01-02
- Additional Selections General Ledger Line Items Folder
  - Your Business Area
  - Your Fund (if running individually)
  - Budget Year 2017 - 2017-A2
- Filters
  - Posting Date <= 8/21/2017
  - Entry Date <= 8/21/2017)
- Display Variant
  - /OFRAccrual

Note that demo uses FY 2017 BP 2016

This Display Variant may default the next time you run the report

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Reporting for Items included in OFR Expenditure Accruals
Demo/Variant Details

- Transaction: FAGLL03
- Selection Variants: OFRAccrualE and OFRAccrualFA
- Main Screen
  - Expenditure Accounts 60000000-79999999
  - 16* Fixed Asset Accounts
- Additional Selections G/L Account Line Items F...
  - Fiscal Year 2018
  - Fiscal Periods 01-02
  - Doc Type ≠ WE – Goods Receipts)
- Additional Selections General Ledger Line Items Folder
  - Your Business Area
  - Your Fund (if running individually)
  - Budget Year 2017 - 2017-A2
- Filters
  - Posting Date <= 8/21/2017
  - Entry Date <= 8/21/2017)
- Display Variant
  - /OFRAccrual

> May need to run in Background for Expenditures

> Note that demo uses FY 2017 BP 2016

Running A Report in Background

- **From Report Selection Screen Menu**
  - Program>Execute in Background
  - Select Default Print Parameters
  - Choose Immediate and Save

- **To Monitor Run**
  - System>Own Jobs
  - Refresh Periodically to See Status
  - Finished Result

Job		Spool	Job doc	Job CreatedB	Status	Start date	Start time	Duration(sec.)	Delay (sec.)
☐ FAGL_ACC	Click Here	🖨		CON000000403	Finished	06/21/2017	10:14:22	984	0
*Summary								984	0

Spool no.	Type	Date	Time	Status	Pages	Title
☐ 492166	📋	Click here for report			1	LIST1S WEBP FAGL_ACCOCON

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Other OFR CAFR Entries (not Accruals)

- Other OFR entries will be sent on a periodic basis (weekly at first)
  - Agencies will need to either respond with any issues they notice with the entries or sign off/accept these via an email response.
- Entries that do not affect an Agency's Fund Financials will not be included in this process
  - Net Zero cleanup
  - Conversion to Government Wide

Who does What?

Activity	Agencies	OFR
Accruals (both A/P and A/R)	After Cutoff	Before Cutoff
Prepare schedules for activities not managed in MAGIC	X	
Book Customer Invoices in Lapse Period not entered in MAGIC	X	
Review Open Items	X	
Clear Out Net Zero Clearing Accounts	X	Lead
Clear entries on 19902* accounts	X	Lead

Critical Dates

Activity	Begin	Due
GAAP Workshops	6/20/2017	6/29/2017
Attorney's Letter		8/15/2017
Contingent Liabilities On-Line Form	7/10/2017	8/15/2017
Agencies Prepare GAAP Packets (Sooner rather than later, please)	7/5/2017	9/6/2017
Representation Letter		9/6/2017
Grant Schedules	6/29/2017	9/6/2017

Complete Required Forms

Form	Status	Relevant?
Debt Questionnaire	All agencies have to complete this form to report Bonds, Notes, Leases and Loan Guarantees. Supporting documentation for these should accompany the Questionnaire. Agencies that do not have Long Term Debt should reply with "None".	Y
Pollution Remediation Questionnaire	All agencies have to complete this form to assess whether the agency has a "qualifying event" that would cause the state to have a Pollution Remediation Liability. OFR will follow up if they determine that there is a "qualifying event".	Y
DUNS Number Request Form	No Longer Required, incorporated into Grant Schedule	N

GAAP PACKET CHECKLIST

The GAAP Trial Balance Checklist has been redesigned to correspond to new approaches and MAGIC

- Should be returned to OFR (soft copy) with GAAP packet
- One per Business Area for all active funds

GAAP Trial Balance Checklist

Business Area

Yes	No	N/A	Form				Transaction
				1	**GAAP trial Balances**		GR55
					a	Has Fund Balance for Inventory been reclassified?	
					b	Has Fund Balance for Pre-Paid Expenses been reclassified	
					c	For Permanent Funds, has Non-Spendable portion of Fund Balance been reclassified?	
					d	Have you reviewed remaining fund balance accounts for appropriateness?	
			27.30.10 27.30.11	2	**Accounts Receivable/Due From Other Governments**		
					a	Have you posted all of the revenues earned in the prior year and received in the lapse period with Budget Period 2017? If not, have you processed reclassifications to post the revenue to the correct Budget Period?	FAGLL03
					b	Have you reviewed your Accounts Receivable balances in Report FBL1N and are all of the open items valid?	FBL1N

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GAAP Trial Balances (GR55)

- Which Trial Balance to Use
  - ZBL3 – Governmental Funds (Fund Group: OFRGENER)
  - ZBL4 – Enterprise Funds (Fund Group: OFRENTFD)
  - ZBL5 – Agency Funds (Fund Group: OFRAGENCY)
  - ZBL8 – Fiduciary (Fund Group: OFRFIDU)
- Run this now for your agency
- Things to look for
  - Unnatural balances
  - Inappropriate accounts for your business
  - Balances carrying forward unchanged from year to year
  - Things you don't understand
  - Federal Funds
    - Interest Income in the Federal Fund – should it be there?
    - Before you complete your grant schedule, revenues and expenses should be roughly equal in the Federal Funds, except for unbilled items
  - Balances in GAAP B/S Adjustment Accounts should be zero.

GAAP Trial Balances Checklist Items

- Fund Balance for Inventory
- Fund Balance for Pre-Paid Expenses\
- Permanent Funds Non-Spendable Portion of Fund Balance
- Appropriate fund balance accounts

General Discussion for Accounts Receivable and Due From Accounts

- **Receivables Net**
  - Current: 12000000 – 12499999
  - Non-Current: 12500000 – 12899999
- **Due from other Governments Net**
  - Current: 13000000 – 13099999
  - Non-Current: 13100000 – 13199999
- **Due from Other Funds**
  - 13500000 – 13599999
- **Due from Component Units**
  - 13700000 - 13799999

General Discussion for Accounts Receivable and Due From Accounts

- How Open Item Management Works
  - Enter Invoice: Creates Open Item
  - Post Payment to Invoice: Clears Open Item
- Betty Smith is coordinating a review of Due-From balances. Please comply with the due-date (no later than 6/23)
- Danger: Posting an Unbilled Cash Receipt for an invoiced item will overstate your revenue
- Danger: Posting a Customer Payment without reference to a Customer Invoice doubles the number of open items in your worklist
- Danger: Crossing Funds, Grants or Budget Years between the payment and the invoice will create 1030 entries that will need to be cleared out

Review Open Items

T-Code	BusArea	Fund	Vendor	Customer
FAGLL03	X	X	X	X
FBL1N	X		X	
FBL3N	X			
FBL5N	X			X
Open as of Date		06/30/2017		

Accounts	Type
12000000 - Accounts Receivable - Current	Customer
12400000 - Credit Card Portal Receivables	Customer
13000000 - Due from Federal Government	Customer
13010000 - Due from Other Governments - Current	Customer
13500000 - Due from Other Funds	Customer
13700000 - Due from Component Units	Customer
20200000 - Accounts Payable	Vendors
20212000 - SPAHRS Payable Clearing	Vendors
20250000 - Due to Subrecipients	Vendors
21000000 - Due to Other Governments - Current	Vendors
21100000 - Due to Other Governments - Noncurrent	Vendors
21200000 - Due to Other Funds	Vendors
21210000 - Due to Other Funds - GAAP	Vendors
21300000 - Due to Component Units	Vendors
20201000 - GR/IR Clearing	General Ledger

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A/R Example – Cross Budget Year

- Medicaid enters Customer Invoice in Budget Year 17 in the lapse period
  - This will be accrued back to Fiscal Year 17
  - This creates an open item for the Mental Health Customer
- Mental Health enters the Vendor Invoice in Budget Year 18
  - This will not be accrued to Fiscal Year 17, but should be
  - As much as possible, the Vendor Invoice Budget Period should be the same as the Customer Invoice. Check with your Vendors on what budget year they used for their side of the transaction.
  - This creates an Open Item for the Medicaid Vendor

A/R Example – Cross Budget Year (cont.)

- Auto Payment Entries: Mental Health generates a payment in Budget Year 18
  - This clears Mental Health's Open Vendor Item
- Auto Payment Entries: Medicaid applies a Customer Payment to it's Mental Health Invoice in:
  - Budget Year 17
    - Customer Invoice will clear and not create 1030 entries
  - Budget Year 18
    - Customer Invoice will clear and create 1030 entries across Budget Years
    - Cash will have to be moved from Budget year 18 to Budget 17

Accounts Receivable/Due From Check List Items

- Prior Year Revenue Posted with correct Budget Period
- Review Open Items (FBL1N)
- Current vs. Non-Current
- Allowances entered for uncollectible (Current vs. Non-Current)
- A/R Adjustment Accounts = 0 at start of GAAP period
  - If not, create a customer Invoice and zero out the Adjustment account
- Amounts Due Traced back to Trial Balance

Investments and Interest Receivable

- Correct purchase and maturity dates for each investment
- Investment category coded properly in the summary section?
- Interest Receivable equals the adjusted MAGIC Balance column on the GAAP Trial Balance?
- Principal amount of each account agrees with the Adjusted MAGIC Balance column?
- June 30 Bank Statement as supporting material
  - maturity date, issuer and credit rating (if applicable)

Other Accounts Check List

- **All Account Types**
  - Total from Forms agree to MAGIC Trial Balance
- **Inventory**
  - Correct GAAP Function for Fund Balance Account
- **Loans and Notes Receivable**
  - 43580000 – Loan Repayments should be reclassified
- **Accounts Payable and Accruals - Items not accrued by OFR**
  - Coded properly
  - No Due-To Other Funds Accounts
- **Due-To and Due-From**
  - Make them match what the other agency says

CAFR Accounting Notes

- If you have Notes Payable, Capital Leases or Bonded Debt, we have created new Internal Orders to keep track of the Long-Term Debt Activity
  - Before recording new or refunded Long Term Debt, please request an Internal Order from OFR and confirm accounts to use for proceeds and payments.
  - New procedures are being discussed about how to use the Orders in the Master Lease program, instructions will be forthcoming.
  - Existing Internal Orders will be provided to agencies next month.
- Contingent Liabilities:
  - Online form should be available after July 10th
  - Due August 15th
- Statement Of Cash Flows: Enterprise Funds Only, one per Fund Group

Grant Accounting Notes

- Update on automating the Grant Schedule
  - Still in development with MMRS, along with other priorities
  - Requiring grant on all 5* fund transactions is a first step
  - GR55/ZBL1 now has Grant as a Variation (DEMO)
- Billing Grants for Usage (like equipment usage)
  - Dr 69010001 Non-cash Grant Expense – Statistical,
    - Grant Fund
    - Cash is offset
    - Federal Reimbursement would have been included in 42100000 Federal Revenue when deposited
  - Cr 49010001 Non-cash Grant Recovery
    - 2 or 3 Funds
    - Cash is offset

Grant Accounting Notes

- **Grants with Wrong Sponsor**
  - Non-State Agency Sponsor
    - Will need to create a new Grant with the correct Sponsor and transfer balances
  - State Agency Sponsor
    - MMRS is working to solve issues with State Agencies as Sponsors
    - In the interim, leave the incorrect sponsor and continue to use the existing grant
    - When issues are resolved, any open grants will need to have balances transferred

Grant Accounting Notes

- New indirect cost account
  - 87100000 Indirect Cost Expense – Statistical was not showing up on ZFI_CASH report
  - 69000001 Indirect Cost Expense – Statistical replaces 87100000
- Accruals should be made by grant
- Program Income
  - Additive (as you collect, you get to spend it on the Grant Program) and Deductive (as you collect, the Federal amount decreases)
    - On hold pending MMRS input and SAP Functionality questions
    - Would this have to be netted against Federal Revenue to estimate amounts due from Federal Government?
    - Do we need new G/L Account(s)?
  - Used for Matching (as you collect, you can replace state cash expenditure matching)
    - Record in 2 or 3 fund with Grant Number
    - Do we need new G/L Account(s)?

Grant Accounting GAAP Forms

- **Changes to Grant Schedule**
  - DUNS Number added to replace DUNS Number Request Form
  - EIN added
- **Sub-Grant Schedule**
  - For FY16, OFR didn't request this
  - Needed for Single Audit, so will need to complete this year
  - Instruction Highlights
    - One row per Sub-Recipient per Award
- **Embedded Forms Walkthrough**

Microsoft Excel Worksheet

Microsoft Word Document

Microsoft Excel 97-2003 Workshee

Microsoft Excel 97-2003 Workshee

Grant Schedule   Sub-Grant   Grant Transfers In

Reporting Grant Activity - Demo

- **System Reporting Instructions for Grant Activity**
  - Transaction: GR55
  - Report Group: ZBL1
  - Current FY: Period 01-12
  - Accruals: Period 13-13
  - Business Area
  - Fund – 5* fund
  - Expenditures
    - Accounts 60000000-79999999
  - Revenues
    - 40000000-49999999
    - Should only see 42100000 - 42300000

Things to Look For:

- **Transfers:** If you reclass your side, work with the partner agency to make sure they reclass their side.
- **Known Topics being Managed Centrally by OFR**
  - Asset Offset Clearing mostly complete
    - BoB CIP Settlements crossing funds will need to be addressed
  - Post Cap Clearing for Assets is mostly complete
    - Led By OFR
  - 1030 Clearing will start after 7/1
    - This could affect expenditures and/or Due-To/Due-From balances
  - Asset Transfers for SB 2362 Funds are in process
    - Technical issues are being addressed by MMRS
    - Data is ready
  - Residual Balances for SB2362 funds
    - General Fund funds will be addressed during FY2018, as these will not affect CAFR.
    - Internal Service Funds that are becoming Enterprise Funds will need to be addressed as part of CAFR

Clear Entries on 19902* Fixed Asset Reporting Accounts

- The 19902* accounts were set up by OFR to reconcile CAFR Fixed Asset Balances to MAGIC
- OFR and Agency to coordinate on this activity
- If an agency has a balance in an account that starts with 19902, then they will need to clear out this balance
- Balances were the result of asset activity that did not originate in the Asset Sub-ledger
- Identifying information is typically recorded on the transaction

Next Steps

- Now
  - Start reviewing trial balances and looking for potential issues
  - Determine which agencies will have a due-to or due-from and start confirming amounts and coordinating data entry
  - Enter customer invoices for uncollected Accounts Receivable
  - Review Open Purchase Orders to determine if Goods Receipts haven't been entered or if Invoices are missing
  - Hound the people who enter Goods Receipts
- ASAP after June 30
  - **Start Compiling GAAP and Grant Schedules (except for Accruals)**
  - Enter expenditures and revenues relating to BY 2017 that have not been recorded
- As Lapse Period ends
  - Complete Grant Schedule (Accruals)
  - Complete GAAP Packets