



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Financial Accounting and Reporting Policies & Procedures
Sub-section: Closing Procedures
Policy Title: Fiscal Year-End Cutoff and Analysis Checklist

Effective Date: mm/dd/yyyy**Revision Date:** 05/17/2021**Index:**[Accounting Policy Summary](#)[Accounting Policy and Requirements](#)[General Accounting Procedures](#)[Authority](#)[Applicability](#)[Definitions](#)[Forms and Attachments](#)**Accounting Policy Summary:**

SAO prepares the *Annual Comprehensive Financial Report (ACFR)* in accordance with generally accepted accounting principles (GAAP) and prepares the *Budgetary Compliance Report (BCR)* using the budgetary basis of accounting. State organizations are requested to provide information for preparation of the *BCR* and *ACFR*, in the format and on the dates specified by SAO. This enables SAO to comply with issuance requirements for the *BCR* and *ACFR* within a reasonable time after the close of the fiscal year. The procedures in this document are written for users of the statewide accounting system. **Users of other systems are encouraged to perform similar procedures to accomplish a year-end closing process.**

Accounting Policy and Requirements:

The process of closing and auditing the State's accounting records requires the discipline and integrity necessary to support the information for our published financial statements and the associated data flows for budget development and program management. The financial statements are used by investors, creditors and grantors including the federal government, bond rating agencies, citizens, elected officials, and State managers. A successful year-end closing and audit process results in credible published financial statements and accurate data being made available to the users described, above. Reliable financial data is a fundamental requirement for effective management and performance, and support from all reporting organizations is essential.

Management is responsible for ensuring that fiscal year-end closing procedures will result in reporting organization financial information in conformity with budgetary and generally accepted accounting principles. This responsibility includes adherence to accounting and reporting policies contained in the [Accounting Policy Manual](#) and [Accounting Directives](#). Adjustments made during the year-end closing process must be supported by documentation and retained in accordance with the organization's records retention schedule.

ACFR year-end forms and other requested information are critical to the preparation of the notes to the State's financial statements. Each State reporting organization should complete the applicable year-end forms and submit them to SAO Statewide Accounting and Reporting (SWAR) by the scheduled due date. Organizational management is responsible for the accuracy and completeness of their organization accounting records and the information provided for disclosure purposes. SAO's website contains necessary links and tools for the year-end closing process (www.sao.georgia.gov). The navigation path for ACFR year-end forms is: [Statewide Reporting > Year-End Forms](#)

Organizations that do not maintain their accounting records on the statewide financial system shall provide copies of their financial statements and completed Trial Balance shells to SWAR for the statewide compilation process, by published due dates. Applicable forms are also located on SAO's website.

Recognition and Measurement

This section is not applicable.

Basis of Accounting

Organizations included in the State reporting entity are required to maintain their accounting records in a manner which will provide for preparation of GAAP financial statements and/or budgetary statements. Day-to-day operations may be accounted for using one basis of accounting (a budgetary reporting basis) and year end reporting information may be prepared to accommodate reporting on a different basis of accounting (a GAAP basis).

Statutory Basis

For budgetary reporting, the State's Budget Fund and Debt Service Fund uses the statutory basis of accounting. In general, debt related items such as interest and principal are not accrued between due dates. However, if they are due but payments have not been made, a liability should be recorded. Other debt service costs are not accrued but, expensed when incurred.

Cash Receipts and Disbursements Basis

The State's Revenue Collections (General) Fund utilizes the cash receipts and disbursements basis of accounting. The only disbursements from this fund should be transfers of State Revenue Collections to the Office of the State Treasurer and there should be no interest or debt related amounts reported in the State Revenue Collections Fund.

GAAP Modified Accrual Basis

SAO uses modified accrual basis accounting for all governmental funds (general, capital project, special revenue, and debt service). Modified accrual accounting refers to an accounting method that combines cash-basis accounting and accrual-basis accounting. It follows the cash-basis method to record short-term events and follows the accrual method to record long-term events.

Under modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become measurable and available to finance expenditures of the fiscal period. The requirement that revenues be "available" distinguishes modified accrual revenue recognition from that of the accrual basis. Expenditures are recognized in the accounting period in which the fund liability is incurred, measurable, and expected to be paid within twelve months of the fiscal period ended.

GAAP Accrual Basis

Under GAAP, the accrual basis shall be used for the government-wide financial statements, proprietary funds, component units and fiduciary funds. Under the accrual basis of accounting, revenues are recognized

when they are earned regardless of when cash is received, and expenses are recognized when a liability is incurred regardless of when paid. However, these accruals should be recognized only if measured objectively. Since accrual accounting results in accounting measurements based on the substance of transactions and events, rather than when cash is received or disbursed, it enhances the relevance, neutrality, timeliness, completeness, and comparability of the information reported.

General Accounting Procedures:

The following procedures are used by organizations in the State of Georgia reporting entity to meet the requirements for statutory and GAAP reporting purposes.

Accounting Transactions and Journal Entries

Post-Closing Adjustments:

On occasion, it may be necessary to post adjustments to the statewide financial statements that were not discovered until after the close of period 998 (again, very minimal). These adjustments may be identified by the organization, by SWAR, or proposed as audit adjustments by the DOAA. Organizations must coordinate post-closing adjustments with SWAR and the DOAA, if applicable.

When adjustments are made to the year-end balances, organizations must follow-up by recording a post-closing entry in the subsequent fiscal year. These entries are not prior period adjustments. They are adjustments to bring statewide financial system balances into agreement with balances reported in the *BCR* and *ACFR*.

State reporting organizations using the statewide financial system are required to use the general ledger chartfields for each revenue and receivable transaction. These chartfields may be different for budgetary reporting and GAAP transactions, such that journal entries may be required to convert between the various bases of accounting required for reporting. For a complete listing and description of the required chartfields, consult the Reporting Structure and Chart of Accounts page on the SAO website (sao.georgia.gov > [Reporting > Reporting Structure and Chart of Accounts](#)). In accordance with the Chart of Accounts – Structure Overview policy, those State reporting organizations that do not use the statewide financial system must maintain a crosswalk from their local chart of accounts to the statewide chart of accounts.

Year-end Accounting Procedures

The quality of the *BCR* and *ACFR* depends on the accuracy and completeness of year-end closing activities. A successful year-end closing for the State of Georgia can only be achieved through the individual efforts of the fiscal managers at each organization. Below is a summary of the key events that will lead to a successful year-end closing.

Pre-closing Process

1. Pre-closing review is an analysis of organization accounting records in preparation for year-end reporting. Pre-closing review provides the opportunity for organizations to make accounting corrections and other adjustments prior to the close of the fiscal year.
2. Organizations can avoid making many of the corrections in the statewide system's Period 998 (and post period 998) by addressing accounting problems and issues during pre-closing review. Utilizing additional review time before Period 998 creates a window of opportunity to analyze situations and determine corrective action without the pressure of year-end closing deadlines.

Post-Closing Process

1. *BCR/ACFR* Preparation: After the close of Period 998, *BCR* and *ACFR* preparation begins. Statewide financial data is imported from the statewide accounting and budget systems into the SWAR's financial reporting system (FCCS). Statewide financial data is then compiled into budgetary and GAAP financial statements.
 - a. ***Post-closing adjustments*** – all statewide system organizations should do their best to minimize post-closing adjustments. Planning and adequate monitoring of financial information should be a best-practice approach to prevent numerous post-closing adjustments. If post-closing adjustments are still required then all organizations must complete the post-closing-adjustment form and submit it to SWAR within prescribed dates, as published in the year-end calendar.
 - i. Post-closing adjustments may be subject to SWAR and Department of Audits and Accounts review and approval.
 - ii. The organization must ensure and provide evidence the post-closing-adjustment is posted to the accounting system in the subsequent fiscal year.
 - b. ***Audit adjustments*** – it may be necessary to post audit adjustments to organization financial statements. These adjustments will be posted by SWAR, in FCCS, to produce the final *BCR/ACFR* statements. The organization must ensure and provide evidence the post-closing-adjustment is posted to the accounting system in the subsequent fiscal year.
 - c. ***Accompanying notes to the financial statements*** – these are compiled from the *ACFR* year-end forms that all state reporting organizations provide during year-end closing.
 - d. ***Training*** – Some fiscal year-end forms training is provided online by (<http://sao.georgia.gov/year-end-training-videos>). These videos may not be updated to reflect changes to all forms, but the concept of why information is needed should be the same. Organizations can also coordinate with the SWAR form contact.

Pre-Closing Process Checklists:

1. General Ledger-All Classes of Transactions
 - a. ***The general ledger module of the statewide financial system stores summarized account information from the subsidiary modules (purchasing, accounts payable, accounts receivable, asset management, and labor distribution) and off-line systems. Note: the following checklists discuss reconciling procedures for the subsidiary modules to the general ledger. Reconciling procedures should be performed on a monthly and year-end basis.***
 - b. ***Examine the following areas and record adjusting entries as applicable:***
 - i. Correct the online/offline journal edit, budget, and recycle errors.
 - ii. Review the general ledger by business unit, fund, and fund source (i.e. 44R and 44N general ledger reports). Organizations can use the statewide system query "0GL080_TB_44_SERIES" (SWAR's primary query for data analysis) for efficient general ledger analysis.
 - iii. Ensure all activity is correctly posted to legitimate fund codes and fund sources, as specified in the organization's statewide system trees.
 - iv. Review manual journal entries and ensure documentation is adequately maintained.

- v. Review the general ledger by fund source for the appropriateness of accounts payable and accounts receivable balances.
- vi. Review monthly and year budget reports and/or queries to monitor budgetary compliance.

2. Cash/Cash Equivalents/Investments

- a. ***"Cash and cash equivalents" are defined as currency on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with maturity dates within three months of the date acquired. Cash cutoff is the last working (business) day in June. Cash activity occurring after this date is recorded in the subsequent fiscal year.***
- b. ***Reconcile ALL bank accounts to the general ledger. Record adjusting entries for reconciling items as applicable.***
- c. ***Ensure escheated property has been properly addressed and reflected in the general ledger.***
- d. ***Confirm all investment purchases are accurately recorded based upon the duration management intends to hold the investment.***
 - i. Cash Equivalent - 3 months or less.
 - ii. Current Investment – longer than 3 months but equal to or less than 12 months.
 - iii. Non-Current Investments – longer than 12 months.
- e. ***Confirm all investment purchases are accurately recorded at cost and/or fair value and realized gains and losses and/or unrealized gains and losses are appropriately recorded to the established accounts as revenue.***
- f. ***Prepare ACFR year-end form for cash and cash equivalents and investments, as applicable, and submit to SWAR by due date.***

3. Receivables

- a. ***The accounts receivable module is used to record and monitor transactions for amounts owed by customers. The activity in the module is compiled to generate ending balances for cash, revenue, receivable, and related accounts that are recorded to the general ledger.***
- b. ***Reconcile the accounts receivable module (subsidiary ledger) to the corresponding accounts on the general ledger. Consider the following areas as applicable:***
 - i. Cash receipts activity in each cash and clearing account to the activity on the general ledger.
 - ii. Outstanding receivable ending balances to the ending balances on the general ledger.
 - iii. Cash receipts and deposits using valid bank documentation to cash receipts journal.
 - iv. State appropriation receivable balances to the Office of State Treasurer (OST) data.
- c. ***Examine the following areas and record adjusting entries as applicable.***
 - i. Correct deposit and posting errors.
 - ii. Correct transactions not posted, such as, direct journals, payments, and receivable items.

- iii. Review all receivable balances on the general ledger by business unit, fund, and program and the customer (modules) for credit balances and determine if valid.
 - iv. Prior to the close of June (period 12), compare the revenue and receivable account balances on the current fiscal year general ledger to an equivalent period on the prior fiscal year general ledger. Analyze material differences to determine if account balances are accurately stated.
- d. Verify inter-unit balances (due to/due from) between both organizations. If the balance exceeds \$250,000 per state organization, coordinate with the offsetting organization to confirm the amount. The agency can also run the CAFR_AP029E or the AP057B query to assist with identifying offsetting organizations.**
- e. Prepare ACFR year-end form for both allowance for doubtful accounts and inter-organization transactions, as applicable, and submit to SWAR by due date.**
4. Capital Assets
- a. **The asset management module is used to record and monitor financial information for all purchased, donated, transferred or self-constructed assets and to provide subsidiary ledgers, reports and queries to assist in the maintenance of the asset management module.**
 - b. **Reconcile the asset management module to the corresponding accounts on the ACTUALS and GFAAG general ledgers. Record adjusting entries for reconciling items as applicable.**
 - c. **Review the general ledger inventory report for Profile IDs not defined as capital assets and amounts below standard capitalization thresholds. Record adjusting entries for items not identified as capital assets.**
 - d. **Confirm Profile IDs listed for each asset transaction are compatible with the expense account (i.e., non-capitalized and capitalized assets are expensed to the proper accounts).**
 - e. **Examine the following areas and record adjusting entries as applicable.**
 - i. Confirm there are no assets in the interface file.
 - ii. Review capital asset transactions and confirm all ancillary costs that are directly attributable to the asset acquisition and set-up have been included as part of the capitalized cost.
 - iii. Compare capital asset account balances on the current fiscal year general ledger to an equivalent period on the prior fiscal year general ledger. Analyze material differences to determine if account balances are accurately stated.
 - iv. Compare the asset management inventory report to a physical inspection of all capital assets. All capital assets must be accounted for with explanations for discrepancies.
 - v. Confirm all assets that have been disposed, considered obsolete and transferred-out to another organization are removed from the asset management records.
 - vi. Confirm all assets transferred-in to the organization have been properly recorded (and depreciated, if applicable) into the asset management module.
 - vii. If asset enhancements, impairments, or changes to depreciable lives have occurred during the fiscal year, prior to the close of the June period, review the depreciation amount calculated in the asset management records and adjust if necessary, to reflect prospective changes to depreciation expense for these events.
 - viii. Prepare the ACFR year-end form for capital assets, as applicable, and submit to SAO by due date.

- ix. Refer to the [Accounting Policy Manual](#) for policy regarding Capital Assets, as well as other areas of policy.
5. Revenues (Funds Available)/ Receipts
- a. ***Revenues are recognized when measurable and available for budget-basis. Additionally, revenues are recorded to the appropriated funding source and program which is the legal level of control.***
 - i. Tools for analyzing current budget year actual and budget activity for budget basis organizations on the statewide financial system:
 1. 0BD031_PBCR_QUERY – this query provides analysis of budget activity, actual revenues, prior year carryover, and fund balance accounts. This query essentially resembles the Statewide Budgetary Compliance Report – Statement of Funds Available and Expenditures Compared to Budget by Program and Funding Source. These procedures are located at [Home > Training > TeamWorks Training > Program Based Budgeting Presentations](#) for assistance with specific query instructions and usage.
 2. 0GL080_TB_44_WITH_FS_TYPE and 0GL080_TB_44_SERIES queries can be used to analyze all actual budget year activity in the general ledger during the fiscal year.
 3. Ensure revenue transactions have the correct budget year and budget errors have been corrected.
 - b. ***Under budget-basis, do carry-over amounts (as part of total funds available) agree with reported prior year ending reserves, by fund source and program, as reported in the prior year BCR, and has the correct budget year been utilized?***
 - c. ***Has the full amount of prior year reserved been recorded in the current-year carry-over (and not just the amount that was expended)? The navigation path on SAO's website for these procedures are: [Home > Policies > Accounting Procedures Manual](#)***
 - d. ***Are revenues equal to expenditures for reimbursable federal programs (identify possible current year fund balance in the current period)?***
 - i. If not, was receivable recorded (modified accrual basis)? Did expenditures meet the federal grantor eligibility for reimbursement?
 - ii. Are revenues or resources received in advance that are not available reported as deferred/unearned revenue? Have these resources and related transactions been analyzed to determine if they meet the criteria to be reclassified as a deferred outflow as detailed on the Previous Assets and Liabilities and Nonexchange Transactions year-end form (GASB 65)? Note: this is not likely with federal reimbursable grants.
 - e. ***Confirm all federal programs have a Catalog of Federal Assistance (CFDA) number assigned to the corresponding fund source.***
 - f. ***State appropriation revenue (401xxx) is reconciled to the Office of the State Treasurer (OST) records.***
 - g. ***Prepare ACFR year-end form for classification of revenue and revenue based on encumbrances, as applicable, and submit to SWAR by due date.***
6. Expenditures/Liabilities/Disbursements

- a. *The accounts payable module is used to record and monitor transactions for amounts owed to vendors and to provide subsidiary ledgers, reports, and queries to assist in the maintenance of the accounts payable module.*
- b. *Reconcile the accounts payable module to the corresponding accounts on the general ledger. Consider the following areas as applicable.*
 - i. Cash disbursement activity in each cash account (except payroll) to the activity on the general ledger.
 - ii. Expense activity to the activity on the general ledger.
 - iii. Travel and per diem/fees activity to the activity on the general ledger.
 - iv. Outstanding payable balances to the ending balances on the general ledger.
- c. *Examine the following areas and record adjusting entries as applicable.*
 - i. Correct budget, match and recycle errors.
 - ii. Correct transactions not posted, such as, vouchers on hold, vouchers not posted, negative vouchers, payments not applied, payments not posted.
 - iii. Review all payable ending balances on the general ledger by business unit, fund and program and the vendor for debit balances and determine if valid.
 - iv. Confirm whether all system generated, and manual check numbers are accounted for in numbering sequences.
 - v. Review all payments made to elected or appointed board and commission members for compensation that is not considered “reimbursable.” Payments should be made through the payroll system and not recorded as per diem.
 - vi. Compare payable, travel, per diem and fees, contract and grant account balances on the current fiscal year general ledger to an equivalent period on the prior fiscal year general ledger. Analyze material differences to determine if account balances are accurately stated.
 - vii. Prepare ACFR year-end form for long-term liabilities, as applicable, and submit to SAO by due date.
- d. *Under the budget-basis, expenditures are recorded to the appropriated funding source and program which is the legal-level of control.*
 - i. Tools for analyzing actual and budget activity for budget basis organizations on the statewide financial system:
 1. 0BD031_PBCR_QUERY – this query provides analysis of budget activity, actual expenditures, and fund balance accounts. This query essentially resembles the Statewide Budgetary Compliance Report – Statement of Funds Available and Expenditures Compared to Budget by Program and Funding Source. The navigation path on SAO’s website for these procedures is: [Home > Training > Financial Systems > Program Based Budgeting Presentations](#) for specific query instructions and usage.
 2. 0GL080_TB_44_WITH_FS_TYPE and 0GL080_TB_44_SERIES queries can be used to analyze all actual budget year activity in the general ledger during the fiscal year.
 - ii. Do expenditure transactions have the correct budget year and/or have budget errors been corrected?

7. Purchasing

- a. *The purchase order module is used to record and monitor requisitions and purchase orders for the procurement of goods and services from vendors and to provide subsidiary ledgers, reports and queries to assist in the maintenance of the purchase order module.*
- b. *Reconcile purchase order module to the corresponding accounts on the general ledger. Record adjusting entries for reconciling items as applicable. The navigation path on SAO's website for these procedures is: [Home > TeamWorks > Financials > Purchasing \(PO\) > PO Reconciliation Procedures](#). Consider the following areas for reconciliation as applicable:*
 - i. Open purchase orders (encumbrances) to the ending balances on the general ledger.
 - ii. Purchasing card (Visa) statements to the purchase records.
 - iii. Periodically monitor open purchase orders (outstanding encumbrances) to ensure they are still valid and that payments are being made.
- c. *Monitor and analyze reports and queries as applicable. The navigation path on SAO's website for reports and queries is: [Home > TeamWorks > Financials > Purchasing \(PO\) > Purchasing Queries](#).*
 - i. Correct budget errors.
 - ii. Correct transactions not posted, such as completed/cancelled purchase orders with encumbrance, unapproved requisitions, requisitions not budget checked, purchase orders for current year with no budget check.
- d. *Request that operational managers provide a list of invoices and amounts which have not been processed for goods and services that were received by year-end. If no invoice is available for these goods and services, then request estimated invoice amounts, with documentation for the estimates.*
 - i. Determine if purchase orders (POs) have been established for invoices received.
 - ii. If POs have been established, enter the invoices into the payable system prior to period 12 close. In the event such invoices are not entered into the payable system by period 12 close, record a manual journal voucher (as a reversing entry in the next fiscal year) in period 998. Ensure reversal is posted in subsequent fiscal year and PO is entered in the purchasing module.
 - iii. If POs have not been established, enter invoices into payable system or accrual estimates into the general ledger system. These accrual entries should be reversed in period 1 of the subsequent fiscal year and the actual expenditure recorded when applicable. If these activities are not performed by period 998 close, provide post-closing entries to the SAO.
 - iv. Organizations should work with procurement/receiving departments to determine goods received by June 30. In such cases, amounts should be removed as encumbrances and posted as a payable through the module.
 - v. Organizations should also consider routinely closing small purchase orders at the end of each fiscal year. Additionally, any purchase orders that have had no activity in the past 12 months should be closed at fiscal year-end. Refer to applicable year-end communications from SAO/OPB regarding outstanding purchase orders and early remittances of surplus.

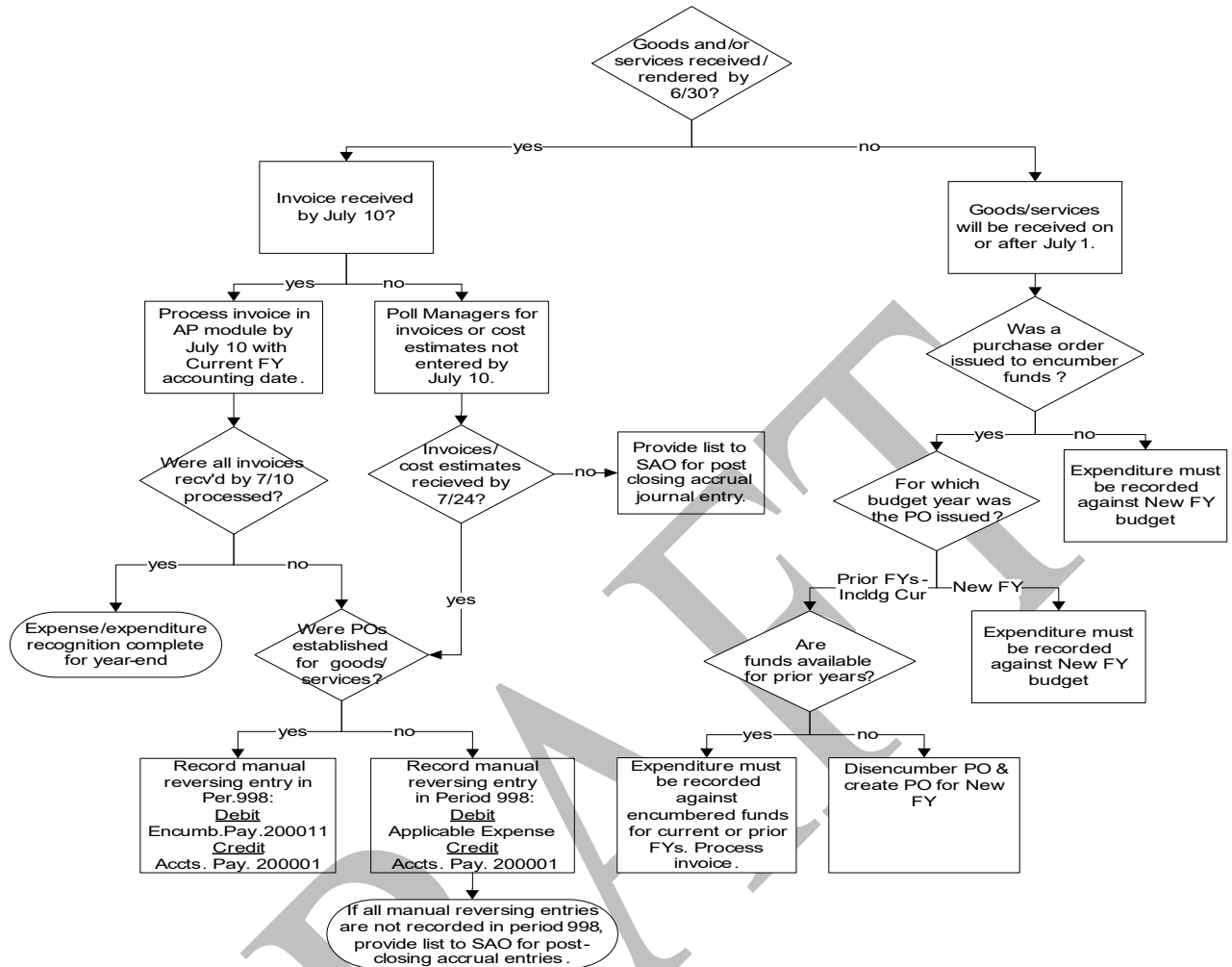
8. Labor Distribution/Payroll

- a. **The labor distribution module is used to record and monitor payroll information and to provide subsidiary ledgers, reports, and queries to assist in the maintenance of the labor distribution module. The navigation path on SAO’s website for these procedures are [Home > TeamWorks > Financials > Labor Distribution](#).**
- b. **Reconcile the following labor distribution records to the corresponding accounts on the general ledger.**
 - i. Labor distribution activity to the payroll activity (Statewide system).
 - ii. Payroll cash disbursement activity to the activity on the general ledger.
 - iii. Personal services expense activity to the activity on the general ledger.
 - iv. Payroll retirement withholdings for employee deduction and employer contribution to the payroll confirmed report.
 - v. Payroll confirmed report withholdings for employee deduction and employer contribution to the Retirement report.
 - vi. Labor distribution employer contributions for State Health Benefit Plan (SHBP) to the employer contribution rate (salary expense multiplied to the contribution rate) to the Accounts Payable amount.
 - vii. Payroll health insurance employee membership to the membership enrollment management system reported membership totals.
 - viii. Payroll clearing accounts 196050/196051 balances have offsetting balances (debit/credit) and zero out in total by fund type.
- c. **Examine the following areas and if applicable record adjusting entries.**
 - i. Review employees in the “Special Processing” section of the Retirement report. Identify employees that need additional employee deductions and/or employer contributions.
 - ii. Review prior year audit adjustments proposed by the auditors (and accepted) and ensure these adjustments are reflected in the appropriate financial modules.
- d. **Monitor the reports for each pay period. The navigation path on SAO’s website reports and queries is: [Home > TeamWorks > Financials > Labor Distribution \(LD\) > LD Reports](#). Consider the following areas as applicable:**
 - i. Correct labor distribution messages, chart field validation, offline post/un-post errors and checks without earnings.
 - ii. Confirm the automated labor clearing process is complete.
- e. **Prepare ACFR year-end form for long-term liabilities, as applicable, and submit to SWAR by due date.**

9. Budget Preparation/Execution

- a. **The commitment control module is used to record and monitor financial information and to provide subsidiary records, reports, and queries to assist in the maintenance of the commitment control module.**

- b. Submit final amendments to OPB (in accordance with OPB instructions). Perform the following once the final amendment is approved and entered into the statewide budget system:**
- i. Reconcile commitment control ledgers, reports, and queries to the corresponding accounts on the general ledger. Record adjusting entries for reconciling items as applicable.
 - ii. Examine the following areas and record adjusting entries if applicable.
 1. Correct budget errors.
 2. Correct transactions not budget checked.
 3. Review the budget comparison report at the fund source and program level in order to identify any budget variances.
 - a. Analyze expenditures and if applicable, only re-rate transactions that are identified as being recorded to an incorrect fund source/program.
 - b. Review budget for revenues and expenditures.
 4. Monitor outstanding encumbrances periodically to ensure validity or activity during the year. **Consider closing small value purchase orders (or remaining amounts) and/or old purchase orders.**
 5. Refer to applicable year-end communications from SAO/OPB regarding outstanding purchase orders and early remittances of surplus, as applicable.
 6. Establish year-end reserves, as applicable, at year-end (period 12 or period 998) according to the accounting policy or applicable accounting directives.
 7. Ensure fund balance accounts are used in compliance with [Accounting Directive AD 201101 Fund Balance Accounts](#).
 8. Implement proper Year-End Expenditure Cutoff – shown on the following page. (Note: dates shown are for illustration purposes only – see SAO website for actual system close dates).



Period 998 - Year-End Closing:

Overview of Period 998

Period 998 is the last period of a fiscal year in the statewide financial system. It is used to record year-end financial statement adjustments and accruals for reporting purposes. Since Period 998 is an extension of the fiscal year, it allows posting of information that is not available at the close of Period 12 (June). However, to reduce the number of transactions in Period 998, organizations should keep their accounting records updated and post as many year-end closing adjustments to Period 12 as possible.

Preparing for Year-end Closing

Prior to the close of Period 12, organizations are highly encouraged to have a clearly defined and well-organized plan of Period 998 activities. A schedule of the accounting adjustments that are expected to be made and when, and the information that is needed for each adjustment is helpful in completing Period 998 with the greatest degree of success and efficiency. Monitor all statewide system communications during the final months of year-end especially when two open periods exist (i.e. period 998 and period 1 of the subsequent fiscal year).

When accruals are recorded in Period 998, entries to reverse these accruals are generated automatically in the statewide system in Period 1 (July) of the subsequent fiscal year. This helps to ensure revenues and

expenditures are not duplicated. When the actual payment is made or income is received, it will be offset by the reversal. If the actual event is not posted until after July, the reversal shows up as a negative amount in July's records. When transactions that auto-reverse are posted to Period 12, the reversal is generated in Period 1 (July). Ensure the original budget year is used for the actual payment or income receipt.

What Can Be Recorded in Period 998?

1. Corrections not already made by Period 12 closing
2. Accruals of revenue or expenditures
3. Cost allocations
4. Reclassifications for financial statement purposes
5. Accounting Estimates (see 'Accounting Estimates for Year-End Accruals and Deferrals' below)
6. Reconciliation adjustments
7. Adjustments for balance transfers between other organizations

Recording Transactions

Period 998 transactions must be recorded with an effective date of 06/30/XX (XX is the current Budget year).

Accounting Estimates for Year-End Accruals and Deferrals

To give a fair and accurate presentation of the financial status of the State, revenues and related expenditures or expenses must be reported in the period giving them economic substance. Due to the short time frame to make year-end adjustments, informed predictions must be made about transactions, account balances, and future events.

Statewide system organizations must have estimates recorded by the close of Period 998. Historical data is a good place to start when developing estimates for year-end accruals and deferrals. Each account must be evaluated on a case by case basis, looking at past cases, age of accounts, and then adjusting for current trends of general economic conditions. Estimates are always uncertainties but a process that is simple and straight forward, based on established methods of comparing estimated and actual figures, will keep misstatements to a minimum. Things to consider:

1. Materiality
2. Complexity
3. Practicality
4. Consistency
5. Documentation of methodology for the estimate

Funds that operate on a statutory basis must convert their accounting activity to the modified accrual and/or accrual bases of accounting for the ACFR. Proprietary and fiduciary funds that do not operate on a statutory basis use the accrual basis of accounting throughout the year. If GAAP financial statements are not provided, SAO must be furnished with information to meet the necessary GAAP reporting requirements previously discussed.

- Statutory Basis for Budgetary Compliance Reporting
- Converting to GAAP Modified Accrual Basis for ACFR Reporting

- Converting to Accrual Basis for ACFR Reporting
- Accrual Basis for Funds Not Reporting on a Statutory Basis

Statement Presentation and Disclosure Requirements

BCR and ACFR Publication

1. Organizational budgetary statements are compiled by SAO and presented to the Department of Audits and Accounts (mid to late November) where budgetary compliance procedures are performed, and the *BCR* is published.
2. Statewide financial statements are compiled by SAO and presented to the Department of Audits and Accounts (mid to late December), the statewide audit is conducted, the State Auditor's opinion is issued, and the *ACFR* is published.

Authority:

- Official Code of Georgia Annotated (OCGA) 50-5B-3 – Duties of the state accounting officer include:
 - Prescribing state-wide accounting policies, procedures, and practices;
 - Prescribing the manner in which disbursements shall be made by state government organizations.
 - Developing processes and systems to improve accountability and enhance efficiency for disbursement of funds and management of accounts payable;
 - Determining the proper classification for accounting and reporting purposes of all assets, liabilities, revenues, expenditures, fund balances, funds, and accounts in compliance with legal requirements and generally accepted accounting principles and prescribe a uniform classification of accounts and other accounting identifiers which shall be used by all state organizations.
- O.C.G.A. 50-5B-4(b) – Duties of the state agencies with respect to SAO.
 - All organizations of state government and all officers, agents, and employees thereof shall conform to and comply with the rules, regulations, policies, procedures, and forms devised, promulgated, and installed by the state accounting officer.

This section is not applicable.

Applicability:

This section is not applicable.

This accounting policy applies to all Organizations included in the State of Georgia reporting entity. The term 'organization of state government' shall mean, without limitation, any agency, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia. Such term shall not include any entity of local government, including, but not limited to, a county, municipality, consolidated government, board of education, or local authority, or an instrumentality of any such entity. At these reporting organizations, all personnel with accounting and financial reporting responsibilities

should be knowledgeable of this policy. Refer to the *Management Responsibilities* policy for a summary of general financial reporting responsibilities.

Definitions:

This section is not applicable.

Forms and Attachments:

To prepare year-end financial statements in accordance with GAAP, certain disclosures must be made in the notes to the financial statements. SAO is responsible for reporting these disclosures at a statewide level in the ACFR, which requires compiling numerous related disclosures into a consolidated note to the financial statements.

It is critical that organizations complete all ACFR year-end forms that are applicable to them for the current fiscal year and submit them on the due date or earlier if possible. It is also important that year-end forms reconcile to ending statewide system financial balances because some disclosures must tie to specific account balances on the financial statements. The navigation paths on SAO's website for these procedures are: Forms. The due dates for year-end forms can be found in the Forms Due by Entity List in the 'General Information' section of the forms list.

ACFR Disclosures Forms - Sequence of Events

The events below outline the key activities for submitting year-end forms to SWAR for inclusion in the ACFR:

1. Reporting entities obtain ACFR forms from SAO website.
2. Reconcile forms financial data to the accounting records.
3. Submit forms to SWAR by due dates published on SAO's website.

Best Practices for a Successful Year-end Closing:

1. The following guidelines are offered as best practices for organizations to ensure a successful year-end closing:
 - a. *Start early; finish on time*
 - b. *Start working on problem areas early*
 - c. *Set priorities; focus on material issues*
 - d. *Make the most of pre-closing review*
 - e. *Get management's attention and support*
 - f. *Monitor SAO year-end communications (both SWAR and statewide systems) and the SAO Year-End Reporting web page at <https://sao.georgia.gov/year-end-forms>*
 - i. An important component of the financial statement compilation process is to distribute information to all organization contacts via electronic distribution—primarily via SAO's website at www.sao.georgia.gov but also through emails from SAO_Reporting@sao.ga.gov.