



State of North Carolina Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

April 15, 2005

MEMORANDUM NO. SAD 05-25

TO: Chief Fiscal Officers
Vice Chancellors

FROM: Robert L. Powell
State Controller

SUBJECT: Year End Close Package for June 30, 2005

The year end close package for June 30, 2005 is on the Office of the State Controller's website at the following address: http://www.ncosc.net/sigdocs/sig_docs/sigDocumentation.html#YearEndActivities. The files are available for downloading as indicated in the instructions on our web page. There are several changes to the year end requirements for the Comprehensive Annual Financial Report (CAFR) for this year, so please read and follow the memo and instructions carefully.

The year end close package consists of the following:

(Attachment 1) Agency Year End Activity Check List and Instructions

(Attachment 2) Letter of Representation (changes for 2005)

(Attachment 3) CAFR Year End Worksheets

(Attachment 4) Single Audit Reporting Package

(Attachment 5) Foundation Conversion Template (Separate due date: Sept. 15, 2005)

Each agency is required to submit **one copy** of the year end CAFR package to the Office of the State Controller by **August 31, 2005** in accordance with G. S. 143-20.1. For agencies not on the North Carolina Accounting System (NCAS), a copy of their financial statements must be submitted along with the information requested in this package to satisfy the G. S. 143-20.1 requirement. For component units of the State of NC other than universities, the financial statements submitted with the year end CAFR package must be prepared on the proprietary proforma Excel file prescribed by the OSC.

Business Type Activities are required to prepare a Statement of Cash Flows using the direct method. The CAFR worksheets (Attachment 3) for preparing the statement of cash flows are included in the year end package. Component units of the State of North Carolina issuing separate financial statements are required to prepare the Statement of Cash Flows using the direct method and there is a direct method cash flow template available on the OSC website for their use. Any modifications to the cash flow template that a

MAILING ADDRESS
1410 Mail Service Center
Raleigh, NC 27699-1410

Telephone: (919) 981-5454
Fax Number: (919) 981-5567
State Courier: 56-50-10
Website: www.ncosc.net

LOCATION
3512 Bush Street
Raleigh, NC

component unit may need are the responsibility of the component unit. Component units of the State of North Carolina are not required to submit the statement of cash flows to the OSC as part of the year end CAFR package.

Attachment 4 of the year end close package is the Single Audit Reporting Package. The Single Audit Reporting Package should be submitted separately to the Office of the State Controller per the instructions by **August 31, 2005**. Do not include this package with your year end CAFR package.

The Foundation Conversion Template (Attachment 5) is only required for universities that have foundations and similarly affiliated organizations that will be reported as discretely presented component units of the university. The due date for submission of the completed Foundation Conversion Template (an Excel file) is September 15, 2005. The OSC requires that the universities e-mail the Foundation Conversion Template to the OSC at this new e-mail address: cafr@ncosc.net The Foundation Conversion Template is required in electronic form only and universities should not submit any foundation information in hard copy form.

All universities, the Golden LEAF, NC Housing Finance Agency, and the State Education Assistance Authority are required to submit an electronic file of their formal notes to the financial statements to the OSC by September 30, 2005. The formal notes should also be e-mailed to cafr@ncosc.net

In addition, all component units of the State of North Carolina that are audited by the State Auditor will disclose in their letter of representation that the formal financial statements, the formal notes to the financial statements, the management's discussion and analysis, and required supplementary information (if applicable) prepared in accordance with GAAP will be made available to the State Auditor by September 30, 2005.

Component units of the State of NC that are not audited by the State Auditor are required to have a financial audit for the year end 2005 and submit the audited financial statements to the OSC by October 14, 2005.

Please note that the sample letter of representation has been updated to reflect some new requirements. All agencies need to use the new letter supplied in the 2005 package. Submitting the letter of representation in the old format will cause a delay in processing the year end CAFR package and could result in the package being late.

The NCAS financial statements will be delivered to the agencies through the NCAS Decision Support System (DSS). A copy is not required to be sent with the package, but the NCAS agencies are required to have the NCAS financial statements correct and complete when the package is submitted.

In preparing the Comprehensive Annual Financial Report for the State of North Carolina, the separate footnote disclosures from each agency must be combined by the OSC. To facilitate the footnote combining process, the OSC is requiring that the agencies provide footnote disclosure information in formats prescribed in the attached CAFR Footnote Worksheets. For those footnotes that do not apply to your agency, indicate N/A on the workbook index sheet and submit this index sheet with your package.

This year, due to the implementation of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, the Cash and Investment footnote worksheets have been changed significantly. Please note these changes and make necessary preparation to provide the additional information required on these worksheets.

The agencies' timely completion of the accrual process, financial statements, and footnote worksheets will significantly improve the OSC's ability to prepare the **2005 CAFR**.

The OSC has committed to submitting a statewide accrual file to the Office of the State Auditor by **September 15, 2005** and requests the agencies strict adherence to their accrual closing deadline of **August 31, 2005**.

Please note the Office of State Controller's mailing address:

**1410 Mail Service Center
Raleigh, NC 27699-1410
Attention: CAFR Team**

Please use the location address for Federal Express:

**3512 Bush Street
Raleigh, NC 27609-7509**

If you have any questions regarding these year end procedures, please contact your analyst at the Office of the State Controller. Your assistance and cooperation is greatly appreciated.

Attachments

RLP/tn