**UNIVERSITY OF CALIFORNIA, RIVERSIDE**

**BUSINESS AND FINANCIAL SERVICES**

SELF-SUPPORTING OPERATIONS\* FISCAL CLOSING SUPPLEMENT

(\*Service Enterprises and Auxiliary Units Only - fund appears under UCRFS Golden Tree Nodes 3190-Service Enterprises and 3300-Auxiliary Enterprises)

June 9, 2017

#### What is Fiscal Year Closing?

##### At the department level it is the process of closing the financial records for the year, so that the financial condition (profit or loss) can be measured at a given point in time. In UCR’s case it is at June 30, fiscal year end.

The main objective of fiscal year closing is to ensure all the financial records are in a **reportable condition**, so that financial statements can be prepared with accurate and complete information in order for conclusions and decisions to be made based on these financial statements will lead to successful outcomes. An additional objective at year end is to prepare budget adjustments (BEA’s) to cover (& explain) budget versus actual variances, and close out (zero) the expenditures and income accounts to clear them for next fiscal year’s data, and move the financial balances into BC75 (unallocated).

What is a **reportable condition**? Financial records should be in accordance with Generally Accepted Accounting Principles (GAAP), UC and UCR policies, and relevant state, federal, and other funding agency policies. All the expenses and revenues to run your department for that fiscal year are recorded **accurately** and **completely** in the appropriate FAU values. All ledgers have been reviewed for completeness, correctness, and reconciled for accuracy. Capital type expenses (e.g. inventorial equipment purchases if you depreciate, facilities renovations) are appropriately recorded in funds **OTHER** than the operating fund (e.g. asset acquisition fund).

**Remember the Matching Principal**. Expenses are recorded in the year incurred to produce revenue (rather than merely the year the check was produced to pay for the expense). Revenues are reported in the year earned (rather than year received). Adjusting entries (e.g., accruals and deferrals) are used at year end to match revenues with the expenses incurred to generate that revenue within the same fiscal year.

###### SELF-SUPPORTING OPERATIONS CLOSING INSTRUCTIONS

The following is a supplement to the procedures and cutoff dates outlined in the FY2017 Fiscal Closing Letter located on Accounting’s website under [Fiscal Year End](http://rspaceportal.ucr.edu/rspaceportal/portal_api.main?i_session_id=18272C3F551C82CEF6BDA654CB05E96C&ticket=ST-4259130-7ailX2YPbG4TwI9xfZmb-auth-prd-1). **Please refer to the FY2017 Fiscal Closing Letter for procedures and important deadline dates.**

One important note, **please** reconcile your May ledgers and have these corrections going into your June ledgers. All previous months corrections should have been done and reflect on your May ledgers. Reconcile your June activity throughout the month of June to ensure that all expenses and income for the month of **June** are complete and accurately recorded in the ledger. This can be done daily. Coordinate correction of errors or omissions with Accounting. (There is a sample of how one can reconcile May through June’s ledgers available on Accounting’s website under Fiscal Year End.

Please refer to the FY2017 Fiscal Closing Letter for procedures for submitting accruals and deferrals of revenue and expenses. The department will retain supportive detailed documents for their accruals and deferrals. Your Organizational CFO will give instructions on the routing of the forms before being submitted to Accounting. Materiality thresholds should be used when processing Accruals and Deferrals.

The following guideline is to be used in determining Materiality.

* $2,500 when combined gross revenues range from $25,000 up to $50,000.
* $5,000 when combined gross revenues range from $50,000 and up to $250,000
* $10,000 when combined gross revenues are greater than $250,000

Combined gross revenues include internal and external revenue sources.

**The following is additional guidance for your reference.**

**REVIEW ENCUMBRANCES**

Encumbrance review can aid in the identification of expenditures that should be accrued if the goods or service has been received or completed by June 30th, but the expense not recorded in the FY2017 ledgers as an **expense**. If an accrual will be submitted, use the appropriate accrual form.

**REVIEW OUTSTANDING PAYROLL COSTS**

Determine if **additiona**l employee pay for June needs to be accrued. This type of accrual request will be reviewed by the Payroll section. Payroll will determine the appropriate expenditure accounts to record the payroll accrual. If an accrual will be submitted, use the appropriate accrual form.

**REVIEW BI-WEEKLY PAYROLL AND TIME & ATTENDANCE SYSTEM FOR POSSIBLE ACCRUALS**

Due to the biweekly payroll cycle, approximately 100% of the pay for this group will not be reflected on the 06/30/17 ledgers. It is recommended that service and auxiliary enterprises\* determine if an accrual should be submitted for the pay period 06/18-06/30/17 based on materiality by FAU. If an accrual will be submitted, complete the special accrual form for Bi-weekly payroll accrual.

\*all other fund groups will be booked at a consolidated level for financial reporting purposes by Accounting.

**REVIEW AMOUNTS DUE TO OTHER ON-CAMPUS DEPARTMENTS**

Check if other campus self-supporting enterprises (e.g. Printing, Physical Plant) have billed your department for all services/products received during the year. If a self-supporting enterprises has not billed your department, please contact them to make sure they accrue the expense. If an accrual will be submitted, use the appropriate accrual form.

**PURCHASE ORDERS, BLANKET ORDERS, ePAY REQUESTS**

Review all outstanding (yet to be paid) purchase orders, blanket orders, and ePay Requests. If the goods or service orders have been received by June 30th, but the transaction is not shown as an **expenditure** on the June 30th ledger, accrue the expense. Consider materiality when accruing. If an accrual will be submitted, use the appropriate accrual form.

**Examples of goods and services you may accrue:**

Space rental Equipment repair costs

Temp employment services Equipment rental/lease

Utilities Consultant payments

Property insurance expenses Memberships

Intercampus recharges Inventorial Equipment purchase

**ACCRUAL OF INTERNAL INCOME/RECHARGE (Only for Self-Supporting Units)**

Review your June 30th ledgers as of July 1st and determine if internal income/recharge earned is not reflected on your FY2017 ledgers. If an accrual will be submitted, use the appropriate accrual form. For the accrual of internal income/recharge, a credit will be posted to the revenue recharge account, R99999/fund/activity/function and a debit will be posted to the FAU of the department that received the services (Account, Activity, Fund, Function, Cost Center and Project Code). **Remember** these entries must be for services performed in FY2017. Please coordinate this type of accrual with the department being charged to avoid duplicate accruals. Also, remember to include the accrued recharge in the July 2017 journal feed, because it needs to offset the reversal of the accrual posted on July 1.

**ACCRUAL OF EXTERNAL INCOME**

Review your June 30th ledgers as of July 1st and determine if revenue earned is not reflected on the FY2017 ledgers. If an accrual will be submitted, use the appropriate accrual form. A credit will be posted to the revenue account/fund/activity/function and a debit will be posted to an accounts receivable account using the same fund number. **Remember** these entries must be for services performed/earned in FY2017.

# DEFERAL OF EXTERNAL INCOME

If external revenue is recorded in the June 30th ledger that is actually income for goods or services to be provided in next fiscal year, the income should be deferred to the next fiscal year. If a deferral will be submitted, use the appropriate deferral form. **NOTE – Recharge activity should not be billed before services are performed.**

**ENDING INVENTORY**

On or near June 30th, count the inventory on hand (i.e., inventory purchased on the operating fund that will be held for resale or be used in the production process in the next fiscal year). Ensure that the inventory count is segregated by FAU. In other words, inventory purchased on different FAUs can **not** be lumped together in the accrual journal. Rather, the value of inventory purchased on each FAU must be separately determined and credited on the accrual journal. Determine the purchase cost of this ending inventory and the FAU combination by tracing back to purchase orders, invoices, etc.

**Retain the supporting documentation in the department to support the various inventory components and values.** If an accrual will be submitted, use the appropriate accrual form.

When determining the purchase cost of the ending inventory, make sure the cost has been recorded as an **expense** in the current year (either as a current year expenditure, accrual, or beginning inventory cost) on the operating fund number where the ending inventory value will be recorded.

The ending inventory value will be recorded as a credit in the operating FAU and will thus reduce the total expense for the year. The offsetting debit will be to an Inventory balance sheet account (114XXX) using the operating fund number.

## PREPAID EXPENSES

Review your June 30th ledgers as of July 1st and determine if any expenses recorded in FY2017 will not generate revenue until the following fiscal year. If a deferral will be submitted, use the appropriate deferral form. A credit will be posted to the specified account/fund/activity/function and a debit will post to a balance sheet account (114XXX) with the same fund.

**MISCELLANEOUS**

If there are any capital equipment expenditures recorded on the operating fund, process a Non-Payroll Expenditure Cost Transfer (NCT) to move the expense to the asset acquisition fund or the renewal and replacement fund by June 30th. Equipment purchases generally should not be made from the operating fund of Service and Auxiliary Enterprises.

**FISCAL CLOSING SPREADSHEET AND TRANSFER OF FUNDS TO CLOSE ACCOUTS/FUNDS/SUBS**

Keep track of each financial or budgetary transactions relating to the FY2017 fiscal year that is done after 7/01/2017. UCRFS standard reports and UCRFS Totals will reflect current activity through the end of the previous business day. Note: at year end, due to the volume of transactions, reports and inquiries being processed, the system’s performance may be adversely affected.

The Fiscal Closing Spreadsheet is an effective tool for tracking and logging adjustments between July 1 and July 5, 2017. The closing spreadsheet computes the balances for each Budget Category, Activity, Fund, and Function taking into account the adjusting transactions you log. This will help you complete the necessary BEA to zero out (close) each of the **Budget Categories** on the operating fund, and transfer the residual (i.e., profit or loss) to the **Unallocated Budget Category-BC75** (Prior Year’s Balance).

Explain what you are doing in the **Header Description** and **Journal Line Description** field on the **BEA**. This will give the PAN reviewer a good explanation of what is being done and why the budgetary adjustment is necessary.

**Examples**:

Header Description

1. Recharge (internal) income higher than budgeted due to unanticipated 30% rise in customer demand for typesetting service.

2. Maintenance costs higher than projected due to unanticipated $10K major repair on typesetter equipment.

**Journal** **Line Description**

1. 30% rise in typesetting service

2. $10K typesetter equip repair

**ANNUAL TRANSFER FROM OPERATIONS TO ASSET ACQUISITION OR RESERVE FOR EQUIPMENT**

Beginning July 1, 2009, Accounting no longer processed the monthly charge to operating funds for equipment “depreciation”. This charge was subsequently reclassified at year end as a fund transfer to the asset acquisition fund.

To streamline the process, Sales and Service and Auxiliary enterprises are now required to request a year-end transfer of funds from Operations to either an Asset Acquisition or Reserve Fund to cover the cost of capital equipment already purchased or to set aside funding for the future purchase of capital equipment per Campus Policies 300-66 and 300-66B.

Please refer to the following documents available on Accounting’s website under [Fiscal Year End](http://basapps.ucr.edu/policies/index.php?path=viewPolicies.php&policy=200-54): Service & Aux Enterprise Equipment Reserve Transfer-Guide; FY2017 Service & Aux Equipment Reserve Transfer-Request; andFY2017 Service & Aux Software Reserve Transfer-Request.

DATES TO REMEMBER FOR CLOSING

#### Ensure completion of current year ledger reconciliations.

#### Resolve all outstanding reconciling items on the current year ledgers by the end of May.

**Reconcile May Ledgers by June 22nd.**

**If you are using the Fiscal Closing spreadsheet, you can enter expected June activity in the May spreadsheet to reflect June ending balances.**

**In June, begin reconciliation of June Ledgers.**

**July 1 to July 5 – Continue to reconcile your June Ledgers. Use the Fiscal Closing spreadsheet if needed. Add transactions (Accruals, Deferrals, Inventory) that should be reflected on your final ledgers.**

**See the FY2017 Fiscal Closing Letter for important deadline dates. It is available on Accounting’s website under** [**Fiscal Year End**](http://rspaceportal.ucr.edu/rspaceportal/portal_api.main?i_session_id=18272C3F551C82CEF6BDA654CB05E96C&ticket=ST-4259130-7ailX2YPbG4TwI9xfZmb-auth-prd-1)**.**