

YEAR END CLOSE PROCESS TRAINING 2023



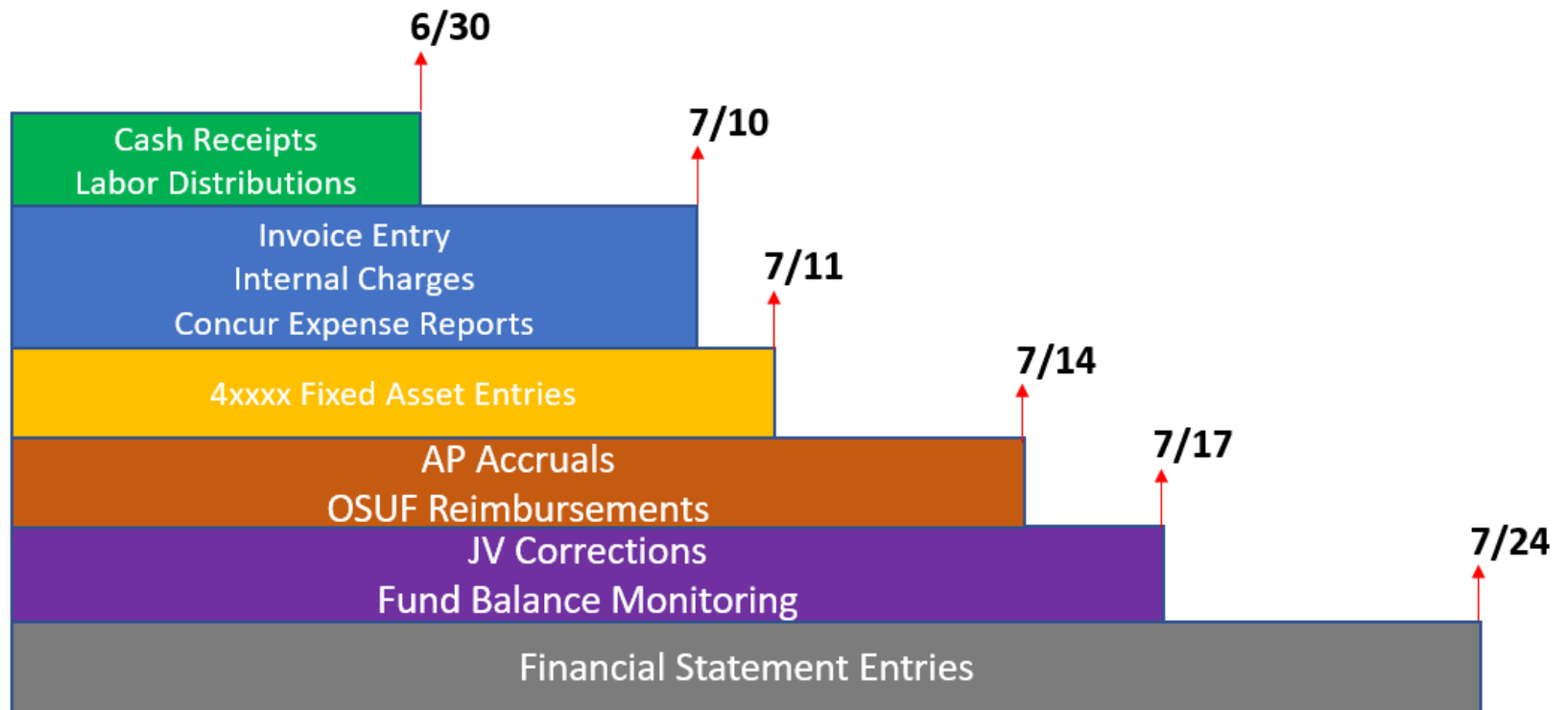
Accruals & Reminders

ALEX SIMS

G l h f w r u # h q g r u # S d | p h q w # w d h j h v

FY23 Timeline

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Accruals Overview

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Two Main Categories of Accruals

- Revenue Accruals
 - Income earned but not received ← Accounts Receivable
 - Income received but not earned ← Unearned Income
- Expense Accruals
 - Goods & Services paid for but not received ← Prepaid
 - Goods & Services received but not paid for ← Accounts Payable

Accrual threshold on all accruals = \$2,000

Revenue Accruals Accounts Receivable (A/R)

- ▶ An asset on the balance sheet.
- ▶ Records income in current year.
- ▶ Revenue earned but not received by close of the year.

EXAMPLES:

- SIS A/R ← Fed through Banner A/R
- NON-SIS A/R ← Manual JV Entry in Banner
- Grant A/R ← Entry Processed by OSRAA

Revenue Accruals Unearned Revenue

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- ▶ A liability on the balance sheet.
- ▶ Removes income from the current year.
- ▶ Cash received in advance for goods or services provided after June 30th.
 - ▶ Review June deposits closely

EXAMPLES:

- Deposits for future events
- Deposits for services not yet performed
- Advance Payment Grants

Expense Accruals Prepaid Expense

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- ▶ An asset on the balance sheet.
- ▶ Removes expense from the current year.
- ▶ Payments made in advance for goods or services

EXAMPLES:

- Prepaid Airfare ← T&E Office Posts These
- Deposit Payments
- Expense crossing years

Expense Accruals Accounts Payable (A/P)

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- ▶ A liability on the balance sheet.
- ▶ Records expense in current year.
- ▶ Goods and services received, but not paid for.

EXAMPLES:

- June Purchasing Activity

Send AP accrual spreadsheets to accounts.payable@oregonstate.edu

NOTE: Capitalized equipment purchases are not allowed on AP Accrual Spreadsheet. Department will need to follow up with Fixed Assets Team.

Accrual JV's

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- ▶ Entries Post to O/L and G/L
 - ▶ Debit QBA180 – 001100 – 06003 – YDAM – \$5,000
 - ▶ Credit 001100 – B5901 – \$5,000

- ▶ G/L side posts to proper fund and account code
 - ▶ A3802 – Year-End A/R Accruals
 - ▶ A5901 – Year-End Prepaid Expense Accruals
 - ▶ B5901 – Year-End Unearned Income Accruals

Accrual JV's Continued...

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- ▶ Rule Code = **3JV1**
- ▶ Reversal JV should have the same entries as the original accrual entry.
- ▶ Enter original accrual JV# in document reference field.
- ▶ Document (FOATEXT) text should say:
 - ▶ FY23 Accrual **OR** FY24 Reversal of Accrual J0xxxxxx
- ▶ Supporting Documentation should be scanned with JV
- ▶ Starting 7/1 both entries can be made at the same time.
- ▶ Make sure reversal JV has a July Transaction date.
- ▶ Make sure fund code matches O/L half of the entry

Accrual Responsibilities

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AP & Travel

- ▶ AP Accrual Spreadsheet loading
- ▶ OSU Foundation Revenue Accruals
- ▶ Concur Travel Accruals
- ▶ Concur Non-Travel Accruals

Accrual threshold on all accruals = \$2,000

Financial Strategic Services (FSS)

- ▶ Accounts Receivable (Non-SIS)
- ▶ Unearned Income
- ▶ Prepaid Expense (Non-Concur)
- ▶ Populating AP Accrual Spreadsheets

OSRAA

- ▶ Grant and Contract Revenue Accruals

Reminders Foundation Funds

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OSU Foundation Funds (FSxxxx, FExxxx, 438xxx, Gift Plant Funds-809xxx)

- ▶ Make sure current year transactions are reimbursed.
- ▶ Prior year transactions cannot be reimbursed after closing.
- ▶ Approvers at both OSU and the Foundation need time to approve.
- ▶ If transactions remain unapproved/unreimbursed, AP will move transactions to one of departments E&G funds.

Reminders Encumbrances

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FY24 open for PO entry June 7th

- ▶ FY23 Purchase Orders should only be created for goods or services received by 6/30
- ▶ Review open FY23 PO's closely.

BennyBuy Purchase Orders

- ▶ Close any unnecessary open PO's in BennyBuy by changing the status to "Closed".
- ▶ Use Document Search to identify open PO's by BC/FSS in BennyBuy.

Valid FY23 encumbrances will be rolled to FY24 on July 10th.

Reminders Cash Receipts

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Cash Close = June 30th

- ▶ Do not accumulate receipts for one final deposit!
- ▶ Cash handling policy requires checks and cash be deposited within one business day of receipt.

Petty Cash Reconciliations

- ▶ Petty cash funds should be kept reconciled at all times.
- ▶ Reimbursements should be processed at least quarterly.
- ▶ Complete dual custody count of all Petty Cash or Vault Funds **on June 30th**

Wire Transfers

- ▶ Requests must be submitted by **June 16th** in order to be processed in FY23



Reminders Payroll

14

No period 14 for redistributions!!

- ▶ Extra mid-month posting of redistributions will be June 16th
- ▶ No Payroll redistributions after June 30th!



Reminders Travel & Expense

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University Credit Cards

- ▶ No Longer Stopping Credit Card Charges From Posting.

Expense Reports

- ▶ Expense reports must be fully approved by July 10th.

Accruals

- ▶ T&E Office will monitor both Travel & Non-Travel Expenses to post in the correct fiscal year.
 - ▶ Travel Expenditures – Based on Trip Dates, No Dollar Threshold, Review Entire Year
 - ▶ Non-Travel Expenditures – Based on Transaction Dates, \$2,000 accrual threshold used

Reminders Accounts Payable

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Invoice Entry: While period 12 is still open

- ▶ Goods or Services received prior to June 30th , Use **June** Transaction Date.

Invoice Entry: During period 14

- ▶ Goods or Services received prior to June 30th, Use **July** Transaction Date
 - ▶ Add invoice to AP accrual spreadsheet
 - ▶ Consider fund balance impact for Auxiliary, Des Op, Service Center, and Gift funds

Do not add invoices to AP accrual spreadsheets that posted with a 6/30 date in Period 12.

Fund Balance Monitoring & Reconciliations



Oregon State
University

Charlotte Rooks

Manager for Analytical Operations

Fund Balance Monitoring

How to Determine Fund Balance

- Fund Balance = Assets (A account codes) - Liabilities (B account codes)
- Be careful when looking at D0010 - Fund Balance
 - This balance doesn't get updated until the G/L Roll when period 12 is closed
 - Make sure you use the current fund balance or manually calculate the balance



Fund Balance Monitoring EXAMPLE - FGITBSR

<div> ✕ Oregon State UNIVERSITY Trial Balance Summary FGITBSR 9.0 (PROD) ADD RETRIEVE RELATED </div>									
COA: C OSU Chart Fiscal Year: 22 Fund: 001145 ZAR - Equipment Allocation Fund OR Fund Type: Account: OR Acct Type:									
<div> CURRENT FUND BALANCE Settings Insert Delete Copy </div>									
Acct Type	Account	Description	Beginning Balance	Debit/Credit	*	Current Balance	Debit/Credit		
11	A0901	Cash On-Hand - Interfund	6,133,747.68	Debit		7,547,118.37	Debit		
15	A5008	Prepaid Equipment Expense	91,305.00	Debit		119,977.59	Debit		
15	A5901	Prepaid Expense Year End Accrual	3,500.00	Debit		0.00	Debit		
21	B0100	Invoices Payable	6,369.46	Credit		49,390.12	Credit		
21	B0101	Year End A/P Accrual	0.00	Credit		0.00	Credit		
21	B0190	Received Items Payable	0.00	Credit		0.00	Credit		
31	C1010	Actual Expense Control	0.00	Debit		1,602,140.75	Debit		
31	C3010	Encumbrance Control	526,429.47	Debit		587,052.45	Debit		
31	C5010	Transfer Control	0.00	Debit		2,991,007.87	Credit		
32	C0010	Actual Revenue Control	0.00	Credit		6,655.50	Credit		
32	C1020	Budgeted Expense Control	0.00	Credit		6,046,349.22	Credit		
32	C3020	Encumbrance Reserve Acct	526,429.47	Credit		587,052.45	Credit		
32	C5020	Budgeted Transfer Control	0.00	Credit		175,834.00	Credit		
32	C9010	Budg Change To Fund Bal	0.00	Credit		6,222,183.22	Debit		
41	D0010	Fund Balance	6,222,183.22	Credit		6,222,183.22	Credit		
	Total	ALL ACCOUNTS	0.00			0.00			
Assets-Liabilities = Balance						Current Fund Balance	7,617,705.84	Credit	
Or									
Beg. Balance +/- Controls = Balance									
Asset GL Account	7,547,118.37	A0901	Beg. Fund Balance	6,222,183.22	D0010				
Plus Asset GL Account	119,977.59	A5008	Plus Actual Revenue Control	6,655.50	C0010				
Less Liability Account	-49,390.12	B0100	Less Actual Expense Control	-1,602,140.75	C1010				
Equals Current Fund Balance	7,617,705.84		Plus Transfer Control	2,991,007.87	C5010				
			Equals Current Fund Balance	7,617,705.84					

Fund Balance Monitoring Continued...

Designated Ops -- Services Centers -- Auxiliary Funds

(05xxxxx)

(09xxxxx)

(1xxxxxx)

- See policies under FIS 03-150-20x Fund Accounting
- Negative fund balances should be resolved whenever possible
 - E&G funds should not be used to subsidize self-support funds
 - Create accrual JVs when applicable
 - Make sure all entries are posted in correct fiscal year
- If an Auxiliary has more than one fund, all 1xxxxxx funds for that unit (Fund Type-2x) are rolled together to review the balance.

Fund Balance Monitoring Continued...



Gift Funds

(Mxxxxxx & FGxxxxxx)

- Do not spend money that OSU does not have
- Cash A0901 must be positive
- Monitor Balances all the way through FYE close
- Entries processed in July with June transaction dates affect cash in fiscal year being closed.
- After 6/30 must move non-payroll expense via JV

Reconciliations



Required spreadsheets at Year End

At the time of JV completion, import spreadsheets in OnBase for the following JVs:

- A4xxx Inventory
- A3802 Year End A/R Accruals
- A5901 Year End Prepaid Expense Accruals
- B5901 Year End Unearned Income Accruals

Note: Rely on Banner for data, not CORE
Use JV copy/reverse feature

Reconcile all other Axxxx & Bxxxx accounts with a balance at year-end (except for A0901 Cash and B0100 Invoices Payable). Keep reconciliations in FSS Share Drive.

Reminders - JV's



During July

- Starting 7/1, FY23 and FY24 are open concurrently for processing.
- Watch transaction dates carefully.
- During this timeframe it is important to begin JV document text with “FYxx” to assist approvers.

Prior year corrections

- Once FY23 closes, all prior year corrections require FAR approval.
 - Require materiality and financial statement impact assessment.
 - Prior year corrections will not be allowed between Program Codes or Fund Types

Reminders - 40199 Construction in Progress



All 40199 account code balances must be zero at year-end

Note: since FY19 this is a quarterly responsibility per PRO 202 Purchases

- Process a JV to move all expenses from 40199 to 401xx or A80xx
- If equipment is completed and ready for use, list "Completed Date" in the text or on FADE form
 - Additional instructions in Property Manual Exhibit #1
- If equipment is still a Work-in-Progress (WIP), JV text must state "WIP = Y"
- If the 40199 expense represents an installment or prepayment, move the expense from 40199 to the applicable fund and A5008 Prepaid Equipment Expense.

Last day for corrections is Tuesday, July 11th at 5p

Financial Statement & GASB Overview

Mark Fryman

Director Financial Accounting & Reporting



Fiscal Year Reporting Cycle

- **Transactions are processed throughout the fiscal year, and funds & accounts are reconciled according to policy.**
- **Mid-April: External auditors conduct Interim Audit Procedures.**
- **June through July: The campus Year-End-Close process occurs.**
- **Late July through early August:** FAR and other central units finish YEC and assemble financial statement components.
- **Early September through October 31:** FAR coordinates the Financial Statement audit by external auditors (Clifton-Larson-Allen—CLA) and works with USSE to produce the financial statements.
- **October 31:** Target date for completing the audit and issuing the audited Annual Financial Report.
- **Mid-January:** CLA, the Controller, and the OSU VP of Finance and Administration present the Financial Statements to the Board.



The Financial Statements

- Are the primary external Reporting objective.
- Accurate reporting depends upon all of us!
- Your work is the foundation and core of the OSU financial statements!
- Plan your YEC activities in advance and complete tasks throughout the fiscal year—don't pack everything into May and June.
 - Ensure proper coding
 - Reconcile funds and accounts
 - Check for unprocessed transactions that recur each year
 - Make sure payroll redistributions are completed by Thursday, 6/30/22

Post-Closing Entry Worksheets

- FAR sends a worksheet to FSS Managers soon after Period 14 closes.
- Only include invoices with amounts of \$12,500 or greater.
- Make sure transactions were not already captured by AP accrual spreadsheets.
- Post-closing entries post in high-level reporting fund only and are not visible in campus operating funds.
- The post-closing worksheets are due on August 4th.

Lease Accounting

- Leases that meet GASB 87 are all Capital leases and will be reported on OSU's balance sheet (SNP) in the financial statements.
- Leases that don't meet GASB 87 are considered "Rentals" and are expensed in the operating ledger and no longer require disclosure.
- New terminology to use is "Lessee Leases" and "Lessor Leases" and "Rentals".
- The appropriate account code for lease payments and receipts depends on whether the lease meets criteria established by GASB 87.
- If you process lease payments it is your responsibility to know which account codes to use.

Key GASB 87 Criteria

Leases Must Be:

- Noncancelable, **and**
- Exchange transactions with **external** entities, **and** Do not include nominal-dollar or zero-dollar leases.
- Lease term > 12 months, otherwise considered a short-term rental.

Does not include:

- Internal leases between departments.
- Software leases or rentals (these are addressed by GASB 96).
- Intangible assets, inventory, licensing, or supply contracts.

Notes:

- FAR will work with you and advise you on whether your leases meet GASB 87 criteria, and which account codes you should use.
- View access is available in the lease system if desired.

Lessee Lease Accounting—Expense

- Lessee leases are those where OSU is leasing property from an external entity.
- Require OSU to make regular periodic payments to the lessor.
- If the lease meets GASB 87 criteria, use “Lease” account codes 242xx.
- If the lease does NOT meet GASB 87 criteria, use “Rental” account codes 241xx.
- When GASB 87 criteria are met, OSU records an asset and liability in the balance sheet (SNP), otherwise payments are expensed as rentals in OL.
- 242xx accounts in Banner will be reconciled annually to the lease liability in the Visual Lease software application.

Lease Payment Account Codes

Base Rent Expense accounts to use when Leases meet GASB 87 criteria:

Account Code- Description

24201 – Equipment Leases

24250 – Land Leases

24251 – Building/Space Leases

24252 – IOTB Leases

24253 – Infrastructure Leases

Lease Payment Account Codes

- Operating expense account to use when Leases meet GASB 87 criteria:
 - 24204 – Lease Operating Expense: To record lease operating expense charges for maintenance and repairs, utilities, property taxes, insurance, and similar expenses.
 - ***These are expenses that OSU (the lessee) is required to reimburse the landlord/lessor for when we lease property from them***
 - ***Payments for these expenses must be recorded separately from the base rent expense portion because they are not included in the computation of the ROU asset or associated liability, nor are they required to be disclosed***

Lease Payment Account Codes

- Variable Lease expense account to use when Leases meet GASB 87 criteria:
 - 24298 – Variable Lease Expense: To record variable lease expense, such as a percentage of sales generated by OSU that is paid to the landlord/lessor when OSU is the lessee
 - ***These are generally infrequent and usually only occur in leases where the OSU unit is a self-support and generates sales or similar revenue***
 - ***It must be separately recorded because per GASB 87 variable revenue is not included in the PV calculation of the ROU Asset or liability, but it is required to be disclosed in the notes to the financial statements***

Rental Payment Accounts

- The following are Base Rent Expense accounts to use when Leases **DO NOT** meet GASB 87 criteria:

24110	Rentals
24020	Film Rentals
24052	Housing Rental - Non-Employee
24053	Storage Rentals/Fees
24101	Equipment Rentals
24102	IT Equipment Rentals
24103	Software Rental Costs
24150	Land Rentals
24151	Building Rentals
24199	Miscellaneous Rentals

- Differentiating between base rent, variable rent, and operating expenses is unnecessary if the lease does not meet GASB 87 criteria.
- All those payment elements can be posted to these accounts.
- The first thing you need to do is determine if your lease meets GASB 87 criteria!

Lessor Lease Accounting—Income

- Lessor leases are where OSU owns or subleases property to another entity.
- OSU records lease income for periodic payments received from lessees.
- GASB 87 criteria are same for lessor leases as they are for lessee leases.
- If the lease meets GASB 87 criteria, use “Lease” account codes 06727 for base lease income, 06773 for operating expense reimbursements revenue, and 06774 for variable lease income.
- If the lease does NOT meet GASB 87 criteria, use “Rental” account codes 06795.
- When GASB 87 criteria are met OSU records a Lease Receivable asset and a Deferred Inflow on the balance sheet (SNP).
- 0677x accounts in Banner will be reconciled annually to the deferred inflow in the new Visual Lease software application.

Lease Income Accounts

- Income accounts to use when Leases meet GASB 87 criteria:
 - 06770 – Lease Revenue (non-entry)
 - 06727 – Base Lease Revenue
 - 06771 – Lease Incentive Revenue
 - 06772 – Lease Termination Revenue
 - 06773 – Other Lease Operating Revenue
 - 06774 – Variable Lease Revenue
- The accounts above are used exclusively for GASB 87 leases.



Rental Income Accounts

- Income account to use when Leases DO NOT meet GASB 87 criteria:
 - 06795 – Misc Property Rental Revenue: *To record rental revenue paid to OSU by lessees for equipment, real property and similar asset leases when OSU is the lessor, and the rental agreement does NOT meet GASB 87 criteria.*
 - If the lease does not meet GASB 87 criteria, then it is not necessary to break out the revenue types; they can all be posted to this account.

Subscription-Based IT Arrangements (SBITA) Accounting

- GASB 96 - Subscription-Based IT Arrangements is effective in FY23 and FAR is in the process of implementing it.
- SBITAs that meet GASB 96 are capitalized if the total contract amount is \$100,000 or larger, which is consistent with OSU intangible asset policy.
 - Use account 24203 – SBITA Software Subscription when making payments.
 - Capitalized SBITAs result in an ROU asset and a liability in the financial statements.
- SBITAs that don't meet GASB 96 are considered "Software Rentals" and are expensed to account 24103-Software Rental Costs.

SBITA Accounting Continued...

- SBITAs will be accounted for in the Visual Lease application along with Leases that meet GASB 87.
- Contract numbers used in Benny Buy are also used as the key ID for SBITAs in the Visual Lease system.
- FAR will produce a list of SBITAs that meet GASB 96 and can advise units if their contracts are SBITAs or not.
- If you process SBITA payments it is your responsibility to know which account codes to use.

Prepaid Expense Accruals - Timing

- Controller has directed FAR to implement a new policy to record Prepaids at time of expenditure rather than waiting until YEC.
- Benefits include more accurate interim budgeting and reporting and reduce YEC tasks.
- Either approach is acceptable for FY23, but accountants are encouraged to adopt new policy asap.
- KPI-Metric being implemented to measure progress over next few fiscal years.
- Pilot project with UIT is currently underway.

Resources

YEC Website:

<https://fa.oregonstate.edu/controllers-unit/financial-accounting-and-reporting/year-end-closing>

- **Major Deadlines list**
- **YEC Instructions**
- **Accrual Templates (spreadsheets)**
- **Training Materials**

Questions?

