Policy Type: Administrative

Category: Fiscal and Budget **Sub-Category**: General Accounting and Reporting

Policy Name: Fiscal Year-End Close

Policy Owner: Controller-Treasurer Department

Policy Purpose

The purpose of this policy is to provide County Agencies and Departments with guidelines to accurately recognize and record revenues and expenditures, and to ensure an orderly close of financial transactions at fiscal year-end (June 30th), thereby enabling timely and accurate (fairly presented) financial reporting to the public and regulatory bodies.

Policy Summary

Year-End Close

The Controller-Treasurer Department issues a year-end close memorandum and calendar of deadlines to ensure that all financial transactions are properly and accurately recorded in the County's accounting system for the fiscal year. County Agencies and Departments must review and analyze current year fiscal activities and take appropriate actions before the scheduled deadlines listed in the year-end close calendar.

Revenue Accrual

It is the responsibility of the County Agencies and Departments to accurately record all revenues earned or received on or before fiscal year-end, in accordance with the basis of accounting identified in the County's Revenue Accounting Requirements and Responsibilities Policy.

After fiscal year-end, the County's accounting system will remain open until a designated cutoff time established by the Controller-Treasurer Department. If additional adjustments are needed after the cutoff date, County Agencies and Departments must contact the Controller-Treasurer Department General Accounting Unit [Reporting Section] and request adjustments in accordance with the adjustment policy threshold indicated in the fiscal year-end training materials.

All revenue accrual journal entries, except for unavailable revenue reclassifying journal entries, will be automatically reversed in the first accounting period of the subsequent fiscal year. Upon receipt of revenue payments, County Agencies and Departments are to record the revenue in the County's accounting system.

Expenditures

It is the responsibility of County Agencies and Departments to accurately report all expenditures for goods and services received on or before fiscal year-end. This entails *recording* invoices or *accruing* for the expenditures when the invoice is yet to be received in the County's accounting system's accounts payable module.

County Agencies and Departments must ensure they have enough budget to record expenditures to the correct fiscal year. They must follow the Office of Budget and Analysis' Year-End Instructions to request budget related corrective actions necessary for the proper accounting of expenditures.

Invoices Received

After fiscal year-end, the County's accounting system's accounts payable module will remain open for invoice posting to the prior fiscal year until a designated cut-off deadline established by the Controller-Treasurer Department. Invoices received for goods and services received prior to fiscal year-end must be entered and posted (released or approved) in the County's accounting system's accounts payable module before the designated cut-off deadline.

If additional adjustments are needed after the cutoff date, the County Agency or Department must contact the Controller-Treasurer Department General Accounting Unit [Reporting Section] and request adjustments in accordance with the adjustment policy threshold indicated in the fiscal year-end training materials.

All invoices processed after the designated cut-off deadline will be expensed against the following fiscal year's budget, unless an accrual was made prior to the designed cut-off deadline.

Expense Accruals

All goods or services, except for those procured through 3-way Match Purchase Order, received by the County during the fiscal year (on or before June 30th), but not recorded as an expense in the County's accounting system before the designated cut-off deadline, are to be accrued based on an estimated invoice. This includes employee travel expenditures.

Accrual invoices will be automatically reversed in the subsequent fiscal year. Upon receipt of the actual invoice, County Agencies and Departments are to enter the invoice in the County's accounting system's accounts payable module.

Journal entries are not used to accrue outstanding payments due to vendors. Also, County Agencies and Departments are not to use the accrual process to carry forward unused budget to the next year when goods or services were not received or performed by the end of the fiscal year.

Procedures

Year-End Close

1) In March of each fiscal year, the **Controller-Treasurer Department** sends a memorandum and a year-end close calendar to County Agencies and Departments regarding the year-end closing processes and deadlines for the current fiscal year.

2) On an annual basis, the **Controller-Treasurer Department** provides training to County Agencies and Departments on the year-end close policies and procedures.

3) **County Agencies and Departments** are to review the following SAP reports and take necessary actions before the year-end close deadlines:

3a) **Commitments & Funds Transfers Report (FMRP_RFFMEP1OX)** – to adjust or close encumbrances.

3b) **Parked Documents List (ZAPR007)** – to clear, post, or delete parked documents.

3c) **General Ledger Account Analysis Reports (ZGLTRIALBAL, modified accrual ZSLP001 and full accrual ZSLP002)** – to reconcile and update account balances.

3d) **FM Actual versus Budget Report by Funds Center (ZFMR002)** – to prepare budget modifications or expenditure adjustments and accrue or adjust revenues.

3e) **Special Ledger Detail Analysis (ZGLR008)** – to reclassify deposits in the revenue clearing account to the proper revenue or liability accounts.

Revenue

1) When payment is received, **County Agencies and Departments** prepare journal entries to reclassify deposits from the revenue clearing account to the proper revenue or liability accounts.

2) At fiscal year-end, **County Agencies and Departments** prepare journal entries to accrue revenue and to reclassify revenue to unavailable revenue and unearned revenue in the County's accounting system.

3) In the subsequent fiscal year, the County's accounting system automatically reverses accrued revenues. Reclassifying journal entries for unavailable revenue are not automatically reversed. **County Agencies and Departments** are to reduce unavailable revenue and record revenue upon receipt of payments. County Agencies and Departments who prepare revenue accrual journal entries that do not automatically reverse must manually reverse these entries in the subsequent fiscal year.

Two-way Match Expense Accrual for Vendors

1) The **Operating Department Accounts Payable Invoice Processor** processes an estimated Logistic Invoice Verification (LIV) invoice for the current fiscal year-end, by following the fiscal year-end training materials, in the County's accounting system, to accrue for the expenditure.

2) The **Operating Department Accounts Payable Supervisor** approves (releases) the estimated invoice for the current fiscal year-end by the designated cut-off deadline.

3) In the subsequent fiscal year, the **Controller-Treasurer Department Fiscal Systems Division [ASAP Team]** automatically reverses the estimated invoice in the County's accounting system.

4) Upon receiving the actual invoice, the **Operating Department Accounts Payable Processor** creates a new LIV invoice for the total amount stated on the invoice, in the County's accounting system.

5) The **Operating Department Accounts Payable Supervisor** approves the actual invoice in the County's accounting system.

6) The **Controller-Treasurer Department Claims Unit** generates payment to the vendor based on the actual invoice amount entered into the County's accounting system.

7) The **Operating Department** is to monitor and review the LIV accrual entries. SAP Report ZAPR011 provides the following data: accrued amounts, automatic reversal entries, and the corresponding actual invoices posted against the PO lines.

<u>*Non-Match Expense Accrual for Non-Contract and Non-Purchase Orders*</u>

1) The **Operating Department Accounts Payable Invoice Processor** creates an <u>estimated</u> Accounts Payable (AP) invoice for the current fiscal year-end by following the fiscal year-end training materials, in the County's accounting system, to accrue for the expenditure.

2) The **Operating Department Accounts Payable Supervisor** approves (releases) the estimated invoice for the current fiscal year-end. All "Parked" invoices must be approved (released and posted) or deleted by the designated cut-off deadline.

3) In the subsequent fiscal year, the **Controller-Treasurer Department Fiscal Systems Division [ASAP Team]** automatically reverses the estimated invoice in the County's accounting system.

4) Upon receiving the actual invoice, the **Operating Department Accounts Payable Processor** creates a new AP invoice for the total amount stated on the invoice, in the County's accounting system.

5) The **Operating Department Accounts Payable Supervisor** approves the actual invoice in the County's accounting system.

6) The **Controller-Treasurer Department Claims Unit** generates payment to the vendor based on the actual invoice amount entered into the County's accounting system.

7) The **Operating Department** must monitor and review the AP accrual entries. SAP Report ZAPR016 provides the following data: accrued amounts, automatic reversal entries, and the corresponding actual invoices posted against the accrual.

Definitions

For the purposes of this policy, the following definitions apply:

1) "**County's accounting system**" means the SAP System or other similar system currently used by the County as its primary accounting and finance system.

2) "**Designated cut-off deadline**" means a date and time established by the Controller-Treasurer Department until which the County's accounting system will remain open for journal entry and invoice posting after fiscal year-end.

3) "**Non-match**" means the process of entering an invoice into SAP without reference to a Purchase Order or a receipt transaction. Purchase authorization and receipt validation has occurred outside of SAP.

4) "**Three-way match**" means the process of matching an invoice against a receipt transaction that is received against a purchase order line item(s) in the financial system of the procure-to-pay solution. All three-way matches require matching the following three documents before making payments: Purchase Order, Goods Receipt Transaction, and Invoice Document.

5) "**Two-way match**" means the process of matching an invoice against a purchase order line item (or contract) without verification of the goods receipt. This is also known as Logistics Invoice Verification (LIV) in SAP.

6) "**Unavailable revenue**" means the resource inflows that do not qualify for recognition as revenue in a governmental fund because they are not yet considered to be available. "Available" is defined as payments being received within 60 days of fiscal year-end for property taxes and 120 days for all other revenues (with the exception of license fees, permit fees, fines, forfeitures, and penalties, which are not considered "susceptible to accrual" under the modified accrual basis and are recorded as revenues when received).

Frequently Asked Questions

None.

Related Policies

- Revenue Policy – Board Policy 4.2 – https://saecommon.sccgov.org/countypolicy/Board-Policy-4.2-Revenue-Policy.pdf

- Revenue Accounting Requirements and Responsibilities Policy – https://saecommon.sccgov.org/countypolicy/Revenue-Policy.pdf

- Reclassification Policy for Financial Transactions – https://saecommon.sccgov.org/countypolicy/Reclassification-Policy-for-Financial-Transactions.pdf

Related Forms and Information

- Controller Memo – Year End Closing Calendar https://sccconnect.sharepoint.com/sites/controller/SitePages/Fiscal-Year-End-Training-Information.pdf

History

Date	Changes Made
4/16/2019	Policy Uploaded. (Kyle Larson)
4/15/2019	Policy Adopted.