YEAR END CLOSE PROCESS TRAINING 2022
Accounting/Auditing/Reporting Cycle

• **Throughout the fiscal year:** Transactions are processed, 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 September:** Financial Accounting and Reporting (FAR), AP, Business Services, work with USSE to produce financial statement elements and prepare for final audit

• **Early September through October 31:** FAR coordinates the Financial Statement audit by external auditors (Clifton-Larson-Allen—CLA)

• **October 31:** The Annual Financial Report and audit opinion are issued

• **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
  • 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
Producing the Financial Statements

- Financial Accounting & Reporting (FAR) is Responsible for OSU’s Financial Statements
  - Beginning with FY24, OSU will take over this function from USSE and produce the financial statements internally
- Currently, USSE uploads Banner data the day after P14 closes (7/26/22 this FY)
  - Needed adjustments are made at the Reporting Fund level (fund 097010) after Banner is uploaded
  - USSE, FAR and AP staff produce schedules and other financial information to create the Notes to the financial statements
- FAR staff work with USSE staff to:
  - Write the notes and the Management Discussion & Analysis sections
  - Determine formatting and verify numbers
  - Answer auditor questions, and research transactions
  - Ensure compliance with GASB/GAAP requirements
Post-Closing Entry Worksheets

• FAR sends a worksheet template to Financial Services Managers soon after Period 14 closes.
• Accountants should only include invoices with amounts of $12,500 or greater
• Make sure only transactions not already captured by AP accrual spreadsheets are submitted
• 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 5th
Lease Accounting

- With the implementation of GASB 87-Leases, beginning this fiscal year (FY2022) operating leases and capital leases go away.
- Leases that meet GASB 87 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.
Key GASB 87 Criteria

• **Leases Must Be:**
  • Noncancelable, and
  • Exchange transactions with **external** entities, and
    • Does 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
  • Intangible assets, inventory, licensing, or supply contracts

• FAR will work with you and advise you on whether your leases meet GASB 87 criteria, and which account codes you should use
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 new Visual Lease software application
Lease Payment Accounts

• The following are Base Lease Expense accounts to use when Leases meet GASB 87 criteria:

<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>24201</td>
<td>Equipment Leases</td>
</tr>
<tr>
<td>24250</td>
<td>Land Leases</td>
</tr>
<tr>
<td>24251</td>
<td>Building/Space Leases</td>
</tr>
<tr>
<td>24252</td>
<td>IOTB Leases</td>
</tr>
<tr>
<td>24253</td>
<td>Infrastructure Leases</td>
</tr>
</tbody>
</table>
Lease Payment Accounts

• **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 because they are not included in the computation of the Right of Use (ROU) asset or associated liability, nor are they required to be disclosed.*
Lease Payment Accounts

• **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 Present Value (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 Rent Expense accounts to use when Leases DO NOT meet GASB 87 criteria:

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>24110</td>
<td>Rentals</td>
</tr>
<tr>
<td>24020</td>
<td>Film Rentals</td>
</tr>
<tr>
<td>24052</td>
<td>Housing Rental - Non-Employee</td>
</tr>
<tr>
<td>24053</td>
<td>Storage Rentals/Fees</td>
</tr>
<tr>
<td>24101</td>
<td>Equipment Rentals</td>
</tr>
<tr>
<td>24102</td>
<td>IT Equipment Rentals</td>
</tr>
<tr>
<td>24103</td>
<td>Software Rental Costs</td>
</tr>
<tr>
<td>24150</td>
<td>Land Rentals</td>
</tr>
<tr>
<td>24151</td>
<td>Building Rentals</td>
</tr>
<tr>
<td>24199</td>
<td>Miscellaneous Rentals</td>
</tr>
</tbody>
</table>

• Differentiating between base rent, variable rent, and operating expenses is not necessary 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 those 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
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 breakout the revenue types; they can all be posted to this account.
Fund Balance Monitoring

Determining 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 - FGITBSR

#### Trial Balance Summary FGITBSR 9.0 (PROD)

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Debit/Credit</th>
<th>Current Balance</th>
<th>Debit/Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>A0901</td>
<td>Cash On-Hand - Interfund</td>
<td>Debit</td>
<td>7,547,118.37</td>
<td>Debit</td>
</tr>
<tr>
<td>A5008</td>
<td>Prepaid Equipment Expense</td>
<td>Debit</td>
<td>119,977.59</td>
<td>Debit</td>
</tr>
<tr>
<td>A5901</td>
<td>Prepaid Expense Year End Accrual</td>
<td>Debit</td>
<td>49,390.12</td>
<td>Credit</td>
</tr>
<tr>
<td>B0100</td>
<td>Invoices Payable</td>
<td>Credit</td>
<td>6,369.46</td>
<td>Credit</td>
</tr>
<tr>
<td>B0101</td>
<td>Year End A/P Accrual</td>
<td>Credit</td>
<td>0.00</td>
<td>Credit</td>
</tr>
<tr>
<td>B0190</td>
<td>Received Items Payable</td>
<td>Credit</td>
<td>0.00</td>
<td>Credit</td>
</tr>
<tr>
<td>C1010</td>
<td>Actual Expense Control</td>
<td>Credit</td>
<td>0.00</td>
<td>Credit</td>
</tr>
<tr>
<td>C3010</td>
<td>Encumbrance Control</td>
<td>Credit</td>
<td>0.00</td>
<td>Credit</td>
</tr>
<tr>
<td>C5100</td>
<td>Transfer Control</td>
<td>Credit</td>
<td>0.00</td>
<td>Credit</td>
</tr>
<tr>
<td>C1020</td>
<td>Budgeted Expense Control</td>
<td>Credit</td>
<td>0.00</td>
<td>Credit</td>
</tr>
<tr>
<td>C3020</td>
<td>Budgeted Reserve Acct</td>
<td>Credit</td>
<td>0.00</td>
<td>Credit</td>
</tr>
<tr>
<td>C5020</td>
<td>Budgeted Transfer Control</td>
<td>Credit</td>
<td>0.00</td>
<td>Credit</td>
</tr>
<tr>
<td>C9001</td>
<td>Budgeted Change To Fund Bal</td>
<td>Credit</td>
<td>0.00</td>
<td>Credit</td>
</tr>
<tr>
<td>D0010</td>
<td>Fund Balance</td>
<td>Credit</td>
<td>7,617,705.84</td>
<td>Credit</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets = Liabilities</th>
<th>Or</th>
<th>Beg. Balance +/- Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset GL Account</td>
<td>7,547,118.37 A0901</td>
<td>Beg. Fund Balance</td>
</tr>
<tr>
<td>Plus Asset GL Account</td>
<td>119,977.59 A5008</td>
<td>Plus Actual Revenue Control</td>
</tr>
<tr>
<td>Less Liability Account</td>
<td>-49,390.12 B0100</td>
<td>Less Actual Expense Control</td>
</tr>
<tr>
<td>Equals Current Fund Be</td>
<td>7,617,705.84</td>
<td>Plus Transfer Control</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Equals Current Fund Balance</td>
</tr>
</tbody>
</table>
Fund Balance Monitoring Continued…

Designated Ops, Services Centers, and Auxiliary Funds

(05xxxx) (09xxxx) (1xxxxx)

- 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 1xxxxx funds for that unit (Fund Type-2x) are rolled together to review the balance.
Fund Balance Monitoring Continued…

**Gift Funds (Mxxxxx, FGxxxxx)**

- 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

- A3150 Departmental Advances & A3151 Travel Advances
  - Email spreadsheets to travel@oregonstate.edu

At the time of JV completion, import accrual 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 BC Share Drive.
Reminders – JV’s

During July
• Starting 7/1, FY22 and FY23 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 FY22 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

- 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
  - 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 Friday, July 8th at 5p**
Accruals - All about the financial statement accuracy

Two Main Categories of Accruals

• Revenue Accruals
  • Income earned but not received
  • Income received but not earned

• Expense Accruals
  • Goods & Services paid for but not received
  • Goods & Services received but not paid for

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

- 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

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

EXAMPLES:
- Prepaid Airfare
- Deposit Payments
- Expense crossing years

T&E Office will split May and June
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
- New process will facilitate more accurate interim budgeting and reporting and reduce YEC tasks
- Either approach is acceptable for FY22, but accountants are encouraged to adopt new policy asap
- KPI-Metric being implemented to measure progress over next few fiscal years
- Feedback from accountants regarding cadence being sought
Expense Accruals – A/P

• 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

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

• 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
  • B5901 – Year-End Unearned Income Accruals
  • A5901 – Year-End Prepaid Expense Accruals

• 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 JV’s Continued…

- 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:
  - FY22 Accrual  OR  FY23 Reversal of Accrual J0xxxxxx
- Supporting Documentation should be scanned with JV
Accrual Responsibilities

**AP & Travel**
- AP Accrual Spreadsheet loading
- OSU Foundation Revenue Accruals
- Concur Prepaid Expenses
- UABC/AABC Prepaids

**Financial Strategic Services (FSS) & Departments**
- Accounts Receivable (Non-SIS)
- Unearned Income
- Prepaid Expense (Non-Concur)
- Populating AP Accrual Spreadsheets

**OSRAA**
- Grant and Contract Revenue Accruals

Accrual threshold on all accruals = $2,000
YEC 2022 Timeline

- TODAY
  - Cash Receipts
  - Payroll Re-Distribution

- 6/30/2022
  - CASH CLOSE
  - Invoice Entry
  - FUPLOAD Posting
  - Other Internal Charges
  - Credit Card Transactions

- 7/8/2022
  - PERIOD 12 CLOSE
  - JV Corrections
  - Accruals
  - Fund Balance Monitoring
  - Reconciliation
  - FS Reimbursements

- 7/15/2022
  - Campus Banner Lockout
  - AP Accruals Due

- 7/18/2022
  - OSUF Reimb. Due
  - AP Accruals
  - Foundation Accruals
  - Grant Accruals
  - Closing Entries
Reminders – Foundation Funds

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.
- Deadline for approving FSxxxx reimbursement transactions is 7/18/22.
Reminders – Encumbrances

**FY23 open for PO entry June 8**th
- FY22 Purchase Orders should only be created for goods or services received by 6/30
- Review open FY22 PO’s closely.

**PO’s that originated in Banner**
- Liquidate any unnecessary open PO’s in Banner via JV.

**PO’s that originated in BennyBuy**
- Close any unnecessary open PO’s in BennyBuy by changing the status to “Closed”.
- Use Document Search to identify open PO’s by BC in BennyBuy.

**Valid FY22 encumbrances will be rolled to FY23 on July 8**th.
Reminders – Cash Receipts

**Cash Close = June 30th**
- Do not accumulate receipts for one final deposit!
- OSU cash handling standard 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
- Last day to reimburse petty cash funds = June 10th

**Wire Transfers**
- Requests must be submitted by June 16th in order to be processed in FY22
Reminders – Payroll

**No period 14 for redistributions!!**

Extra mid-month posting of redistributions will be June 9\textsuperscript{th}

**No Payroll redistributions after June 30\textsuperscript{th}!**
Reminders – Travel & Expense

University Card Distributions
• New transactions will stop loading into Concur on June 27th
• All FY22 transactions must be distributed by July 8th

Concur Expense Reports
• Expense reports must be submitted with all appropriate documentation by 6/30/2022.
• Final May and June direct bill airfare will be split by Travel & Expense Office according to trip date and posted in the appropriate fiscal year.
Reminders – Accounts Payable

**Invoice Entry: while period 12 is still open**
- Goods or Services received prior to June 30th
- Process invoices using June transaction date

**Invoice Entry: during period 14**
- Goods or Services received prior to June 30th
- **Process invoices as normal with 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 posted with 6/30 trans date in period 12!*
Resources

YEC Website:
https://fa.oregonstate.edu/year-end-closing

- Major Deadlines list
- YEC Instructions
- Accrual Templates (spreadsheets)
- Training Materials
Q + A