

YEAR-END CLOSING ACCOUNTING WORKSHOP

July 22, 2013



AGENDA & OBJECTIVES



Agenda

- Introduction & Objectives
- Treasurer's Office Update
- Cash Receipts Update
- Fiscal Month 13 Processing
- Grant Deferred Revenue Processing
- Working with External Auditors
- Internal Control
- FAACS Update

Lunch Break (12:00 – 1:15 pm)

- Government Accounting Review
- Governmental Funds Transactions – Exercise #1
- Grant Revenue and Deferred Revenue - Exercise #2
- Approach to Year End Analysis - Exercise #3
- Financial Statement Preparation - Exercise #4



Objectives for the Day

- Review of basic governmental accounting
- Getting updated on processes new to this FY
- Committing to year-end closing & FAACS deadlines
- Understanding basics about using estimates
- Recording common year-end activity in FAMIS
- Recording grant activity and deferred revenue
- Working with external auditors
- Understanding internal control & new COSO framework



TREASURER'S OFFICE UPCOMING CITYWIDE POLICIES ON CASH MANAGEMENT AND PROCESSING



Bank Accounts

- Approval to open
- Closure
- Signature changes

Collections & Deposits

- US checks only and Money Orders; no foreign currencies
- Departmental decisions on check acceptance
 - NSF offenders
- Approach Treasurer's Office for assistance in banking services needs
- Timely depositing of funds collected



Disbursements

- Outstanding checks
- Revolving fund replenishment

Fraud Control

- ZBA accounts and Positive Pay

Third Party Contracts

- Approval on collection services contracts – PCI
- Contract monitoring
 - PCI
 - Controls
- Internal control procedures and narratives

Credit Card Processing & Chargeback Issues

- Always swipe the card; avoid keying the numbers
- Refunds on credit card transactions
- Fraud detection

Future Changes

- Bank Service Charges and Credit Card Fees
- Depository Accounts and NSF's
- PCI
- Citywide Training/Seminar to be provided by new Banking Partners
- BofA
- BAMS/First Data



CASH RECEIPTS

Year End Related

- Time of recording for year end
 - Cash deposits on or before June 30, 2013 should be recorded in FAMIS as FM12 FY13 transactions. Cash deposits on and after July 1, 2013 should be recorded as FM01 FY14 transactions.
- Depository bank account year end reconciliation
 - All ZBA depository bank accounts in the Treasurer's Group of Accounts Trial Balance (Screen 6400, Fund Type 99, Fund 999 & Subfund 999) must show a zero balance as in your bank statements.

Treasurer's Group Of Accounts Trial Balance

FAML6400 V5.1

CITY AND COUNTY OF SAN FRANCISCO--NFAMIS

07/09/2013

LINK TO:

TRIAL BALANCE INQUIRY

3:24 PM

FISCAL MO/YEAR : 12 2013

CURRENCY CODE :

FUND TYPE : 99

TREASURER'S GROUP OF ACCOUNTS

FUND : 999

TREASURER'S GROUP OF ACCOUNTS

SUBFUND : 999

TREASURER'S GROUP OF ACCOUNTS

S ACCT	DESCRIPTION	JUNE 2013	BALANCE
1028	SFUSD - DIRECT PAYROLL DEPOS	26,273,625.85	50,236,584.30
✓ 1029	BOA-PUBLIC HEALTH STD CREDIT	0.00	0.00
1030	TAX COLLECTOR ONLINE DOG LIC	-2,419.78	-2,910.78
1031	BOA-PARK & TRAFFIC CIBER CRED	4,701.00	4,701.00
1032	BOA-FIRE DEPT. CREDIT CARD P	-15,549.20	-10,380.00
1034	BOA-AIRPORT CREDIT CARD	-168,678.95	-170,910.36
✓ 1036	BOA-BUILD INSPECT CIBER CRED	0.00	0.00
1038	BOA-MEDICAL EXAMINER - CREDI	-4,013.50	10,474.50
1039	BOA-SUPERIOR COURT - CREDIT	-1,583.00	-141.01
1043	BOA-SFMTA TAXI SERVICES	-3,554.40	-3,554.40
✓ 1044	BOA-ASSESSOR-RECORDER CREDIT	-1,657.50	0.00
✓ 1045	BOA-DA'S REIMBURSEMENT FUND	0.00	0.00

F1-HELP

F2-SELECT

F4-PRIOR

F5-NEXT

F7-PRIOR PG

F8-NEXT PG

F9-LINK

G010 - PRIOR PAGE DISPLAYED



Bank Deposit Transaction Codes

- Which T/C to use for bank deposit, 701 or 703?
 - Use T/C 701 for deposits to accounts WITH bank activity updates for **manual deposits**
 - Use T/C 703 for deposits to accounts:
 - WITHOUT bank activity updates and
 - WITH bank activity updates for **electronic deposits**
- If not sure whether your account has bank activity updates, go to screen 6400 and look for 3XXX accounts.

To See If Incorrectly Used T/C 701

FAML6400 V5.1		CITY AND COUNTY OF SAN FRANCISCO--NFAMIS		07/09/2013	
LINK TO:		TRIAL BALANCE INQUIRY		3:54 PM	
FISCAL MO/YEAR : 12 2013		CURRENCY CODE :			
FUND TYPE : 99		TREASURER'S GROUP OF ACCOUNTS			
FUND : 999		TREASURER'S GROUP OF ACCOUNTS			
SUBFUND : 999		TREASURER'S GROUP OF ACCOUNTS			

S ACCT	DESCRIPTION	JUNE 2013		BALANCE	
299999	O/S CHECK CLEARING	-9,700,081.97		-70,998,979.53	
3002	ERRONEOUS BANK UPDATE-1002	0.00		-346,086.00	
3005	TITLE NOT ON FILE	-1,358.00		-1,358.00	
3009	TITLE NOT ON FILE	0.00		-15,625.45	
3022	TITLE NOT ON FILE	0.00		5,333.84	
3029	TITLE NOT ON FILE	-60,591,829.94		-83,737,139.35	
3038	TITLE NOT ON FILE	0.00		15,572.00	
3051	BOA-MAIN DEPOSITORY ACCOUNT-	1,346,287.57		-1,287,788.07	
3059	BOA-TREAS/TAX COLL-O/S DEPOS	60,529,052.68		134,102,464.89	
3102	BOA-DPT DEPOSITORY ACCOUNT-B	584,726.73		971,907.12	
3119	BOA-DPH DEPOSITORY ACCOUNT-B	-13,743.96		-13,743.96	
3121	BOA-MTA DEPOSITORY ACCOUNT-B	-908,979.32		-908,979.32	
F1-HELP F2-SELECT		F4-PRIOR		F5-NEXT	
F7-PRIOR PG F8-NEXT PG		F9-LINK			
EOD10 - PRIOR PAGE DISPLAYED					

For each 1XXX account that has bank activity update, there's a corresponding 3XXX account. If the 3XXX account shows "Title Not on File", the 1XXX account does not have bank activity update and the department must have incorrectly used T/C 701 to record the deposit.



Bank Accounts with Bank Activity Update

- Current bank accounts that have bank activity update:
 - 1050 BOA-TREASURER'S DISBURSING ACCOUNT
 - 1051 BOA-MAIN DEPOSITORY ACCOUNT
 - 1059 BOA-TREASURER/TAX COLLECTOR #1
 - 1102 BOA-DPT DEPOSITORY ACCOUNT
 - 1119 BOA-DPH DEPOSITORY ACCOUNT
 - 1121 BOA-MTA DEPOSITORY ACCOUNT
 - 1129 BOA-PUC/WATER DEPOSITORY ACCOUNT
 - 1133 BOA-MTA-PARKING GARAGES DEPOSITORY ACCT
 - 1139 BOA-REC DEPOSITORY ACCOUNT
 - 1190 BOA-SFO DEPOSITORY ACCOUNT



FISCAL MONTH 13 PROCESSING



What is Fiscal Month 13 Used For?

- Fiscal Year adjusting entries
- GAAP and Balance Sheet Adjustments
- Significant Adjusting Entries
- Auditor Required Entries
- Expenditure Accruals
- Deferrals
- Estimates

Entries should be material (i.e. > \$100K)



Fiscal Month 13 -Estimates

- Expenditure Estimates----Develop these when invoices are not available or processed but goods, services have been received.
- Revenue Estimates --- In general, departments should not be booking increase to revenues based on estimates without backup documentation.
- Please contact your Fund Accountant to discuss this topic before making entries.

Estimate Deadlines

- **August 2** - Departments email Controller's Fund Accountant **if they believe they may need estimates to close FY13.** Identify the fund, sub-fund, sub-object involved and a brief explanation of proposed methodology. Controller's staff will then communicate with auditors and department about the approach.
- **August 9** - Departments in consultation with Controller's Office decides if, in fact, estimates will be used and the agreed upon methodology.
- **August 22 – Sept 5** - Complete Estimate-based entries.
(Note – this is one week earlier than FM 13 close.)



Fiscal Month 13 – Expenditure Accruals

- Invoices received but not processed for Goods or Services received on or before June 30
- Invoices can be combined into one Accrual Entry per cost center
- Expenditure accruals must be posted in FM 13
- Threshold > \$100,000 for cost center



Fiscal Month 13 –FAMIS Processing

Available August 22 – September 12, 2013

Document Prefix “YEXX”

- Use **AJ** (non-rimshell) and **YE** (rimshell) for entries
- Balance Sheet, GAAP, & Financial Statement entries

Document Prefix “YAXX”

- Use **YA** (non-rimshell) and **YR** (rimshell) for entries
- Operating Balances & Non-GAAP entries



Other – Let us know if you have:

- GASB 49 – Pollution Remediation Liabilities that impact FY2013 and Beyond...
- Long-term Liabilities:
 - Contract with any outside agencies (e.g., the State, financial institutions, HUD, etc) in any debt related agreement (Capital Lease, Loan, Note, etc)

DEFERRED REVENUE PROCESSING



Processing Key Dates

- 10/28
 - Revenue Deferral Cutoff Date (120 Days after year-end)
- 9/16
 - FAMIS extract by Controller's Office
 - FY13 receivable balance
 - Subsequent year related cash collection
- (after FM13 close)
- 10/18
 - Deferred Revenue Analysis file due
 - With revenue deferral entries created
- 10/28 -11/1
 - Revenue deferral entries posted (Fund Accountant teams)

Important Notes for FY13 Processing

- No materiality threshold
 - Defer even under \$100K
- Follow up with grantors
- Check unidentified receipts
- Collections after analysis file submitted
 - Contact Fund Accountant teams

Revenue Deferral Entry

FAML6300 V5.1
LINK TO:

CITY AND COUNTY OF SAN FRANCISCO--NFAMIS
TRANSACTION DETAIL INQUIRY

07/09/2013
4:53 PM

DOCUMENT -- POST PERIOD -- POST DATE ----- POSTED BY ----- UNIT
YAED12000005 01 13 2012 ADADJ2012 10/26/2012

TRANS CODE : 671R INCREASE REVENUE (GAAP) DEBIT GL ACCTS WITH SUBSID (NP
DOCUMENT REF : NOTEPAD : Y
TRANS DESC. : DEFER REVENUE FOR FY2011-12
AMOUNT : -146,535.71 DUE DATE : SINGLE CHECK :
VENDOR NUMBER :
INDEX CODE : 771110 FY11 EMERGENCY MGMT PERFORM GRANT
SUB-OBJECT : 44931 FEDERAL GRANTS PASS-THROUGH STATE/OTHER
USER CD :
GRANT / GR DTL : EDEMPG 11ED FY 10 EMPG PERSONNEL COST, DES
PROJ / PJDTL :
START DATE : END DATE :
G/L / SUBSID : 224 YEACCR SYSTEM GRANT YEAR-END ACCRUALS
BANK NO/ SUBSID :
TREAS NUM :
CURRENCY CODE : CONV DATE : FRGN CURR AMT:
F1-HELP F4-PRIOR F5-NEXT
F9-LINK F11-NOTEPAD F12-APPR HIST

3014 - RECORD FOUND



Notepad

FAML1010 V5.1

CITY AND COUNTY OF SAN FRANCISCO--NFAMIS
NOTEPAD

07/09/2013
4:56 PM

ATTACHED TO : DOCUMENT NUMBER : YAED12000005 01
PAGE : 01 OF 01

THIS IS TO DEFER REVENUE FOR FY2011-12.

RELATED RECEIVABLE GL AND SUBSIDIARY: GL 120, SUBSIDIARY: YEACCR, FUND 2SPPF.

F1-HELP F2-TOP F3-COPY LINE F4-AUDIT F5-INS LINE F6-INS PAGE
F7-PRIOR PG F8-NEXT PG F10-SAVE

2014 - RECORD FOUND



Analysis File

- See handouts – Deferred Revenue Analysis Sample File.

GUIDELINES FOR WORKING WITH EXTERNAL AUDITORS



Working with External Auditors

The auditors perform interim field work in May, June and July when they:

- Plan their engagement – deciding what their audit focus will be
- Update their understanding of internal controls
- Conduct walk-throughs of our control processes
- Test a small sample of transactions to review backup documents, authorizations, approvals, verifications and reconciliations

The auditors perform final work from September to November when they may:

- Review FAMIS and other financial systems and interfaces
- Test a larger sample of transactions
- Review complete Financial Statements

Working with External Auditors

Our responsibility is to meet with the auditors and provide them with all the information they need to complete their audit in a timely manner.

For Enterprises that means final printed financial statements will be issued no later than October 25, 2013.

For all other City Departments, the audit must be completed* by mid-November, so that we can issue the City's Comprehensive Annual Financial Report (CAFR) by November 27, 2013.

*Completed = All questions and issues have been resolved to the auditors' satisfaction.



Auditor Focus

Auditor will focus on transaction streams - examples include:

- Cash receipts/revenue
- Cash disbursements/procurement
- Fixed Assets
- Payroll (Expense and Accrual)
- Loans Receivable
- Long Term Debt (Loans Payable and Bonds)
- Treasury and investment Activity
- Financial reporting/journal entries



Transactions Auditors Focus on

Auditor will focus on transaction streams examples below.

(Note...this is NOT an all inclusive list. Other things may be appropriate depending upon the specific situation and testing)

- **Cash receipts/revenue**

- Auditor will review bank statements, reconciliations, deposit slips, FAMIS transactions - including notepads, cash collection points, analyze major revenue streams such as property taxes, grants, licenses, fees and permits, etc.

- **Cash disbursements/procurement**

- Auditor will review purchase orders, invoices, FAMIS transactions - including notepads, Purchasing (ADPICS) transactions, contracts, packing slips, etc.

Transactions Auditors Focus on (Cont'd)

- **Fixed Assets**

- Auditor will review purchase orders, invoices, FAMIS transactions - including notepads, Purchasing (ADPICS) transactions, contracts, and meet with project managers, accountants, finance managers, etc.

- **Payroll Expense and Accrual**

- FAMIS and LDS transactions, timesheets, employee payroll files, payroll audits, other payroll reports, payroll tax returns, re-compute payroll accrual calculation, etc.

- **Loans Receivable**

- Auditor will review Loan portfolios, loan agreements, review loan policies and procedures, FAMIS transactions - including notepads, etc.



Transactions Auditors Focus on (Cont'd)

– Long Term Debt (Loans Payable and Bonds)

- Auditor will review loan agreements, review loan policies and procedures, FAMIS transactions - including notepads, etc., bond documents, resolutions, offering statements, election documents authorizing bonds, etc.

– Treasury and investment Activity

- Auditor will review Investment portfolios, FAMIS transactions - including notepads, bank statements, Treasury Audits, Treasury Oversight Committee minutes, etc.

– Financial reporting/journal entries

- Auditor will review policies and procedures for financial reporting, financial statements, FAMIS transactions - including notepads, all pertinent back-up documentation deemed necessary by the auditors, etc.



Definitions of Management Assertions

- **Completeness**
 - Everything that should be in the financial statements (FS) is included.
- **Existence**
 - Everything reported in the FS actually exists.
- **Accuracy**
 - Everything has been recorded accurately by the information systems, including the accounting system.
- **Valuation**
 - Everything in the FS is shown at the appropriate amount.
- **Presentation**
 - Everything is properly classified.
 - Everything is described and disclosed in accordance with
 - Applicable accounting principles
 - Legal requirements
 - Understandability (clarity)



INTERNAL CONTROL



What is Internal Control?

Internal control is a **process**, affected by an entity's board of directors, management, and other personnel [**people**], designed to provide **reasonable assurance** regarding the achievement of **objectives** in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance w/ applicable laws and regulations



Five Elements of Internal Control

- Control Environment
- Risk Assessment
- Control Activities
- Information & Communication
- Monitoring

Hot Off the Press

- COSO issued their long awaited updated to the 1992 framework May 14, 2013
- This update addresses changing expectations, increased regulation and the pervasiveness of technology.
- The most notable of the changes is the addition of “embedded principles” and “attributes” to the five elements.
- This additional “flesh on the bones” can be used by auditors and management alike to better evaluate effectiveness of internal controls.

The COSO Cube



Control Environment/Tone at the Top

Most important of the Five Essential Elements

- Five embedded principles:
 - Demonstrates a commitment to integrity and ethical values.
 - The board of directors demonstrates independence from management and exercises oversight responsibility.
 - Management establishes with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
 - The organization demonstrates a commitment to attract, develop and retain competent individuals in alignment with its objectives.
 - The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.



Risk Assessment

- Risk Assessment has four embedded principles:
 - Specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
 - Identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis of determining how the risks should be managed.
 - Considers the potential of fraud in assessing the risks to the achievement of its objectives.
 - Identifies and assesses changes that could significantly impact the system of internal control.

Control-Related Policies & Procedures

- Procedures must be developed at department level. Not just “Follow Controller’s Guidelines.”
- Procedures should reflect actual current processes.
- Procedures should be communicated to employees (i.e. Do they know where on the network / intranet / filing cabinet to look?).
- Employees should receive periodic training on procedures.



Information & Communication

Takeaways:

- Actions communicate louder than words
 - Your employees see everything.
 - What you say and do communicates but...
 - What you don't say or do communicates just as much.
- Communication in all directions only works if management is accessible and encourages it.
- Policies are a must but only a starting point.
- Reinforcement of positive behavior is just as important as censure for undesired behavior.

Monitoring

- There are two embedded principles for Monitoring:
 - Selects, develops and performs on-going evaluations to ascertain whether IC are present and functioning.
 - Evaluate and communicates IC deficiencies in a timely manner to those responsible for taking corrective action.



Internal Control

- Questions to ask yourself:
 - Do you know who to order office supplies from? Who is the backup? Does your manager know?
 - Do you have a process for approving timesheets?
 - Can someone in your office order something and sign off on the invoice?
 - In an emergency, can someone walk in and perform a process?
- How to update (or create) internal control procedures?
 - Start small
 - Make it an ongoing process to create and update

FIXED ASSETS ACCOUNTING AND CONTROL SYSTEM (FAACS)

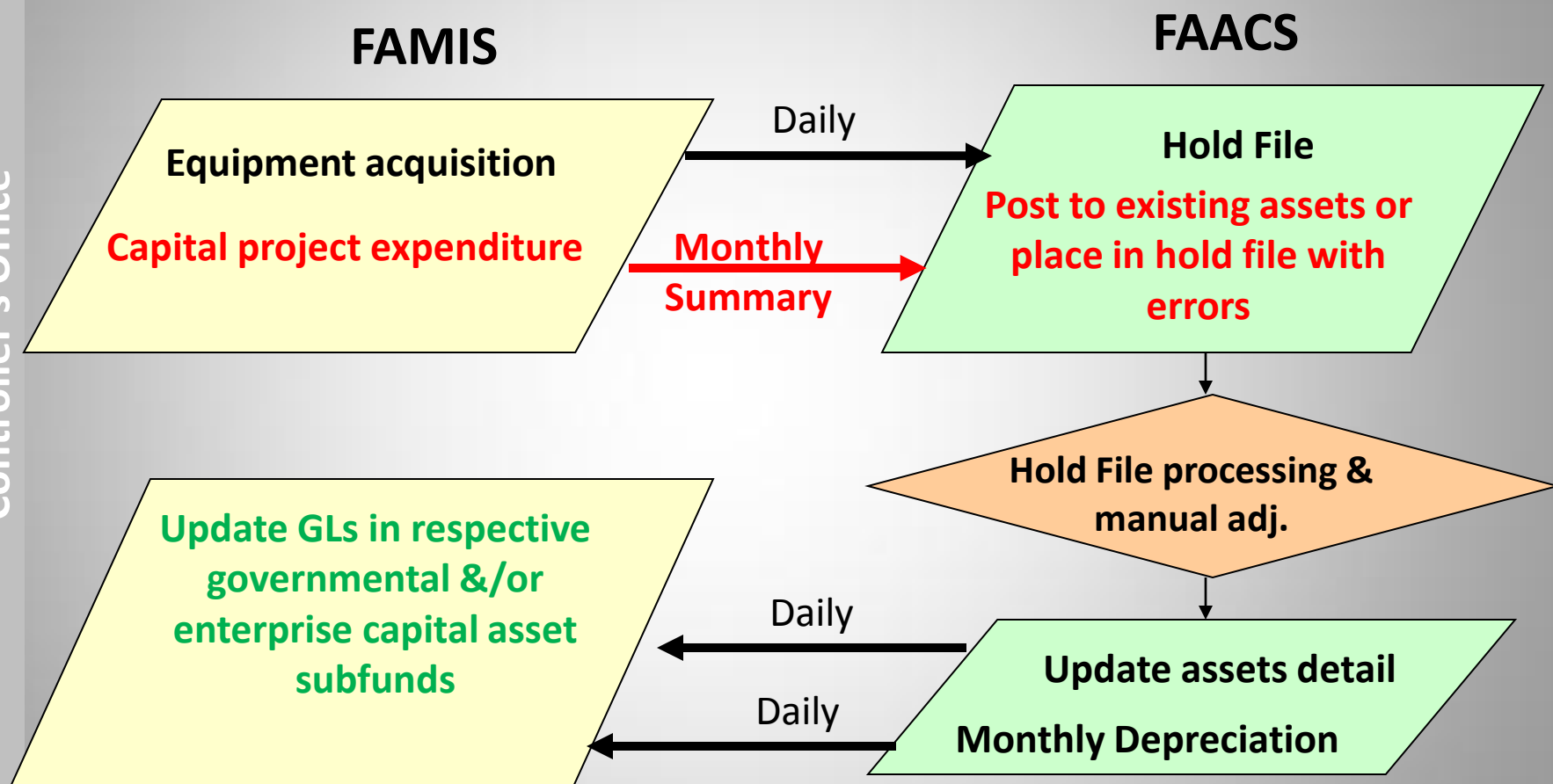


CCSF Capital Assets Accounting

- FAACS on-line departments:
 - Governmental funds: DPW, DPH, Emergency Management, Police
 - Enterprise funds: PUC, MTA, Laguna Honda Hospital
- FAACS off-line departments:
 - The rest of the governmental fund departments.
- Non-FAACS departments:
 - Airport, Port, SF General Hospital, Internal service fund depts, e.g. Central Shop, Reproduction.



CCSF Capital Assets Accounting



Capital Assets Accounting – Year End Timeline

- 1st FM 12 Depreciation August 25, 2013
- Last Day to clear HoldFile:
 - On-line Departments:
 - Governmental funds: August 23, 2013
 - Enterprise funds: August 23, 2013
 - Off-line Departments Return by July 26, 2013
- Last Depreciation September 15, 2013



FAACS Online Department Key Dates

- Complete FAACS Equipment and Retired/Disposed Assets input;
Updating New Projects and Current CIP by Friday, **August 23, 2013.**
- **Depreciation Processing FM 12**
 - Sunday, August 25, 2013 (First month 12 Depreciation)
 - Sunday, September 01, 2013
 - Sunday, September 08, 2013
 - Sunday, September 15, 2013



FAACS Online Department Key Dates (Cont.)

- **Project Summary Activity**

- June Activity on Sunday, July 07, 2013
- July Activity (FM 12) on Sunday, August 4, 2013
- Aug Activity (FM 12) on Sunday, August 11, 2013
- Aug Activity (FM 12) on Sunday, August 18, 2013
- Aug Activity (FM 12 & 13) on Sunday, August 25, 2013
- Sept Activity (FM 13) on Sunday, September 01, 2013
- Sept Activity (FM 13) on Sunday, September 08, 2013
- Sept Activity (FM 13) on Sunday, September 15, 2013



FAACS Calendar

2013	JULY						2013
SUN	MON	TUE	WED	THU	FRI	SAT	
	1	●	3	★	5	6	
7	8	9	10	11	12	13	
14	15	●	17	18	19	20	
21	22	23	24	25	●	27	
28	29	●	31				

2013	AUGUST						2013
SUN	MON	TUE	WED	THU	FRI	SAT	
				1	2	3	
4	5	6	7	8	9	10	
●	12	●	14	15	16	17	
18	19	20	●	22	23	24	
●	26	●	28	29	30	31	

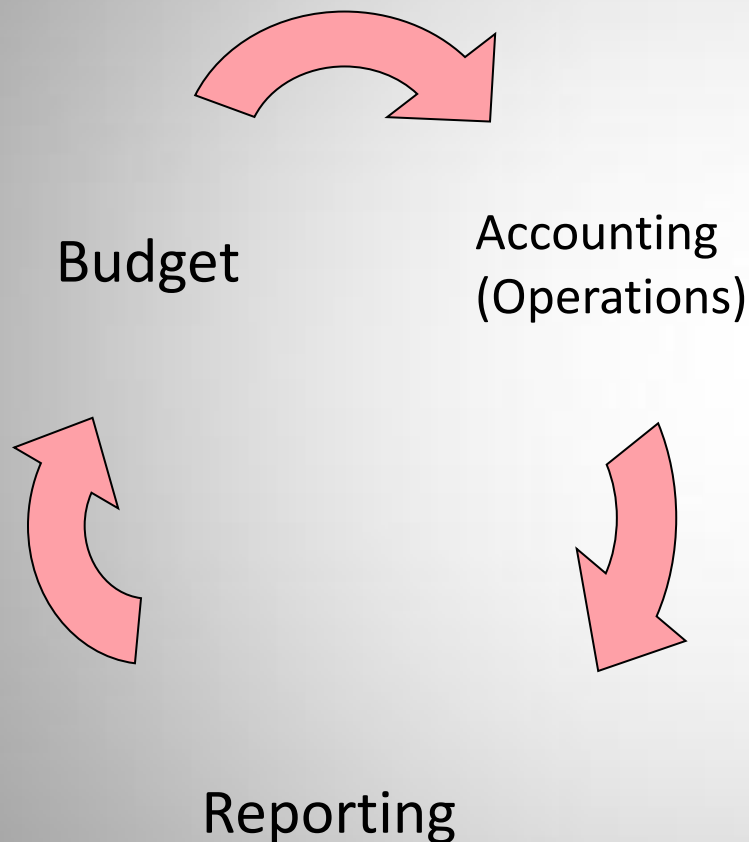
2013	SEPTEMBER						2013
SUN	MON	TUE	WED	THU	FRI	SAT	
1	★	3	4	5	6	7	
8	9	●	11	●	13	14	
●	16	17	18	19	20	21	
22	23	●	25	26	27	28	
29	30						



GOVERNMENTAL ACCOUNTING REVIEW



Budget to Reporting Cycle



- **Budget Preparation** – Mayor
 - Provides instructions
- **Budget Adoption** – Board of Supervisors
 - Reviews Budget submission
 - Passes Annual Appropriation Ordinance (AAO)
- **Operations**
 - July 1 to June 30
- **Reporting**
 - Budget vs. Actual Reports
 - Year End
 - Enterprise Financial Statements
 - GAAP Statements
 - CAFR

Governmental Accounting Equation

Assets

-

Liabilities

=

Fund Balance/Net Assets*

Asset Accounts

Examples:

Cash
Receivables
Investments
Prepaid Items**
Inventory**

Liability Accounts

Examples:

Accounts Payable
Accrued Liabilities

Fund Balance/Net Asset Accounts

Examples:

Non-spendable Fund Balance
Restricted Fund Balance
Committed Fund Balance
Assigned Fund Balance
Unassigned Fund Balance
Restricted Net Assets
Unrestricted Net Assets

Operating Statement Accounts

Examples:

Revenues
Expenditures
Other Financing Sources
Other Financing Uses

Budgetary Accounts

Examples:

Estimated Revenues
Appropriations
Encumbrances
Estimated Other Financing Sources
Estimated Other Financing Uses

*Fund Balance for Governmental Funds

Net Assets for Proprietary/Fiduciary Funds

** If material in amount



Basis of Accounting

- What is the basis of accounting / measurement focus for **Governmental Funds**?
 - Modified Accrual
 - Current Financial Resources Focus
- What is the basis of accounting / measurement focus for **Proprietary Funds**?
 - Full Accrual
 - Economic Resources Focus

Basis of Accounting

- What does **Modified Accrual / Current Financial Resources** mean?
 - Focus on Short Term
 - Revenue for which cash received during year or very soon thereafter (120 day rule except for property tax)
 - Grant Revenue
 - Expenditures for goods/services received and related liability is due and payable
 - Accounts Payable, Accrued Payroll



Basis of Accounting

- What does **Full Accrual / Economic Resources** mean?
 - Focus on Short and Long-Term
 - All Revenue and Expenses during the year regardless of when cash is received
- Examples of Proprietary Funds?
 - Enterprise
 - Internal Service



Budgetary Accounts

1. Estimated Revenues = what you expect to receive during FY as revenue
2. Appropriations = what you are authorized to spend in FY (controlled by Allotment Accounts at CCSF)
3. Encumbrances = commitments to spend
4. Other Financing Sources = resources you expect to receive that are not revenues such as transfers from other funds or bond proceeds
5. Other Financing Uses = transfers to other funds



Budgetary Equation

Beginning Budgetary Fund Balance

(+) Estimated Revenue

= Available for Appropriations

Available for Appropriations

(-) Appropriations

= Estimated Fund Balance



Budgetary Equation

Beginning Budgetary Fund Balance	\$1,000
+ (Plus)	+
Estimated Revenues	<u>500</u>
= (Equals) Amount Available for Appropriation	\$1,500
- (Less)	—
Actual Appropriations	<u>\$1,350</u>
= (Equals) Estimated Ending Fund Balance	\$ 150



Annual 2013 Budget

City Department

Budget Sources

License Fees \$2.5 million (Est. Revenues)

Budget Uses

Materials & Supplies \$1.0 million (Appropriation M&S)

Government Accounting Entry			
Date	Event and General Ledger	Debit	Credit
7/1/12	Record FY 2013 Budget		
	Estimated Revenues	2.5M	
	Budgetary Fund Balance		2.5M
	Budgetary Fund Balance	1.0M	
	Appropriation - M&S		1.0M



GOVERNMENTAL FUNDS ENTRIES & CORRESPONDING FAMIS TRANSACTION CODES

(Exercise #1)



Recording the Budget

Budget was passed on July 1, 2012.

Estimated Revenues of \$500,000 in Federal Grant Revenue (Reimbursable), \$50,000 of Appropriations for Supplies, and \$450,000 of Appropriations for Non Profit Consulting Services.

		Debit	Credit
	Estimated Revenues	500,000	
	Appropriations		500,000

	FAMIS Transaction		
061	Other Increase to Estimated Revenues	500,000	
072	Other Increase to Allotted Expenditures Appn		500,000



Recording the Grant Advance

Record a Grant Advance from the Federal Gov for \$100,000 on July 2, 2012.

		Debit	Credit
	Cash	100,000	
	Grant Advance		100,000
	To record the grant advance from the Federal Government		
	FAMIS Transaction		
701	Cash Receipts Deposited Directly by Dept to Bank		
724	Cash (GL 101)	100,000	
	Grants Received in Advance (GL223)		100,000

Record Encumbrances

Record Encumbrances for Supplies in the amount of \$45,000 and Nonprofit Consulting Services of \$450,000 on July 3, 2012.

		Debit	Credit
	Encumbrance-Supplies	45,000	
	Encumbrance-Nonprofit Consulting Services	450,000	
	Reserve for Encumbrances		495,000
	To record encumbrances for supplies and consulting services		

	FAMIS Transaction		
140	Established a Non-ADPICS Encumbrance-Supplies (GL 470)	45,000	
	Established a Non-ADPICS Encumbrance-Nonprofit Consulting Services (GL 470)	450,000	
	Reserve for Encumbrances (GL 349)		495,000



Record Supplies Account Payable

Receive Supplies ordered on account for \$20,000 on July 26, 2012 - record account payable transaction and liquidate related encumbrance.

		Debit	Credit
	Supplies	20,000	
	Accounts Payable		20,000
	Reserve for Encumbrance	20,000	
	Encumbrance-Supplies		20,000
	To record account payable and encumbrance liquidation		
	FAMIS Transaction		
215	Establish a V/P-Encumbered Expenditures (GL 431)	20,000	
	Vouchers Payable (GL 201)		20,000
(The 215 transaction will automatically generate the 156 TC in FAMIS)			
156	Reserve for Encumbrance (GL 349)	20,000	
	Encumbrance-Supplies (GL 470)		20,000



Record Payment

Record liquidation of Account Payable and decrease in cash of \$20,000 on July 27, 2012.

		Debit	Credit
	Accounts Payable	20,000	
	Cash		20,000
	To liquidate accounts payable for supplies expense		

	FAMIS Transaction		
260	Vouchers Payable (GL 201)	20,000	
	Cash (GL 101)		20,000



Record Services Accounts Payable

Record an Account Payable transaction and liquidate encumbrance for Nonprofit Consulting Services in the amount of \$150,000 on December 14, 2012.

		Debit	Credit
	Non-Profit Consulting Services	150,000	
	Accounts Payable		150,000
	Reserve for Encumbrance	150,000	
	Encumbrance-Non-Profit Consulting Svc		150,000
	To record account payable and encumbrance liquidation		
	FAMIS Transaction		
215	Establish a V/P-Encumbered Expenditures (GL 431)	150,000	
	Vouchers Payable (GL 201)		150,000
(The 215 transaction will <i>automatically generate</i> the 156 TC in FAMIS)			
156	Reserve for Encumbrance (GL 349)	150,000	
	Encumbrance-Nonprofit Consulting Svc (GL 470)		150,000



Record Payment

Record liquidation of Account Payable and decrease in cash of \$150,000 on Dec 17, 2012.

		Debit	Credit
	Accounts Payable	150,000	
	Cash		150,000
	To liquidate accounts payable for supplies expense		

	FAMIS Transaction		
260	Vouchers Payable (GL 201)	150,000	
	Cash (GL 101)		150,000



Record Revenue and Receivable

Assume you have prepared and submitted a Claim for Reimbursement to Federal Government on January 15, 2013 for Supplies and Consulting Services of \$170,000. Record the related revenue and receivable transactions. Remember to recognize the Grant Advance received on July 2, 2012.

		Debit	Credit
	Accounts Receivable	70,000	
	Grant Received in Advance	100,000	
	Revenue-Federal Grants		170,000
	To record grant revenue and receivable, and recognize advance		
	FAMIS Transaction		
528	Grants Receivable (GL 120)	70,000	
526	Grants Received in Advance (GL 223)	100,000	
	Actual Sources (GL 411)		170,000



Record Cash Received

Record \$70,000 cash received on June 15, 2013 from the Federal Government for grant reimbursement related to claim submitted on January 15, 2013.

		Debit	Credit
	Cash	70,000	
	Accounts Receivable		70,000
	To liquidate accounts receivable for Federal grant revenue		

	FAMIS Transaction		
701	Cash Receipts Deposited Directly by Dept to Bank		
714	Cash (GL 101)	70,000	
	Grants Receivable (GL 120)		70,000



Record Account Payable

Record an Account Payable transaction and liquidate encumbrance for Nonprofit Consulting Services in the amount of \$200,000 on July 15, 2013 related to Federal grant expenditures for the year ended June 30, 2013.

		Debit	Credit
	Non-Profit Consulting Services	200,000	
	Accounts Payable		200,000
	Reserve for Encumbrance	200,000	
	Encumbrance-Non-Profit Consulting Svc		200,000
	To record account payable and encumbrance liquidation		
	FAMIS Transaction		
215	Establish a V/P-Encumbered Expenditures (GL 431)	200,000	
	Vouchers Payable (GL 201)		200,000
156	Reserve for Encumbrance (GL 349)	200,000	
	Encumbrance-Nonprofit Consulting Svc (GL 470)		200,000

Record Encumbrance Liquidation

Liquidate the remaining unused encumbrance amounts for the year ended June 30, 2013.

		Debit	Credit
	Reserve for Encumbrances	125,000	
	Encumbrance-Supplies		25,000
	Encumbrance-Non-Profit Consulting Services		100,000
	To close unused encumbrances at 6/30/13		
	FAMIS Transaction		
142	Reserve for Encumbrances (GL 349)	125,000	
	Encumbrance-Supplies (GL 470)		25,000
	Encumbrance-Non-Profit Consulting Svc (GL 470)		100,000



Record Revenue and Receivable

Assume you have prepared and submitted a Claim for Reimbursement to the Federal Government on July 31, 2013 for Nonprofit Consulting Services of \$200,000. Record the related revenue and receivable transactions.

		Debit	Credit
	Accounts Receivable	200,000	
	Revenue-Federal Grants		200,000
	To record grant revenue and receivable		

	FAMIS Transaction		
528	Grants Receivable (GL 120)	200,000	
	Actual Sources-Grants (GL 411)		200,000

Record?

Assume the \$200,000 cash from the Federal Government was not received by October 28, 2013. Record the transaction(s), if any.

		Debit	Credit
	Revenue-Federal Grants	200,000	
	Deferred Federal Grant Revenue		200,000
	To defer grant revenue not received within 120 days of year-end		

	FAMIS Transaction		
671R	Actual Sources-Grants (GL 413)	200,000	
	Deferred Grants and Subventions (GL 224)		200,000

Record ?

Received \$200,000 cash on November 5, 2013 from the Federal Government related to claim reimbursement submitted on July 31, 2013 for the Nonprofit Consulting Services expenditure incurred in FY13.

There is no FY 13 “accounting event” for this BUT there is an entry in FY 14 when the cash is actually received.

GRANT REVENUE & DEFERRED REVENUE

(Exercise #2)



Exercise 2 - Grants

- The availability period for recognizing grant revenue is 120 days after the end of the fiscal year.
- A reimbursable grant has a period of July 1, 2012 – June 30, 2013. The grant is \$5 million.
- Reimbursements prior to June 30 have been received for \$4 million. The reimbursements cover the first 9 months of the grant period.
- The fiscal year is July 1 – June 30.

Exercise 2 – Grants (Cont'd)

- Reimbursement requests to June 30, 2013 are received as follows:
 - July 30 - \$350,000 (April billing)
 - August 30 - \$300,000 (May billing)
 - November 15 - \$300,000 (June billing)
- There are no outstanding receivables after November 15, 2013.



Exercise 2 – Grants (Cont'd)

- Prepare the balance sheet and operating statement to show the revenue recognized and outstanding receivables:
 - If **accrual** accounting is used
 - If **modified accrual** accounting is used

Grants Balance Sheet & Operating Statement

Account Balances

- Modified accrual
 - Assets
 - Cash - **\$0**
 - A/R - \$950,000
 - Liabilities
 - A/P - \$ 950,000
 - Def rev - \$300,000
 - Fund Balance
 - \$(300,000) Dr. Balance
 - Revenue
 - \$4,650,000
 - Expenditures
 - \$4,950,000
- Accrual
 - Assets
 - Cash - **\$0**
 - A/R - \$950,000
 - Liabilities
 - A/P - \$950,000
 - Def rev - \$ 0
 - Net Assets
 - **\$0**
 - Revenue
 - \$4,950,000
 - Expenses
 - \$4,950,000



APPROACH TO YEAR-END ANALYSIS

(Exercise #3)



Year End Analysis

Assume it is July 22, 2013:

You must analyze the Purchase Orders your department or unit has to determine if you need to make payments, liquidations or accrual entries for FY 2013.

- What do you need to know?
- Where do you get the information?
- Who else in your department might be involved?

A Project Manager comes to you with outstanding invoices on a construction project worth \$50,000:

- What do you need to know to make the proper entries?
- What would those entries be?



Year End Analysis (Cont'd)

Purchase Orders – Things to ask or do:

- When are the invoices due?
- Do the invoices need to be billed to a work order?
- Is this the final invoice for the Purchase Order? If so, should we liquidate the encumbrance?
- Were the invoices encumbered?
- When was the service performed? Which fiscal year?
- Work with program / contract manager now!

Year End Analysis (Cont'd)

Assume it is July 22, 2013:

You must analyze the **work orders** your department or unit has as the performing department to determine what entries you need to make for FY 2013.

- What do you need to know?
- Where do you get the information?
- Who else will be involved?



Year End Analysis (Cont'd)

Performing Department Work Orders –Things to ask or do.

- Did we satisfy the requirements of the MOU?
- Is all the appropriate documentation in place?
- Ensure services have been performed – work with Project Manager/Client dept.
- Billings should be based on actual services, not to budget
- Complete billings on time and accurately
- Bill throughout year. Don't wait until end!



Year End Analysis (Cont'd)

Assume it is July 22, 2013:

You must analyze the **work orders** your department or unit has as the requesting department to determine what entries you need to make for FY 2013.

- What do you need to know?
- Where do you get the information?
- Who else will be involved?

Year End Analysis (Cont'd)

Work Orders when you are the Requesting Department - Things to ask or do.

- What Work Orders are outstanding?
- What are the Work Order amounts?
- Were the services performed completely?
- Have the requirements of the MOU been met?
- Cancel unnecessary Work Orders or reduce balances as appropriate.
- Need to carry forward?



CLOSING ENTRIES

Year-End Closing Entries

- Closes operating balances
- Closes budget balances
- Calculates year end fund balance
- All closing entries are automated and posted to Fiscal Month 14

Annual 2013 Budget

City Department

Budget Sources

License Fees \$2.5 million (Est. Revenues)

Budget Uses

Materials & Supplies \$1.0 million (Appropriation M&S)

Government Accounting Entry

Date	Event and General Ledger	Debit	Credit
7/1/12	Record FY 2013 Budget		
	Estimated Revenues	2.5M	
	Budgetary Fund Balance		2.5M
	Budgetary Fund Balance	1.0M	
	Appropriation - M&S		1.0M



Closing Entries

- When? Fiscal Year End
- How? Close budgetary and operating accounts to Fund Balance.

Accounting Event: Closing entries at year-end.

		Debit	Credit
	Appropriations	1.0M	
	Estimated Revenues		2.5M
	Budgetary Fund Balance	1.5M	
	Revenues	5,000	
	Fund Balance	19,875	
	Expenditures		24, 875



FINANCIAL STATEMENT PREPARATION

Exercise #4



Exercise 4 - Prepare Financial Statements

Use the journal entries from Exercise #1 and fill in the missing numbers on the Financial Statements on the next slide. Cash Balance is \$300K and Fund Balance at 7/1/12 is \$300K.

Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the FYE 6/30/13

My Mythical Town Balance Sheet For the Year Ended 6/30/13

Assets:	
Cash	\$ 300,000
Grant Receivable	<u>200,000</u>
Total Assets	<u>\$ 500,000</u>
 Liabilities and Fund Balance:	
Account Payable	\$200,000
Deferred Revenue	<u>200,000</u>
Total Liabilities	<u>\$400,000</u>
 Fund Balance	 <u>\$100,000</u>
Total Liabilities and Fund Balance	<u>\$500,000</u>

My Mythical Town Statement of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended 6/30/13

Revenues:	
Federal Grants	<u>\$ 170,000</u>
Expenditures:	
Supplies	\$ 20,000
Nonprofit Consulting	<u>350,000</u>
Total Expenditures	<u>\$ 370,000</u>
Excess of Expenditures Over Revenues	<u>\$ (200,000)</u>
Fund Balance at 7/1/12	<u>\$ 300,000</u>
Fund Balance at End of Year	<u>\$ 100,000</u>



Questions

