

SECTION 12 – YEAR END ACCRUALS

Overview

The District's fiscal year ends on August 31st. For a period of time in September, both the old fiscal year and the new fiscal year are considered "open" and transactions (both revenues and expenditures) are recognized or charged to either the old year or the new year depending on certain criteria. The criteria guiding which year an expenditure is charged to is governed by Generally Accepted Accounting Principals (GAAP) and affects the Financial Statement's presentation. GAAP requires that the District record its expenditures on an accrual basis. This means expenditures should be recognized in the period in which the benefit is received, regardless of when payment is made.

Accounts Payable Expenditure Accruals

The Accounting Office processes special accrual runs for invoices covering goods received and services rendered by 8/31/200X. Special criteria apply to school orders to govern the year in which an expenditure transaction is charged. Invoices must be received by a September deadline within the open period in the Accounting Office (said deadline is announced each year by Accounting).

Payroll Accrual

The Payroll Office processes a special payroll run of timesheets for work performed before 8/31 so that the expenditures from those timesheets can be accrued to the proper year. Timesheets must be received by a September deadline in order to be processed in the special payroll accrual run (said deadline is announced each year by the Payroll Office).

Receipt and Revenue Accruals

Receipts and revenues processed during the months of August and September are either accrued as revenue or deferred as next year's revenue. For example, most receipts collected by schools during the registration period in August are considered next year's revenue. It is important that sites submit their Point of Sale Receipting System End-of-Period (EOP) reports timely for year end.

Inventory Accrual

Goods ordered on a Next Year's PO, where the goods are received by or before August 31, are accrued/included as part of the asset inventory balance in the financial statements. Dates entered in IFAS's on-line receiving module should be the actual date the goods were physically delivered to the site.

Prepaid Items

Services for next year that are paid for with this year's funds are accrued as a prepaid item in the financial statements, while the actual expense is charged to the next year. There are limited examples where this is appropriate, such as payments made in June for subscriptions and registrations for next year.

This Year vs. Next Year PO – Impacts on Financial Statements

The fiscal year ends on August 31st. The Accounting Office is able to differentiate and charge expenditures to the new year or accrue the expenditure to the old year during a short open period in September. Accounting largely relies on the year the PO is encumbered (this year vs. next year) to drive how the expenditure is charged based on the following set of assumptions:

THIS YEAR PO – Current Fiscal Year	NEXT YEAR PO – Next Fiscal Year
Services completed before 9/1.	Services to be completed on or after 9/1.
Registration for training, conferences, or workshops held before 9/1.	Registration for training, conferences or workshops held on or after 9/1.
Materials/Supplies for immediate use in your school.	Materials/Supplies to be used in the next school year.
Annual Memberships/Dues paid no later than May 31 st .	Annual Memberships/Dues paid after May 31 st .
Computers/Equipment for immediate use, or for use in summer school.	Computers/Equipment to be used starting in September.

Schools: When talking about supplies, “immediate use” means the supplies purchased will be put into use immediately and the bulk of them will be consumed before the start of the new school year. If you are a school site purchasing supplies/goods in June, unless it is for an activity that will transpire over the summer, the likelihood is that those goods are to benefit the coming school year period (not the school year period that is coming to a close). Therefore, the PO should be for next year.

The date sites are allowed to begin encumbering next year POs is limited by the Finance Department to a date near the end of the school year.

Closing Out and Cleaning Up Outstanding Encumbrances

It is especially important near year end for sites to track their budgets, review transaction recap activity, and follow-up on their budget's outstanding open Purchase Orders. Accounting is also doing their part to assist by reviewing open PO status reports and contacting sites to resolve old outstanding open POs.

Date Received – Impact on Budget and Financial Statements

At the fiscal year end it is important to “on-line receive” your goods as soon as they are delivered and checked in. **The date you enter goods/services as “received” via the on-line receiving system is also a crucial factor reviewed by Accounting in determining the correct budget year to charge the expenditure or when to include it in the balance reported as inventory in the financial statements. See table illustration below:**

Which Year PO	Date Goods Received	How or Where Charged
Goods on a “next year” PO	Goods physically received by 8/31	<ul style="list-style-type: none">• Expenditure should be charged to the new budget year• May also be recognized as an inventory asset of the current year’s financial statements.
Goods on a “this year” current year PO	Goods physically received after 8/31	Expenditure will be charged to the new budget year.
Goods on a “this year” current year PO	Goods physically received by 8/31	Expenditure may be charged to the current budget year.

Note: In all cases, the date entered in IFAS’s on-line receiving module should be the actual date the goods were physically delivered to the site. The table above illustrates the assumptions used by accounting to determine proper treatment of each payables transaction at year end. The year in which the expense will be charged is not the only consideration. Whether it qualifies as inventory on hand at the time the books are being closed is important. If the goods qualify as inventory, it doesn’t impact a site’s expenditure budget, but, it is crucial to capture the value as an asset and an overall district liability on our financial statements. Meanwhile, payment will be made in the next fiscal year.

Journal Entries, Account Code Changes, Inter-Fund Billings

Schools are responsible for tracking and staying closely tuned to their budgets. Once the open period for the fiscal year has passed, journal entries, account code changes, and interfund billings can no longer be processed or posted to the old year. All transactions against the old year must be received in the Accounting Office by a September deadline (announced each year by the Accounting Office). It is important that schools timely submit correcting paperwork (Journal Entries, Account Code Changes) so that everything is in order by the time the year is officially closed.