Financial Management Office
Fiscal Year 2018 Accrual Process Presentation

Presented by
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Presentation Instructions

• Questions can be submitted to uhgalc@hawaii.edu
• Presentation will be posted to UH FMO website:
  ▪ http://www.fmo.hawaii.edu

Agenda

• FY2018 Year End Close Key Milestones
• Types of Accounting Accruals/Adjustments
  ▪ Fiscal Administrator Initiated Adjustments
  ▪ Central Office Initiated Adjustments
• Submission of JV Worksheets
FY2018 Year End Close Key Milestones

- Changes from Prior year and key items
  - KFS will be disabled on 7/1 at 7pm
  - 6/22/2018 – Last day for FA to approve salary transfer (ST) eDocs, including clean up of “clearing” (continuation) accounts
  - PCDOs with create dates through 6/14/2018 will be system approved at 8pm on 6/20/2018
  - Accounts Payable accrual will be based on vendor and sub-recipient invoices paid through 8/3 with service dates on or prior to 6/30/2018 in the UH KFS AP system (special handling for Bookstore MIT and construction invoices)
  - Record A/P over $100,000 not paid by 8/3/2018 via L-11 JV Worksheet
  - There will be no De Minimis for recording construction invoices

KFS Service Date Requirement

- What
  - Provide accurate service date information regardless of when a bill is being paid
  - If you have questions on the appropriate service date to use, please email your question to uhgalc@hawaii.edu
- Why
  - Improve AP information in KFS
  - Throughout the closing process, analytics are performed on payment data
  - Incorrect service date information impacts the effectiveness of the analysis
  - Enhance completeness and timeliness of AP accruals and prevent unrecorded liabilities

Service Dates

<table>
<thead>
<tr>
<th>SERVICE DATE SCENARIO</th>
<th>Date to enter in &quot;Goods/Services Rec’d&quot; field</th>
<th>OTHER ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Service period entirely within FY 2018</td>
<td>Last day of service</td>
<td></td>
</tr>
<tr>
<td>2 Majority of service in FY 2018</td>
<td>06/30/2018</td>
<td></td>
</tr>
<tr>
<td>3 Majority of service in FY 2019</td>
<td>Last day of service</td>
<td></td>
</tr>
<tr>
<td>4 Goods received</td>
<td>Actual date received</td>
<td></td>
</tr>
<tr>
<td>5 Payment for future services</td>
<td>Last day of service</td>
<td></td>
</tr>
</tbody>
</table>
| 6 Utility bills paid using DV when service period includes FY 2018 and FY 2019 | 06/30/2018 and last day of service | Pro-rate amounts on separate accounting lines.
Attach pro-rata worksheet to DV. |
| 7 Utility bills paid using PREQ when service period includes FY 2018 and FY 2019 | 06/30/2018 | Attach pro-rata worksheet to PREQ. |
FY2018 Year End Close Key Milestones

• Reminders
  ▫ Funds for fiscal year 2019 must not be encumbered or expended prior to 7/1/2018
  ▫ No General fund or Payroll encumbrances
  ▫ Ask vendors and sub-recipients to submit outstanding invoices as soon as possible
• New fiscal year will open in KFS on July 6, 2018
  ▫ KFS will not be available from 7/2 through 7/5 during the balance roll forward process

Reminder

• Fiscal Year 2018 Year End Closing Schedule has been posted on the FMO website for your reference:
  http://www.fmo.hawaii.edu/general_accounting/index.html#tab1_3

Why We Have to Record Accounting Accruals

MATCHING CONCEPT
Matching Principle

- Requires an entity to match revenues with related expenses so profitability during a specified time interval is accurately stated
  - Revenues are recognized when earned
  - Expenses are recognized when incurred

Examples:
- #1 - Fall 2019 tuition and fee revenue should match the salary and other related expenses incurred to support Fall 2019 semester. Therefore, we re-allocate
  - the fall revenue to fiscal year 2019 because the semester has not started
  - the accounts receivable to fiscal year 2019 because the amount is not yet due from students
- #2 - Goods or services have been received but have not been paid for by the end of the fiscal year
- #3 - Inventories (e.g. supplies) have been paid for but have not been consumed

Types of Accounting Accruals/Adjustments

- Receivables
- Payables
- Unearned revenue
- Prepaid expenses
- Inventories
- Eliminations

Fiscal Administrator Initiated Adjustments

- Accounts Receivable (non-KFS A/R)
- Allowance for Doubtful Accounts (non-KFS A/R)
- Inventory
- Prepaid Expenses
- Accrued Payroll
- Unearned Revenue
- Certain Accounts Payable
- Tuition and Housing waivers
- RCUH G,R,S Account Adjustments
Fiscal Administrator Initiated Adjustments

Accounts Receivable (non-Banner, non-KFS A/R)
- A-01 A/R-Revenue
  - Revenue earned on or prior to June 30, 2018
  - De Minimis: Recording of amounts ≤$2,500
- A-02 A/R-G Fund Expense Reimbursement
  - Reimbursement of General Fund expenditures on or prior to June 30, 2018
  - Services provided on or prior to June 30, 2018
  - Do not include inter-departmental allocations or G fund accounts
  - De Minimis: Recording of amounts ≤$2,500
- A-04 Allowance for Doubtful Accounts
  - All A/R balances aged over 180 days
  - De Minimis: Recording of amounts >$2,500

Fiscal Administrator Initiated Adjustments

Revenue earned on or prior to June 30, 2018

De Minimis: Recording of amounts >$2,500

Fiscal Administrator Initiated Adjustments

Inventory, Prepaid Expenses, Accrued Payroll
- A-08 Inventory – Merchandise/Supplies
  - Items that will be charged to others as part of departmental operations
  - Attach a detail listing of inventory on hand at June 30, 2018
  - De Minimis: Recording of amounts ≤$2,500
- A-09 Prepaid Expense
  - Goods and services that were paid for but will be used in a fiscal period after June 30, 2018
  - De Minimis: Recording of amounts ≤$2,500
- L-02 Accrued Payroll
  - Employee services rendered on or before June 30, 2018 but not paid on the July 5 or 20, 2018 payroll
  - De Minimis: Recording of payments to individuals ≤$2,500

Fiscal Administrator Initiated Adjustments

Unearned Revenue
- L-03 Unearned Revenue (Non-Banner)
  - Payments received by June 30, 2018 for goods or services that will be rendered in a future fiscal period
  - If the revenue for services crosses fiscal years, the amount should be prorated and recorded in the appropriate fiscal year.
  - De Minimis: Recording of amounts ≥$2,500.
Fiscal Administrator Initiated Adjustments
Accounts Payable
- L-11 Accounts Payable as of 6/30/2018 (Construction)
  - Amounts due to vendors for goods and services received through June 30, 2018
  - Include amounts owed on construction contracts, including retainage
  - Include projections if actual amounts are not available
- L-11 Accounts Payable as of 6/30/2018 (Amounts >$100,000 paid after 8/3/2018)
  - Amounts due to vendors for goods and services received through June 30, 2018
  - Include projections if actual amounts are not available
  - De Minimis: Recording of amounts >$100,000

Accounting entries are provided in the GA template.

Fiscal Administrator Initiated Adjustments
Non-Banner Waivers
- P-02 Non-Banner Student Tuition/Fee/Housing Discounts and Allowances (Waivers)
  - Attach detail list
  - De Minimis: Recording of amounts ≥$2,500
- P-03 Non-Banner Employee Tuition/Fee/Housing Discounts and Allowances (Waivers)
  - Attach detail list
  - De Minimis: Recording of amounts ≥$2,500
- P-05 Other Fee Waivers/Discounts
  - Attach detail list
  - De Minimis: Recording of amounts ≥$2,500

Accounting entries are provided in the GA template.

Fiscal Administrator Initiated Adjustments
RCUH G,R,S Account Adjustments
- A-07 Due from RCUH
  - Unexpended balances of "7232" advances to RCUH as of June 30, 2018
  - Enter RCUH project number in Org Ref ID column
  - Attach detail list, support, RCUH BSR/BCR
- L-07 Due to RCUH
  - Amounts due to RCUH for payments made by RCUH as of June 30, 2018
  - Enter RCUH project number in Org Ref ID column
  - Attach detail list, support, RCUH BSR/BCR

Accounting entries are provided in the GA template.
Fiscal Administrator Initiated Adjustments
RCUH G,R,S Account Adjustments Continued

- P-01 RCUH Expense to Proper Object Code
  - Record expenditures made by RCUH prior to or on June 30, 2018 in the proper expense object code by reclassifying from object code 7232 RCUH EXPENSE/ADVANCE
  - Enter RCUH project number in Org Ref ID column
  - Attach detail list, support, RCUH BSR/BCR
  - For accounts that maintain inception to date balances, you will need to do a DI for the same reclassification in the new fiscal year (2019). Include the FY19 DI edoc number in the explanation field of the P-01 worksheet

Accounting entries are provided in the GA template

Central Offices Initiated Accruals/Adjustments

- Accrued Payroll and Fringe Benefits
- Accrued Vacation
- KFS A/R Allowance for Doubtful Accounts
- KFS FMIS A/R (8366) Allow for Doubtful Accts
- Non Imposed Fringe Benefits
- Inter-Departmental Eliminations
- Sponsored Projects Revenue Recognition
- Banner Transaction Adjustments

JV Worksheet

<table>
<thead>
<tr>
<th>Description</th>
<th>GL Account Number</th>
<th>5/19 A/R Difference</th>
<th>5/19 Financial Voucher</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

P-01

To record accruals made at June 30, 2018

Banner Financial Services

KFS A/R Allowance for Doubtful Accounts
KFS FMIS A/R (8366) Allow for Doubtful Accts
Non Imposed Fringe Benefits
Inter-Departmental Eliminations
Sponsored Projects Revenue Recognition
Banner Transaction Adjustments

Central Offices Initiating Accruals/Adjustments

- Accrued Payroll and Fringe Benefits
- Accrued Vacation
- KFS A/R Allowance for Doubtful Accounts
- KFS FMIS A/R (8366) Allow for Doubtful Accts
- Non Imposed Fringe Benefits
- Inter-Departmental Eliminations
- Sponsored Projects Revenue Recognition
- Banner Transaction Adjustments
Submission of JV Worksheets

- 2018 Templates are posted to the FMO website
- If possible, please consolidate your JVs by JV type
- Do not include multiple JVs in one Excel workbook
- Do not change the formatting of the Year End JV worksheet
- Do not delete or hide any columns even if you do not use them
- Additional columns can be added anywhere after the last column
- The “Project” column is only for actual project numbers set up in KFS
- Sub-accounts must be set up in KFS
- Sub-object codes and the accrual sub-objects must be set up in KFS

Capital Leases

Capital leases for equipment purchases require specific accounting for the equipment asset as well as the lease liability. Please review your lease agreements entered after June 30, 2017. If any one of the following conditions are met, please email a copy of the lease agreement to CAAO@hawaii.edu.

- Ownership of the asset transfers to UH by the end of the lease term
- The lease contains a bargain purchase option
- The lease term is ≥ 75% of the estimated economic life of the leased asset at the beginning of the lease term
- The present value of the lease payments at the inception of the lease is ≥ 90% of the fair value of the leased asset.

Thank you for viewing this presentation