

Fiscal Year-End Closing – Accounting Transactions

I. Purpose

To ensure all financial and accounting transactions are recorded in the fiscal year in which they are made to properly report the University's financial position as of June 30.

II. Definitions

- *Accrual* - A method of measurement in accounting that requires all transactions to be recorded when expense is incurred or revenue earned, regardless of when cash payment is made or received.
- *Fiscal year* – a twelve-month period for which an organization determines its financial condition.
- *Period 12* – June posting period that generally closes the first Friday in July. Refer to the fiscal year closing schedule for specific dates.
- *Period 13* – June posting period that generally closes the second Friday in July. Refer to the fiscal year closing schedule for specific dates. This posting period is primarily for posting corrections to transactions that posted to June during the first week of July.
- *Periods 14, 15 and 16* – June posting periods for University Financial Services (UFS) staff to prepare the audited financial statements of the University.
- *Prepaid expenses* – Payments made in the current fiscal period for goods or services that will be received in a future fiscal period.

III. Responsibilities

A. Department

1. Deadlines

- a. Review the fiscal year-end closing schedule that is published on the Accounting and Financial Reporting Services (AFRS) [website](#) and adhere to all deadlines.
- b. Prepare a schedule that assigns tasks to individuals in the department and holds them accountable for completion.
- c. Ensure primary or backup personnel are available to meet all year-end closing deadlines and to answer questions during the annual external audit period through October. Take deadlines into consideration when planning leave time.
- d. Contact sub-contractors and other vendors to stress the importance of prompt receipt of invoices. Notify them early that invoices through May 31 must be received by the University in June and June 30 invoices by July 1. Follow up to ensure receipt of invoices.

2. Cost objects

- a. Reconcile cost objects monthly during the year as required by [E-17-6 Reconciliation and Review of Financial Transactions](#).
- b. Reconcile daily in June and during the entire year-end closing process. Review documents submitted via JV workflow to ensure they are posted in the proper period.
- c. Ensure all nonendowed gift and endowment spending distribution cost centers (1215*) do not have a deficit balance at fiscal year-end. If a deficit balance exists, process journal vouchers prior to the end of period 13 to resolve the issue.

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- d. Ensure plant fund budget overdrafts are corrected by fiscal year-end.
3. Accounts receivable
 - a. Complete monthly reconciliation as required by [E-17-6 Reconciliation and Review of Financial Transactions](#).
 - b. Send an annual reconciliation as of March 31 as requested by AFRS.
 - c. Review receivables for collectability. If all collection efforts have been exhausted, submit a write-off request to the Controller by completing the [Request for Exception to Business Procedures](#) form.
 - d. Send accrual information with backup to AFRS by the published deadline for any revenue earned but not received as of June 30.
4. Prepaid expenses
 - a. Establish a prepaid expense (asset) and reduce expenses for payments made in advance of the receipt of the goods and services for new purchases when the amount related to a future fiscal year is greater than \$5,000.
 - b. Complete a journal voucher at least once per quarter to recognize an expense for the amount of the prepaid expense related goods or services that have been incurred or received during the period.
5. Clearing accounts
 - a. Complete monthly reconciliation required for all clearing accounts.
 - b. Submit annual reconciliation as of March 31 as requested by AFRS.
 - c. Ensure all outstanding transactions are cleared within 90 days of receipt.
6. Unearned revenue
 - a. Complete monthly reconciliation required for all cost objects.
 - b. Send an annual reconciliation as of March 31 as requested by AFRS.
 - c. If unearned revenue will never be earned due to extenuating circumstances, process the refund or contact AFRS for further guidance.
7. Inventories - Conduct a physical inventory per the instructions in [BPM E-10-2 Fiscal Year-end Closing - Inventories](#).
8. Payroll
 - a. Meet the final posting deadlines for all payrolls.
 - b. Process all corrections and retroactivity for the closing fiscal year on the June payrolls based on the earliest retro date published on the [Payroll Schedule](#).
 - c. Avoid unusual transactions such as one-time payments in the last bi-weekly payroll posting within June as it will impact the accrual amount.
 - d. Any journal voucher (JV) involving payroll general ledger accounts after the year-end payroll accrual posts requires an approved [exception](#).
 - e. Ensure JVs correcting payroll (Z4s) are processed timely and not held to make all corrections at fiscal year-end.
9. Purchasing
 - a. Adhere to the cut-off deadline for purchases received by June 30. Refer to the published year-end schedule for the specific cut-off date.
 - b. Forward invoices to Accounts Payable Services immediately upon receipt.
 - c. Contact Procurement Services to release encumbrances on open purchase orders. Open purchase order encumbrances will carry forward to the new fiscal year.
- B. University Financial Services (UFS)
 1. Publish a detailed list of year-end deadlines on the AFRS [website](#) by March 15.
 2. Assist departments with questions concerning the year-end process.
 3. Review and process all accounting documents and requested information on a timely basis.

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IV. Policy

As an agency of the Commonwealth of Kentucky, the University of Kentucky's fiscal year begins July 1 and ends June 30. In compliance with accounting standards, the University must record all financial transactions in the fiscal year in which they occur. This policy establishes the procedures necessary to ensure compliance with these accounting standards.

V. Procedures

A. Observe closing dates and procedures indicated below to ensure proper handling and recording of transaction documents.

1. Cash Receipts

- a. Deposit checks and cash on hand (excluding petty cash) in Treasury Services no later than 11 a.m. on the first working day of the new fiscal year (usually July 1).
- b. Cash receipts for goods or services to be provided in the next fiscal year must credit an unearned revenue fund and be recognized as income in the year in which they are earned.

2. Expenses

- a. Include materials received and services rendered prior to the end of the fiscal year as an expense even if payment will be made in the subsequent fiscal year.
 - 1) Accounts Payable Services (APS) must receive Procurement Request Documents (PRDs) for payment of delegated purchases no later than 4:30 p.m. on the document cut-off date established by University Financial Services. Vendor invoices or other documentation must support all PRDs.
 - 2) APS must receive Vendor Invoice Transmittal and Payment Authorizations for materials and services received prior to July 1 no later than 4:30 p.m. on the document cut-off date.
 - 3) APS must receive Concur Expense Reports for procards by 4:30pm on the document date cut-offs established in the year-end closing schedule. New year transaction dates should not be combined on a report with old year transaction dates.
 - 4) Departments that have received goods and/or services purchased by PRD on or before June 30 but have not received an invoice, must request an invoice from the vendor and submit the PRD to APS immediately upon receipt. The automatic accrual program will recognize the expense in the appropriate fiscal year. In cases where an invoice has not been received by the end of July, a written request to establish a payable must be submitted to APS immediately. Please refer to the fiscal year-end schedule for specific instruction.
 - 5) The online purchasing system will establish the expense for goods and services acquired by purchase order and received on or before the last business day of the fiscal year even if the invoice has not been received and posted by APS. Online receiving for these purchases must be completed by the document cut-off date.
 - 6) APS must receive Concur travel expense reports for reimbursement of all travel expenses incurred prior to July 1 no later than 4:30 p.m. on the document cut-off date. Travel that crosses fiscal years will be posted to the new year and the department must request an accrual for the old

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year portion by the deadline established in the year end closing schedule.

- 7) Reimburse imprest cash funds for all transactions through June 30. APS must receive reimbursement vouchers, with attached receipts, no later than 4:30 p.m. on the document cut-off date.
 - 8) Payroll checks to be canceled must be returned to Payroll Services no later than the document cut-off date. This applies to all payroll checks for services rendered prior to July 1.
 - 9) Vendor checks to be canceled must be returned to AFRS no later than 4:30 p.m. on the document cut-off date.
 - 10) Reconcile prepaid expenses and create necessary journal vouchers to ensure the appropriate amount of expense has been recognized in the current fiscal year and the balance of the prepaid expense is the amount attributable to future periods.
3. Journal vouchers
 - a. Journal Vouchers (JVs) for transactions involving transfers, charges for goods and services provided, and corrections between cost objects or general ledger accounts must be initiated through JV Workflow and monitored to ensure receipt by the appropriate department according to the fiscal year-end closing schedule.
 4. Monthly Tableau reports and detail transaction reports
 - a. Monthly Tableau reports and detail transaction reports will be available on-line after the closing date (end of period 12 according to year-end schedule). Monthly Tableau reports and detail transaction reports must be reviewed immediately and correction JVs initiated through JV Workflow and monitored to ensure receipt by the appropriate department and posted before the end of period 13. Each department is encouraged to review transactions on-line regularly during the month using SAP transactions:
 - KSB1 for cost/funds centers
 - S_ALN_010000003 for grant WBS elements
 - CJI3 for capital project WBS elements and
 - ZGL_TRBR1_FUND for funds.This will enable as many corrections as possible to be processed prior to the availability of monthly Tableau reports and detail transaction reports.

VI. Additional References

- A. [Governing Regulation I - The University of Kentucky, D.2.\(n\) Fiscal Responsibility](#)
- B. [E-1-3 Fiscal Roles and Responsibilities](#)
- C. [E-1-4 Internal Control](#)
- D. [E-4 Journal Voucher](#)
- E. [E-10-2 Fiscal Year-End Closing – Inventories](#)
- F. [E-17-6 Reconciliation and Review of Financial Transactions](#)