

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 and 15* – June posting periods for University Financial Services staff to prepare the audited financial statements of the University.

III. Responsibilities

A. Department

1. Deadlines

- a. Adhere to all deadlines related to the fiscal year-end closing.
- b. Make a year-end schedule that assigns tasks to individuals and holds them accountable for completion.
- c. Ensure key personnel are available to meet all year end closing deadlines. This may require not taking vacations during year-end.
- 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 by early 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 parked documents routinely and resubmit if not posted or delete if appropriate.

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 April 30th to Accounting and Financial Reporting Services each May.
- c. Calculate bad debt allowance at least annually and prepare an aging schedule to determine if write-offs are necessary (Department head and Controller approval required).
- d. Send accrual information with backup to Accounting and Financial Reporting Services by the published deadline for any revenue earned but not received as of June 30.

4. Unearned revenue

- a. Complete monthly reconciliation required for all cost objects.

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- b. Send an annual reconciliation as of April 30th to Accounting and Financial Reporting Services each May.
- c. If unearned revenue will never be earned, refund or write-off unearned revenue, (Department head and Controller approval required).
- 5. Inventories
 - a. Conduct a physical inventory at a date agreed upon with Accounting and Financial Reporting Services
 - b. Send results to Accounting and Financial Reporting Services by the date established by the published year-end schedule
 - c. Write-off obsolete inventory and submit a list to Accounting and Financial Reporting Services with explanation. The Dean or Director and the Controller must approve material write-offs.
- 6. Payroll
 - a. Meet the final posting deadlines for all payrolls, including monthly.
 - b. Process all monthly corrections and retroactivity related to the old year on the June payroll.
 - c. Avoid unusual transactions such as one-time payments in the last biweekly payroll posting within June as they will skew the accrual amount.
 - d. Any journal vouchers involving payroll general ledger accounts after the year-end payroll accrual posts require an approved exception from University Financial Services.
- 7. Purchasing
 - a. Adhere to the cutoff deadline for purchases received by June 30. Refer to the published year-end schedule for the specific cutoff date.
 - b. Forward invoices to Accounts Payable Services immediately upon receipt.
 - c. Contact Purchasing to release encumbrances on open purchase orders. Open regular encumbrances will carry forward to the new fiscal year.
- B. University Financial Services
 - 1. Publish a detailed list of year-end deadlines and a training presentation on the Accounting and Financial Reporting Services [website](#) by March 15 each year.
 - 2. Assist departments with questions concerning the year-end process.
 - 3. Process all accounting documents on a timely basis.

IV. Policy

- A. 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 insure compliance with these accounting standards.

V. Procedures

- A. Observe closing dates and procedures indicated below to insure 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 recognized as income in the year in which they are earned.
 - 2. Expenses

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- a. Include materials received and services rendered prior to the end of the fiscal year in expenses even if payment will be made in the subsequent fiscal year.
 - 1) Accounts Payable Services 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) Accounts Payable Services 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) 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 forward it to the Accounts Payable Services Department 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 Accounts Payable immediately. Please refer the fiscal year-end schedule for specific instruction.
 - 4) The online purchasing system will automatically establish accruals 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 Accounts Payable Services. Online receiving for these purchases must be completed by the document cut-off date.
 - 5) Accounts Payable Services must receive travel vouchers 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 should be separated on the reimbursement indicating an amount for travel June 30th and prior (old year) and an amount for travel July 1st and forward (new year).
 - 6) Reimburse imprest cash funds for all transactions through June 30. Accounts Payable Services must receive reimbursement vouchers, with attached receipts, no later than 4:30 p.m. on the document cut-off date.
 - 7) Payroll checks to be canceled must be returned to the Payroll Services Department no later than the document cut-off date. This applies to all payroll checks for services rendered prior to July 1.
 - 8) Vendor checks to be canceled must be returned to the Accounting and Financial Reporting Services Department not later than 4:30 p.m. on the document cut-off date.
3. Journal vouchers.
 - a. Journal Vouchers (JV's), for transactions involving transfers, charges for goods and services provided, and corrections between cost objects or general ledger accounts must be received by the appropriate department listed below according to the following schedule:

Research Financial Services - Transactions involving grants with WBS element numbers beginning with a 3 only

Hospital Accounting – Transactions involving hospital cost objects only

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Accounting and Financial Reporting Services - All other transactions

Early June* - JV's for goods and services provided prior to June 1 and corrections for transactions posted prior to June 1

Late June* – JVs for goods and services provided between June 1 and June 15 and corrections for transactions posted prior to June 15

Due on the campus cut-off date – JVs for goods and services provided between June 16 and June 30 and corrections for transactions posted prior to June 30

**Exact dates can be found on the year- end closing schedule*

4. Monthly BW reports and detail transaction reports.
 - a. Monthly BW reports and detail transaction reports will be available on-line in Bex Web after the closing date (end of period 12 according to year-end schedule). Monthly BW reports and detail transaction reports must be reviewed immediately and correction JV's entered in SAP and forwarded to the appropriate department listed in [V.A.3.a.](#) above. 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 BW 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](#)