Fiscal Year 2011
Advantage Year End Close
**WHO IS IMPACTED BY YEAR END CLOSE?**

- Anyone with oversight or fiscal responsibility for Advantage accounts should be aware of the fiscal year end close process.

- All fiscal year accounts close at the end of the fiscal year – and begin the new fiscal year with no revenue or expenditure activity (with the exception of local accounts’ balance forward).

- Multi-year accounts (for example Sponsored Accounts and Summer Sessions) have roll-over activity from one year to the next, but do not ‘close’ out activity at the end of a fiscal year.
WHAT IS THE DIFFERENCE BETWEEN A FISCAL YEAR ACCOUNT AND A MULTI-YEAR ACCOUNT?

- A fiscal year account records activity specific for a fiscal year. Its revenues and expenses are all received or expended in one fiscal year. Examples of fiscal year accounts are state accounts (WV11003), local accounts (WV51006), and auxiliary accounts (BD21001).

- Multi-year accounts record revenues and expenditures for a period of time other than a specific fiscal year. It may be for several years – in the case of sponsored grant accounts, or a non-fiscal year – in the case of summer sessions accounts. The activity for these accounts includes inception-to-date transactions that show activity since the account was established through the current date – or until its close date.
WHAT IS A FISCAL YEAR?

• A fiscal year is the 12 months that represent a year of activity for a business or organization. Many companies have a fiscal year that is the same as a calendar year (January 1 through December 31). The United States federal government has a fiscal year of October 1 through September 30. Many educational institutions (including ASU) have a fiscal year of July 1 through June 30.

• ASU has a July to June fiscal year end because ASU is an agency of the State of Arizona and therefore has the same fiscal year as the State.
WHY DO WE CLOSE A FISCAL YEAR?

• State budgets are allocated for a fiscal year, and expenses must be reported at the end of the fiscal year.

• The University is required to produce audited financial statements based on a fiscal year (12 months) of activity.
WHAT TRANSACTIONS ARE RECORDED BY JUNE 30TH?

• Deposits are accepted and recorded into Advantage by the Cashier’s Office through June 30, 2011 for fiscal year 2011.

➢ Revenue that is received in July that belongs to the previous fiscal year should be recognized in the previous fiscal year. According to the accounting matching principle, revenue should be recorded in the fiscal year it was earned. All revenues that were earned in fiscal 2011 but not actually received and deposited by June 30th should be recorded in your account by journal entry. Please contact your Financial Services accountant and provide him with the documentation needed in order to record the revenue in your account.
WHAT ABOUT OTHER TRANSACTIONS THAT ARE NOT RECORDED BY JUNE 30TH?

• The Advantage financial system will remain open to record or adjust fiscal year activity approximately through the third week of July. We leave Advantage open so that we can more accurately record activity that has occurred through June 30 and to make accounting entries to properly account for any major outstanding items.
WHAT IS THE MATCHING PRINCIPLE?

• All expenses incurred in generating revenues must be recorded in the same fiscal year as the related revenue.
MATCHING PRINCIPLE EXAMPLE

• The Global Institute of Sustainability holds a conference on June 20th. All registration fees have been deposited by June 30th. An invoice for the facility rental was received July 7th, which is past the accounts payable deadline. What should GIOS do with the invoice?

• GIOS should provide their Financial Services’ accountant with the invoice and Financial Services will create a journal entry to accrue the facility rental expense in fiscal 2011 so that all conference revenues and expenses are ‘on the books’ in the same fiscal year.
WHAT HAPPENS IF I DON’T RECEIVE ALL MY OUTSTANDING ORDERS BY JUNE 30\textsuperscript{TH}?

If you have not received orders by June 30\textsuperscript{th} – payment can not be made to the vendor using the ‘old’ fiscal year money.

In order to be a fiscal 2011 expense, goods or services must be \textbf{received} by ASU on or before June 30\textsuperscript{th}.

\textit{Never enter a receiver document in Advantage until the goods have been received!}
WHAT DATE DO I USE ON RECEIVER (RC) DOCUMENTS?

• Use the actual date the order was received. July 1\textsuperscript{st} is the last day to enter a Receiver Document in Advantage for orders received by June 30\textsuperscript{th}.

• If you are entering the receiver in \textbf{July} for goods that were received by June 30 – \textbf{enter a June 30 date in the receipt date field}. If you leave the date field empty, Advantage will populate the date field with the current (July) date and the payment will be processed in fiscal 2012.
WHY IS THE DATE ON THE RECEIVER IMPORTANT?

• Arizona law prohibits state agencies from making prepayments for goods and services. The receiver document is what tells Advantage it is OK to pay a vendor. Accounts Payable puts invoices on-line as they are received from vendors. Payment is made when both the receiver and invoice are in the system. If a receiver is put on-line before the goods are received – prepayment may occur.
DATES ON OTHER ADVANTAGE DOCUMENTS

• For Advantage transactions (Journal Entries, Expense Transfers, Transfers In and Out, Appropriation Changes, Receivers, Stores Orders, Payment Vouchers and Travel Claims) being processed for FY 2011, use the current date up through June 30 and after June 30 continue to use a date of June 30, 2011 in the document date field for all on-line Advantage documents. If the document date field is blank, the document date will default to the current date.

• We currently have two fiscal years open so it is important that you use the correct date in order to post your transaction to the correct fiscal year.
PAYMENTS OF ANNUAL SERVICES

- Payments for subscriptions, dues, maintenance agreements, and other services covering a period of time generally should be made in the fiscal year in which service begins. However, if the period of service begins in July, payment may be made in the last quarter of the prior fiscal year.
WHAT HAPPENS TO PURCHASE ORDERS IF THEY ARE NOT CLOSED BY JUNE 30TH?

- Purchase orders still open at the time of fiscal year close will automatically roll into the new fiscal year as encumbrances.

- On local accounts, purchase orders which have not closed will remain encumbered at the end of the fiscal year.

- On state accounts all encumbrances for prior year commitment items will remain encumbered at the end of the year. All other encumbrances will drop off state accounts before we close.

- NON-PRIOR YEAR COMMITMENT ENCUMBRANCES BEGIN TO DROP OFF STATE ACCOUNTS THE NIGHT OF JULY 5TH. THEY WILL AUTOMATICALLY RE-ENCUMBER IN FISCAL 2012.
AVAILABLE BALANCE ON STATE ACCOUNTS

- Beginning **JULY 6\(^{th}\)**, you **must use** the Advantage Web Report: “Uncommitted State Funds Summary (USR4)” report to view available balances for STATE accounts.

- [http://cfo.asu.edu/fs-reports](http://cfo.asu.edu/fs-reports)
AVAILABLE BALANCES ON STATE ACCOUNTS

• As of July 6th the state balances on the Advantage APP2 screen are no longer accurate.
• The APP2 screen will not include encumbrances for prior year commitments which remain encumbered at year end.
• The Advantage Web Report “Uncommitted State Funds Summary (USR4)” report is the only report that will give you accurate state balances after July 5th, (July 5th is the day that purchase order encumbrances and travel encumbrances disencumber on state accounts)
WHAT ARE PRIOR YEAR COMMITMENTS?

- Prior year commitments apply to state accounts only. They are primarily capital purchases or special projects that remain encumbered at year end and for which appropriation (budget) increases are recorded in the ensuing fiscal year.
PRIOR YEAR COMMITMENTS INCLUDE:

- Capital purchases coded to object code 78XX – and related non-capital items on the same purchase order (PC external vendors) – $500 minimum for total purchase order.
- Internal ASU Purchase Orders with at least $500 in outstanding balance to the following vendors:
  - FACMAN
  - IT
  - SUNCARD (building security/access projects)
  - FURNITURE
  - CARPET
  - ASUWFACMAN (ASU West Facilities Management)
  - ASUWIT (ASU West Information Technology Services)
  - POLYFACMAN (Poly Facilities Management)
  - BOOKSTORE (capital only)
  - ASUSTORES (capital only)
  - CANON (capital only)
  - COMPUTING (EDP services only, must be coded to 731031)
- Soft encumbrances
WHAT IS A SOFT ENCUMBRANCE?

• State accounts only – this is a process that allows state accounts to encumber **special** items for long-term projects subject to approval by Financial Services.

• Departments must make a written request to their accountant indicating the circumstances that qualify their request as a soft encumbrance, include any supporting documentation such as invoices, purchase order etc.

• Soft encumbrance requests must have appropriate approval by the Dean/Director **and** VP/Provost before being submitted to Financial Services.

• Soft encumbrances are expected to be phased out. For FY 2011, soft encumbrances will be limited. Beginning with FY 2012, soft encumbrances may not be available.
WHAT HAPPENS TO THE FUNDS LEFT IN MY STATE ACCOUNT?

• Balances for accounts within the same vice presidential area and the same campus are combined for a consolidated ending balance for the VP area. Any balances left in the VP area at the end of the fiscal year go to support overall university initiatives.

• Your state account begins the new fiscal year with the new year budget. Any uncommitted balance left in your old year state account will not roll over to the new year account. Prior Year Commitments will roll over with the budget in the new fiscal year. This entry is typically made after the original state budget load is completed.

• Every appropriate attempt should be made to expend your state funds by the end of the fiscal year. An expense means the payment has been made – and the funds are no longer available. Encumbrances show the need for funds – but indicates payment will occur in the future.

• Exception - State ERE budget balance is not available to spend, only the state personal services and operations budgets should be expended by fiscal year end.
HOW CAN I MAKE SURE I HAVE SPENT ALL OF MY STATE APPROPRIATION?

• Know what will expense this fiscal year, what will remain encumbered as a prior year commitment, and what encumbrances will drop off before fiscal year close (and free up available balance).

• Make sure you account for payroll expenses for June 30th.

• If you are aware of operations encumbrances/travel encumbrances that will drop off – you need to act accordingly and have a plan in mind to expend these funds as they become available. It is possible to temporarily overspend your state appropriation - if you are confident of what encumbrances will drop off as the roll over process begins.

• Once the purchase order rollover process begins the night of July 5th – Advantage tables such as the APP2 no longer reflect all transactions – you must use the web report (Uncommitted State Funds Summary, USR4) to track your state account balance starting July 6th.
WHAT HAPPENS TO TRAVEL ENCUMBRANCES AT YEAR-END?

• The night of July 5, 2011, outstanding travel encumbrances will disencumber on state accounts in fiscal year 2011 and will re-encumber in fiscal year 2012. Once the disencumbrance occurs, the uncommitted balance in state accounts will increase – meaning you have more available funding.
  • Remember to start using the web report Uncommitted State Funds Summary (USR4) Web report on July 6th.

• State accounts do not receive budget increases for travel encumbrances that roll over from the prior year. Expenses related to the rollover encumbrances will go against fiscal 2012 budget.
WHAT IF A TRIP WAS COMPLETED IN JUNE, BUT I MISSED THE TRAVEL CLAIM DEADLINE?

• Contact your accountant in Financial Services. The accountant may be able to process an accrual entry based upon the appropriate supporting documentation.

• Generally Financial Services does not process accrual entries for less than $500 - please use discretion when requesting for an accrual entry to be made.
Payroll Expenses

• The Pay Period Ending June 26, 2011 is scheduled to post to Advantage on July 1\textsuperscript{st} as a fiscal year 2011 expense.

• ASU records all payroll expenses from July 1\textsuperscript{st} through June 30\textsuperscript{th} in each fiscal year. The payroll expenses for June 27\textsuperscript{th} through June 30\textsuperscript{th} will be paid on the July 15\textsuperscript{th} pay day. The four days of payroll expenses for June 27\textsuperscript{th}, 28\textsuperscript{th}, 29\textsuperscript{th}, and 30\textsuperscript{th} will post to departmental accounts on July 5, 2011.
YEAR END CALENDAR

• The Advantage year end calendar is available on the Financial Services web site:
  – http://cfo.asu.edu/fs-references
  – Click on: Advantage Calendars
  – Then click on: Year End (Condensed Version with Critical Dates for End Users) or Year End for the full version.
Important Dates to Remember

• June 20th – Deadline to process a P-Card Transaction for fiscal year 2011
• June 30th – Deadline for deposits to Cashiering Services to process as FY11 revenue.
• July 1st – Deadline for:
  – RC documents (goods received by 6/30/2011)
  – Vendor Invoices for PC, SC, and PDLVPO
  – FY11 PVs to Accounts Payable
  – FY11 Travel Claims to Travel Office
  – Deadline for Service Department II Billings
• July 5th – Deadline for:
  – PC and SC modifications (decreases only)
  – FY11 PO, PC, SC, PD, and Travel documents disencumbrance
• July 6th – Begin using the web report Uncommitted State Funds Summary (USR4) to view available balances on state accounts
• July 6th – Deadline to enter FY 11 non-sponsored Payroll Expense Redistribution Entries in PeopleSoft.
• July 8th – Departmental Deadline for FY11 A1,J1,IX and TV documents
• July 15th – FY 11 Year End Close

ASU Financial Services
WHERE DO I GO TO FIND THE ADVANTAGE WEB REPORTS?

- Go to [http://cfo.asu.edu/fs-reports](http://cfo.asu.edu/fs-reports)
  - Click on Advantage Web Reports

- A Data Warehouse ID is required to use the web reports. To request a warehouse ID go to: [https://forms.asu.edu](https://forms.asu.edu)
The three reports below will assist with balancing your state accounts at year end.

- **The Uncommitted State Funds Summary report** will provide available state fund balances.
- **The Outstanding Operational Encumbrances report** provides any outstanding commitments.
- **The Detail of Funding Uses by Agency/Org** provides a detail of expenses posted to your Advantage account.
Available Balance:
Personal Services $730.69
Operations $10,933.54
Available Balance $11,664.23

Travel encumbrance will roll to FY12 if not expensed. Funds will be available in FY11 after disencumbrance on 7/5/11 $2,165.11

Total Available Balance to Spend $13,829.34

Prior Year Commitment - $500 FACMAN Encumbrance. Funds will roll to FY12. This encumbrance is already excluded from the uncommitted balance above.

This calculation scenario is prior to the disencumberance process. Your uncommitted balance may be negative by the travel encumbrance amount if you expend it. After the disencumbrance, your uncommitted amount for personal services and operations should be zero.
The Detail Funding Uses by Agency/org report can be used to track expenses posted to the agency/org, such as Pcard purchases made by June 20th or internal services departmental billings.
What’s New for FY 2012?

- Optional Environmental Impact Fee – assessment to airfare expenses.
- Personal Services related assessments
  - Netcom Fee – increasing from 1.1% to 1.2%, assessed on Personal Services expenses (not assessed on sponsored accounts)
  - Risk Management – decreasing from 1.55% to 1.35%
- New Employee Related Expenses (ERE) Rates for FY 2012
  - existing sponsored accounts are grandfathered in with the FY 2011 rates.

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<th>Employee Category</th>
<th>FY 2011</th>
<th>FY 2012</th>
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<td>Faculty</td>
<td>28.5%</td>
<td>31.3%</td>
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<tr>
<td>Staff</td>
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<td>41.6%</td>
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<td>Non-Benefits Eligible</td>
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<tr>
<td>Students</td>
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<td>2.1%</td>
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<tr>
<td>RA/TA</td>
<td>7.5%</td>
<td>9.8%</td>
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</tbody>
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WHO SHOULD I CONTACT IF I HAVE ANY QUESTIONS?

Contact your Financial Services Accountant

Anthony Gallese 5-1922
EJ Kim-Zoller 5-1921
Laura Riley 5-2592
Lisa Neeley 7-8465
Misa Pham 5-5072
Rachel Clause 5-9288

David Sittner 7-1044
Wendy Kirk 5-1925
Edalia Kousari 5-7428
Marilyn Mulhollan 5-7236
ADVANTAGE YEAR END CLOSE JULY 15, 2011