

	<b>Montana Operations Manual</b>  <b>Policy</b>	Category	<b>Accounting</b>
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		Last Revised	<b>05/19/2015</b>
Issuing Authority	<b>Department of Administration</b> State Financial Services Division		
<b>375 Fiscal Year End Procedures FY15</b>			

### I. Purpose

This policy provides guidance for following fiscal year end procedures and a time schedule that will be in effect for fiscal year end 2015 (June 30, 2015). For questions concerning fiscal year end procedures, agencies can contact the DOA State Accounting Bureau via phone (444-4681), e-mail ([saccounting@mt.gov](mailto:saccounting@mt.gov)), or fax (444-2812).

### II. Scope

This policy applies to all state agencies and institutions, excluding community colleges.

### III. Fiscal year end cutoff time schedule

Deadline	Responsibility	Activity
June 1	OBPP	Send out memo regarding Schedule of Expenditures of Federal Awards (SEFA).
June 12	Agency	Mass change spreadsheets due to SABHRS Financial Services Technology Bureau (SABHRS FSTB) for orgs, speedcharts and projects.
June 26 3 p.m.	Agency	Last day to submit warrant cancellations to the DOA State Accounting Bureau/Warrant Writer Unit (WWU) to have them processed in fiscal year 2015. See Section VI.A.1 for further details.
June 29 2 p.m.	Agency	Last day to sell STIP (Short Term Investment Pool). See STIP procedure memo to be issued by the Board of Investments (BOI).
June 30 5 p.m.	Agency	Last day for depositing checks and/or currency relating to fiscal year 2015 business with either a bank in the State Treasury System or the Treasury Unit.
July 1	Agency	Begin submitting all fiscal year 2016 entries in SABHRS with a July date.
July 1	Agency	Make sure all Purchase Orders (PO's) valid for future years are coded correctly.

<b>Deadline</b>	<b>Responsibility</b>	<b>Activity</b>
July 9	Agency	Inter-unit (IU) journals with Department of Public Health and Human Services (DPHHS) must be completed by this date.
July 15 <b>Noon</b>	Agency	Last day to submit vendor adds or changes for fiscal year 2015.
July 15	Agency	Last day to process transactions in Accounts Payable (AP) and Accounts Receivable (AR) modules.  ALL AP vouchers paying valid obligations of fiscal year 2015 must be entered and posted.  ALL fiscal year 2015 AR transactions for bank deposits made on or before June 30 in the State Treasury System must be completed. See the Treasury cash procedures Section VII.A.
July 15 <b>5 p.m.</b>	Agency	ALL fiscal year 2015 asset transactions must be processed by this time in Asset Management (AM).
July 15	Agency	Accruals should be completed by this date, but will be accepted through July 22.
July 15	Agency	IU journals should be initiated by this date to allow enough time for receiving agency to process them by July 22. See Section XIII for suggestions on how to monitor this activity.
July 16	Agency	Last day to submit a letter to the Administrator of the State Financial Services Division (SFSD) to carry forward A Accruals into fiscal year 2016. See Section XI.B.1 for further details.
July 21 <b>Noon July 22 for for Emergencies Only</b>	Agency	Final day for Office of Budget and Program Planning (OBPP) regular processing of fiscal year 2015 Budget Change Documents (BCDs).
July 22	DOA State Accounting Bureau/APFRS	Vacation and Sick Leave report available to record compensated absences entry (see MOM Policy 340 Section XIV for details).
July 22	Agency	Last day for emergency fiscal year 2015 BCDs to OBPP.
July 22	Agency	Agencies need to make a final review of appropriate trial balances for unusual account balances that need to be corrected before closing. See Section XIII.  Last day to submit adjusting and correcting entries to post by July 23.
July 23	DOA State Accounting Bureau/Agency	General Ledger is closed for FY15 transactions. If you must input a document that is material to FY15 please contact the DOA State Accounting Bureau.
July 23	DOA State Accounting Bureau/Agency	The DOA State Accounting Bureau will work with all agencies to eliminate any negative cash.
July 23	DOA State Accounting Bureau/Agency	SABHRS closing processes are run by the DOA State Accounting Bureau. Agencies need to have appropriate staff available to respond to any errors.

<b>Deadline</b>	<b>Responsibility</b>	<b>Activity</b>
July 27	SABHRS	Reverted appropriations and fiscal year 2015 appropriation balances that continue into fiscal year 2016 are established in SABHRS.
July 31	SABHRS	July month-end cut-off in SABHRS.
August 3	DOA State Accounting Bureau/WWU	Begin processing warrant cancellations for FY15 and FY16.
August 10	Agency	Response to vacation and sick leave error reports due to DOA State Accounting Bureau.
August 28	Agency	Last day to submit to OBPP the Schedule of Expenditures of Federal Awards and related notes.
August 28	Agency	Last day to submit information to the DOA State Accounting Bureau in order to obtain a refund of federal excise tax paid on gasoline and diesel fuel purchased during the period July 1, 2014 through June 30, 2015 (See MOM policy 382 for details).
September 30	CMIA Agencies	Last day to provide yearly report of compliance with Cash Management Improvement Act (CMIA) agreement.

#### IV. General information

<b>Module</b>	<b>Period</b>	<b>FY 2015 status</b>	<b>FY 2016 status</b>	<b>Default accounting date on transactions</b>
<b>Accounts payable</b>	July 1 to July 15	Open	Open	June 30, 2015
	July 16 to July 25	Closed	Open	Current date
<b>Accounts receivable</b>	July 1 to July 15	Open	Open	Current date
	July 16 to July 25	Closed	Open	Current date
<b>Asset management</b>	July 1 to July 15	Open	Open	June 30, 2015
	July 16 to July 23	Closed	Open	Current date
<b>General ledger</b>	July 1 to July 22	Open	Open	June 30, 2015
<b>Purchasing</b>	July 1 to July 23	Closed	Open	Current date

- **Fiscal year end close period**

During the fiscal year end close period, agency personnel may record financial transactions on SABHRS in either of two open periods, fiscal year 2015 or fiscal year 2016. All transactions entered in July, whether applicable to fiscal year 2015 or to fiscal year 2016, will proceed through the normal processing and post process if valid. Agencies will also have the ability to run financial reports for either fiscal year. Transactions recorded in July for fiscal year 2015 will report with activity entered and posted in June. In other words, transactions recorded in July for fiscal year 2015 will not report separately from June posted activity.

The following sections detail the open periods for each module. At the end of this section is a table that summarizes the information reported below.

1. Accounts Payable (AP)

Beginning July 1, 2015, both fiscal years 2015 and 2016 will be open for entering transactions. Fiscal year 2015 will remain open from July 1<sup>st</sup> through July 15<sup>th</sup>. During that time the default date will be June 30, 2015. After July 15<sup>th</sup>, fiscal year 2015 activity can no longer be entered and the default date will be the current date.

**If you are entering fiscal year 2016 transactions from July 1<sup>st</sup> through July 15<sup>th</sup>, you will need to change the default date to the current date. Documents will edit and budget check during the July time frame and appropriation balances will update.**

The above dates apply to closing of vouchers as well. If you find a voucher that was posted to the wrong year, close the voucher and issue a new one in the correct year.

2. Accounts Receivable (AR)

Beginning July 1, 2015, both fiscal years 2015 and 2016 will be open for entering transactions. The default date in AR is the current date. When entering a direct journal into AR you must make sure the accounting date on the Totals page matches the accounting date on the Payments page. If you change either date, you must change the other one as well. After July 15, 2015, fiscal year 2015 activity can no longer be entered.

3. Asset Management (AM)

Beginning July 1, 2015, both fiscal years 2015 and 2016 will be open for entering transactions. Fiscal year 2015 will remain open from July 1<sup>st</sup> through July 15<sup>th</sup>. During that time the default date will be June 30, 2015. After July 15<sup>th</sup>, fiscal year 2015 activity can no longer be entered and the default date will be the current date.

If you are entering fiscal year 2016 transactions from July 1<sup>st</sup> through July 15<sup>th</sup>, you MUST change the default date to the current date or you will have to retire and re-add the asset with the correct accounting date.

4. General Ledger (GL)

Beginning July 1, 2015, both fiscal years 2015 and 2016 will be open for entering transactions. During that time the default date will be June 30, 2015. If you are entering fiscal year 2016 transactions, you will need to change the default date to the current date. After July 22, 2015, fiscal year 2015 activity can no longer be entered and the default date will be the current date. On July 22, 2015, agencies will need to make a final review of unusual account balances and record any necessary correcting journal entries. On July 23, 2015, appropriate agency staff must be available until closing is completed. If you must input a material entry on July 23, 2015, you will need to contact DOA State Accounting Bureau/APFRS in order to have your entry processed. When entering a transaction on this date, you must watch your default date closely as it is now defaulted to the current date.

- **Reverted and continuing appropriations**

Reverted and continuing appropriation budgets will not be available in SABHRS until sometime after fiscal year end closing (see Section IV for the scheduled date). If you have an urgent need to process a transaction against one of these budgets, you will have to use different coding, and then correct the entry after the budgets have been established.

Adjustments to continuing appropriations for fiscal year 2015 activity will be processed against the remaining budget established in fiscal year 2016.

- **State accounting policy**

MOM Policy 302 (Governmental accounting overview) provides an overview of Generally Accepted Accounting Principles (GAAP) and State Accounting policies. Procedures discussed in this fiscal year end MOM chapter will assist an agency in complying with these policies. Agencies should also review the internal controls section of MOM Policy 399 and implement internal procedures to ensure all transactions necessary for compliance with state accounting policies are recorded in SABHRS before fiscal year end. Agencies should exercise particular care in preparing transactions during the fiscal year end closing period to minimize the number of errors and to ensure that transactions are recorded in the correct fiscal year.

- **Comprehensive Annual Financial Report (CAFR)**

The DOA State Accounting Bureau will issue 2015 CAFR policy (specific policy is issued for all non-higher education units, and specific policy is issued for higher education units) that will present the detailed time schedule and procedures to be followed in order to complete preparation of the CAFR.

## **V. Document handling for fiscal year end**

- **Warrant Writer Documents**

1. Fiscal Year 2015 Warrant and EFT Cancellations

All warrant (includes EFT) cancellations for AP vouchers processed in fiscal year 2015 will be accepted by the DOA State Accounting Bureau/WWU until 3:00 p.m. on June 26<sup>th</sup>. It is imperative that invalid vouchers processed prior to July 1<sup>st</sup> be canceled in fiscal year 2015. Unless the warrant is canceled, SABHRS will reflect the expenditure, the subsequent reduction of appropriation authority, and the cash recorded when the warrant was created.

For fiscal year 2015 and 2016, no cancellations of AP vouchers will be processed during the month of July. The prior year budgets must be frozen and reverted appropriations must be loaded before cancellations can be processed. This process is not scheduled to be completed until July 30<sup>th</sup>. Due to the timing requirements of cancellations DOA State Accounting Bureau/WWU will not be able to process cancellations until August 3<sup>rd</sup>.

Cancellation procedures for Warrants Already Written (WAW) warrants, reissues, and new fiscal year cancellations will not change. See MOM Policy 330 for details.

For invalid fiscal year 2015 vouchers created during fiscal year end, the DOA State Accounting Bureau/WWU will assist agencies in making adjustments to restore their cash and appropriation balances. Contact the DOA State Accounting Bureau/WWU at 444-3092 for assistance in all cases involving these fiscal year 2015 invalid vouchers.

- **Updating financial data for fiscal year 2015**

1. Speedchart update procedures

All program chartfield values contained in speedcharts with an effective date before July 1, 2015, will automatically increase by an increment of 1. Agency staff is responsible for initiating all other desired speedchart actions including add, update, or inactivate. Following are procedural options:

- Agency staff may add, update, or inactivate speedcharts online. When updating or inactivating speedcharts, it is important to remember that you may need access to existing speedcharts through the fiscal year end 2015 cutoff period.
- Agency staff may submit an Excel spreadsheet to add, update, or inactivate speedcharts. Please create a separate file for adds. Spreadsheets are due to the SABHRS Financial Services and Technology Bureau (SABHRS FSTB) on or before June 12<sup>th</sup>. The SABHRS FSTB will load spreadsheets with adds as they are requested. The SABHRS FSTB will load spreadsheets with updates, including requests to inactivate, on morning of July 16<sup>th</sup>. Following is additional information regarding spreadsheet procedures:
  - If you are submitting a spreadsheet with adds only, the effective date, if entered, must be greater than June 30, 2015. If an effective date is not entered, July 1, 2015, will default into the speedchart. Enter the desired value in the program field. The program will load the value entered. This value will not be automatically increased by an increment of 1.
  - The SABHRS FSTB has created a query named MTGL\_SPEEDCHART that agency staff can use to extract attributes for currently active speedcharts. The query will return only the current speedchart as of a given effective date. Users must input the SETID (business unit) and effective date. Save the query results to an Excel spreadsheet. Change attributes as necessary and save the spreadsheet. Do not change the effective date if you are updating an existing speedchart. The value in the program field is also incremented by one automatically for existing speedcharts.
  - Place an "I" in the effective status field to inactivate an existing speedchart.

## 2. Adding new orgs and project values

The SABHRS FSTB has created spreadsheet templates that agency staff may use to mass add org and project values, as well as speedcharts. This information is found on the MINE page under SABHRS Documentation > Financials > Fiscal Year End or click the link below.

[SABHRS Documentation Financials Fiscal Year End](#)

## 3. Business unit, fund, and accounts

Three chartfields are maintained centrally by DOA State Accounting Bureau. They are business unit, fund, and account. The forms used to add, delete, or change these chartfields are as follows:

- Form 111 – Agency request for GL Business Unit
- Form 112 – Agency request for AP, AR or Purchasing Unit Business Unit
- Form 121 – Fund Code
- Form 131 – Balance Sheet Account
- Form 132 – Revenue Account
- Form 133 – Expenditure/Expense Account
- Form 134 – Statistics Account (DPHHS use only)

These forms are available on the Department of Administration website at:

<http://sfsd.mt.gov/SAB/AccountingFormsInfo>

All forms should be sent directly to the DOA State Accounting Bureau/APFRS.

To expedite your requests, please send the forms directly to the State Accounting Mailbox by typing DOA State Accounting in the Outlook Address Book or [saccounting@mt.gov](mailto:saccounting@mt.gov).

## 4. Sub-classes

For any sub-class requests, contact your budget analyst at OBPP.

## 5. Accounts Receivable (AR)

Agencies utilizing the AR module for item management purposes must review and update chartfield information for fiscal year 2016. This involves updating the program value associated with item entry types, distribution codes, and automatic entry types. New effective dated rows may be added at any time. We encourage you to do this early instead of waiting until fiscal year end.

The following reports are available to assist you with reviewing your accounts receivable transactions; you can review the attributes and identify those that must be changed for the new fiscal year:

- AR01003 (Auto Entry Type) Setup Financials > Product Related > Receivables > Reports > Auto Entry Type
- AR01004 (Item Entry Type) Setup Financials > Product Related > Receivables > Reports > Item Entry Type

- To update any attributes, navigate to Setup Financials > Product Related > Receivables > Payments.

Other Accounts Receivable Reminders:

- All pending items in 2015 AR must be posted or deleted prior to the close of AR on July 15<sup>th</sup>.
- It is important to remember once the AR Module is closed for the fiscal year, documents cannot be entered for that fiscal year. However, if a document is entered prior to the AR close, but not finalized, the document will never process.
- Any negative balances on customer accounts should be refunded or written off prior to fiscal year end close on July 23<sup>rd</sup>.
- Remember to watch the program year/dates after July 1<sup>st</sup>. The system will default to the current date. This is especially important since the AR system is open for fiscal year 2015 transactions through July 15<sup>th</sup>, as well as entering fiscal year 2016 transactions.
- Treasury has documented that prior to fiscal year end close (July 15<sup>th</sup> for the AR module) direct journals will need to be cleaned up. There are two queries available for you to use to review your deposits. Please make sure to review these on a regular basis.
  - MTAR\_DIRJR\_UNPOST
  - MTAR\_BU\_BCM\_ERRORS

## VI. Cash

### • Treasury cash cut-off

All cash received through June 30<sup>th</sup> must be recorded in SABHRS either as account 1104 - Cash in treasury or account 1107 - Cash on hand at FYE. Make certain all deposits are entered for the correct year based on when the cash is deposited into the Treasury System, not by which year the revenue is recorded.

- All cash received through June 30, 2015, should be deposited with either the Treasury Unit or a bank that is within the State Treasury System, if the deposit will be credited to our account on the 30<sup>th</sup>. The Treasury Unit will be open until 5:00 p.m. on June 30<sup>th</sup> to record deposits of fiscal year 2015 cash. Check with your bank to determine when deposits need to be made to be recorded on your June bank statement. The Treasury Unit uses June bank statements to determine valid fiscal year 2015 deposits.
- If the cash is deposited in a Montana bank, the bank deposit must be made no later than June 30<sup>th</sup> to be included in the fiscal year 2015 AR documents. As long as the deposit is recorded in the bank on June 30<sup>th</sup>, it will be fiscal year 2015 business, and a 2015 AR document is required. The deposit ticket must be clearly marked as fiscal year 2015 and received in the Treasury Unit no later than July 15<sup>th</sup>. The deposit must be recorded on SABHRS by July 15<sup>th</sup>.
- If money on hand is not deposited in the State Treasury System as stated above, the following procedures apply:

- During the fiscal year 2015 adjustment period, the agency will have the opportunity to record this cash on hand as of June 30<sup>th</sup>. An ONL journal should be prepared in the GL module with a debit to account 1107 - Cash on hand at FYE and a credit to the revenue or other account that properly identifies the cash received. This journal will be processed in fiscal year 2015 business.
- The cash receipts recorded above are to be deposited in the State Treasury System as soon as possible after June 30<sup>th</sup>, and a deposit prepared in the Accounts Receivable module with a debit to account 1104 - Cash in treasury (system generated) and a credit to account 1107 - Cash on hand at FYE. This deposit must be processed as fiscal year 2016 business.
- All Treasury deposit tickets brought to the Treasury Unit from July 1<sup>st</sup> through July 15<sup>th</sup> must have the fiscal year noted on the form.
- All payments in a single deposit must be entered for the same year.

• **Daily cash and appropriation balances**

Agencies may view their appropriation balances by using the Budget Details or Budget Overview inquiries in SABHRS (Path: Commitment Control > Review Budget Activities > Budget Details or Budget Overview). The displayed balances only include those transactions that have passed the budget check process. You may also run the following reports/queries:

- SABHRS Data Mine
- Budget Status Report
- MTGL\_APPROP\_BUDGETS\_AND\_BAL

Refer to the Financial Reports Listing, the SABHRS Data Mine Manual and the Reporting Manual found in SABHRS Documentation for additional information on available reports and how to run reports in SABHRS.

To view cash balances, you may run the MTGL\_FYE\_CASH\_BALANCE query or the following SABHRS Data Mine report, which has the ability to report across fiscal years.

- Select the Account Balances Workbook and enter your business unit
- Enter the appropriate Date Range:
  - From Month: select 00 (Beg) for the current fiscal year
  - Thru Month: select 01 (Jul) for the next fiscal year
- In the Account field enter 1104

Fiscal year 2015 vouchers processed during fiscal year end will establish a 2107 – Voucher Payable liability for the amount expended. The GL will record this on an ACC journal. For these vouchers, cash leaves the Treasury in July so the cash must be recorded as a fiscal year 2016 transaction. SABHRS will

automatically create the PYT journal in the GL with a fiscal year 2016 journal date.

- **Non-treasury cash accounts**

For additional details on the following accounts current guidance is available in MOM Policy 326, Non-treasury Cash Accounts. Please make sure to contact your bank to verify the final deposit date for your June statement.

1. Accounts 1103, 1106, 1109

Agencies must ensure that the bank codes associated with these accounts are correct to ensure proper collateralization by the State Treasury. Also, open item reports must be reviewed to correct any negative open items for accounts 1103, 1106, 1109. All open items must be positive at fiscal year end by Administrating Business Unit (BU).

2. Custodian cash accounts

A custodian cash account is a non-treasury cash account that consists of monies held in local checking or savings accounts by an agency as an agent. At fiscal year end, the agency must process a journal in the GL module establishing the cash balance at June 30<sup>th</sup> in SABHRS in the appropriate fund. The initial entry will be: debit account 1106 - Custodian cash and credit account 2504/2504A - Accountability for property held in trust. Account 1106 requires an open item number that is the same as the 3-digit bank code of the bank where the money resides. Each fiscal year end thereafter, agencies must adjust the prior year's balance to the new June 30<sup>th</sup> balance. These entries should include total increases and decreases for the fiscal year when recorded in an agency fund type (fund 07XXX in SABHRS). This information is used to create schedules that detail changes in asset and liability accounts for all agency funds, so the increases and decreases in account 1106 should be recorded separately, not as a net amount. For an updated list of bank codes or verification of specific bank codes, contact the Treasury Unit at 444-4579.

3. Imprest and revolving cash accounts

At June 30<sup>th</sup>, the cash balance in the checkbook register and cash on hand should equal the amounts authorized and shown on the SABHRS Trial Balance Report for imprest and revolving accounts. To accomplish this, it is suggested that activity in the account be cut off a week prior to June 30<sup>th</sup>, so replenishment can be completed.

If the imprest or revolving account is not completely replenished by June 30<sup>th</sup>, the cash (accounts 1102 or 1103) will be overstated and expenditures (or another asset) understated in SABHRS. If the amounts un-replenished at June 30 are significant, it will be necessary to process a journal in the GL module, debiting the appropriate expenditure account (or asset account) and crediting account 1102 or 1103. To replenish the account in the following fiscal year, a voucher should be done in the AP module using account 1102

or 1103. SFSD will approve the transaction for increases upon receipt of a Form DA-105, Request to Maintain a Non-treasury Cash Account, and for replenishments upon notification of pending journal. Account 1103 requires an open item number that is the same as the 3-digit bank code of the bank where the money resides. For an updated list of bank codes or verification of specific bank codes, contact the Treasury Unit at 444-4579.

- **Use of 1104 during Fiscal Year End**

If your agency has a positive cash balance, account 1104 – Cash in Treasury, it must be used during fiscal year end. Payments for goods or services without positive cash can be made using 1306/2106B. See Section IX for further details on 1306/2106B transactions.

All distributions or transfers made during fiscal year end must be made using cash (1104). If your cash is negative, then you must get an inter-entity loan first and then make the distribution or transfer using cash (1104).

- **Negative Cash at Fiscal Year End**

Each fund in total must have positive cash at fiscal year end. The Administrating BU is responsible for ensuring that an individual fund does not have negative cash.

If a fund has STIP and will have negative cash at fiscal year end, the fund **MUST** make arrangements to sell their STIP prior to 2:00 p.m. on June 29<sup>th</sup>. For further information in regard to STIP, see the Fiscal Year End STIP Procedure Memo that will be issued by the BOI.

## VII. Clearing accounts

The following accounts must have zero balances in the Actuals or Entitywide ledgers at fiscal year end:

Account	Account name	Required for
1811-1822	Various clearing accounts	Various capital asset, Treasury Department, Board of Investments, and sub-system clearing accounts.
1823	Due from BU_fund clearing	
1909	Purchasing card advances	Used by Department of Transportation only. However, all agencies must ensure this account is zero at fiscal year end.
2505-2505A or 2516-2516A	Unearned or unavailable revenue	Agency funds (funds 07XXX) are used to account for assets held solely in a custodial capacity. As a result, the assets in agency funds are always equal to liabilities to the owner of the assets. Agency funds typically involve only the receipt, temporary investment, and remittance of assets to their respective owners. Since agency funds don't record nominal activity and have no fund equity, no accounting entries should be made to unearned or unavailable revenue accounts (2505/2505A or 2516/2516A)).
2516-2516(A)	Unavailable revenue	Revenue that is recognized as unavailable revenue for modified accrual funds (governmental funds) in the Actuals ledger must be reversed in the Entitywide ledger and recognized as revenue for full accrual financial reporting purposes. Refer to MOM 320.
2506 (incl. A to S)	Uncleared collections	Amounts recorded in these accounts should be distributed to nominal accounts.
2510	Cost allocations clearing	
2522 *	Unallocated investment collections	
2550-2557 2559	Treasury clearing accounts	
2558	Due to BU fund clearing	
4XXX	Fund equity accounts	Agencies should ensure the amounts recorded in different 4XXX accounts are appropriate. Agency funds (07XXX) are not permitted to have any amounts in the fund equity accounts. Federal funds (03XXX) receiving only reimbursement-type grant revenue should have zero balances in the fund equity accounts.
63XXX 64XXX **	Capital asset expenditure accounts	Refer to MOM chapter 335 for detailed instructions on using these accounts.
* This account should only be used by the Board of Investments.		
** The sum of these accounts within a fund must be zero for full accrual funds only.		

The following accounts must have zero balances at fiscal year end when the balances in the actuals and entitywide ledgers are added together. Note: full accrual funds should never have any balances in the entitywide ledger. See Section X for further details.

<b>Account</b>	<b>Account name</b>
5831XX	Bond proceeds / bond premium
583300	Inception of lease
583600	Proceeds of refunding bonds
5837XX	Loan proceeds
679XX	Other financing uses
69101	Bond principal
69201	Loan principal
69301 / 69301A	Capital lease principal
69303 / 69303A	Lease principal for IT
69401 / 69401A / 69403	Installment purchase principal
69501	Lease participation notes principal

### **VIII. Inter-entity receivables and payables**

Discussion in this section does not include inter-entity loans (accounts 1501/2102) or advances (accounts 1903/2202).

For agencies billing other state agencies or divisions for goods or services, SABHRS permits the use of the following accounts. These accounts are most often used at fiscal year end when the revenue has been billed but not yet paid.

- Account 1306 Due from other BU
  - Must use corresponding account 2106B Due to other BU or fund
  - There is a SABHRS edit in place that requires these two accounts to be balanced
  - Both accounts (1306/2106B) require an open item key, up to 30 characters
    - First 5 digits are mandatory and must be the agency BU number to which the payable is owed (account 2106B) or the agency BU number from which the receivable is due (account 1306). SABHRS has an edit in the GL requiring the use of the agency BU number.
    - The remaining 25 digits are optional and use is to be determined by the agency.
  - Cannot be used for transactions involving distributions or transfers (See Section VII.D).
- If the paying agency is using account 2403 (A Accruals) for items or services received after June 30<sup>th</sup>, then the receiving agency is not able to enter the corresponding account 1306.

Further discussion of this topic can be found in MOM Policy 345 Section VI.

## **IX. Revenue recognition**

The following guidelines are to be used in determining the proper recording of revenue at fiscal year end. For further details on revenue recognition and proper recording of revenue please refer to MOM Policy 320.

### **• Full accrual funds**

Full accrual accounting is mandatory for all higher education units and all funds classified as enterprise, internal service, pension (and other employee benefit) trust, private purpose trust, and investment trust funds. That is, if a fund has been assigned a number of 3XXXX - 7XXXX, 06XXX, 085XX, 086XX, or 095XX, full accrual accounting must be used to record revenue. When full accrual accounting is used, the unavailable revenue accounts should never be used, as availability criteria is not considered for full accrual basis of accounting. Revenue received but not earned should be reported as unearned revenue (account 2505 or 2505A).

### **• Modified accrual funds**

The modified accrual basis of accounting must be applied for all governmental funds. Revenues that have met all recognition criteria, but are not considered available at fiscal year end, must be recorded as unavailable revenue in the Actuals ledger (account 2516 or 2516A) until the revenue becomes available. An additional Entitywide ledger entry must also be recorded to reverse the unavailable revenue and recognize revenue.

Revenues that have been received but are not earned in modified accrual funds must be recorded as unearned revenue in the Actuals ledger (account 2505 or 2505A) until the revenue is earned. No Entitywide ledger entry is needed.

#### **1. Expenditures made in advance of federal grant reimbursement**

For federal cost reimbursable grants, where the expenditures have been recorded but the reimbursement has not been received by fiscal year end, the amount of the reimbursement should be accrued. The debit is to account 1302 - Due from federal government and the credit is to the proper revenue account. This does not apply to expenditures recorded as A-Accruals. Since A-Accruals do not represent valid GAAP expenditures, (A-Accrual expenditures are recorded for budgetary purposes) the criteria for revenue recognition has not been met, even if it is anticipated that the related expenditure will be made and revenue will be received within 60 days of fiscal year end.

#### **2. Federal grants received in advance of anticipated expenditures**

When federal grants are received in advance of anticipated expenditures, any portion not expended as of fiscal year end should be recorded as unearned revenue. If the grant money was recorded as revenue when received, the revenue must be reversed for the portion that has not yet met revenue recognition criteria. The debit is to the proper revenue account initially credited and the credit is to account 2505 or 2505A - Unearned revenue.

- **Full and Modified accrual funds**

1. Non-exchange activities – imposed

When resources are received or reported a receivable in the case of an imposed non-exchange activity before either (a) the period for which the payment is required to be made or (b) the period when resources are required to be used (or when use is first permitted) a deferred inflow of resources should be recorded.

2. Non-exchange activities – government mandated or voluntary

**When resources are received before eligibility requirements, other than time requirements, as asset should be recorded by the provider and a liability should be recorded by the recipient. When resources are received and the only eligibility requirement that has been met is the time requirement a deferred outflow of resources should be recorded by the provider and a deferred inflow of resources should be recorded by the recipient.**

## **X. Expenditure accruals**

The expenditure accrual process consists of a series of procedures to be followed in order to accomplish: (1) the establishment of accrued expenditures related to the current fiscal year (2015) in accordance with the established valid obligation criteria as defined below; (2) the closing of accrued expenditures related to the prior fiscal years contained in the Actuals ledger; and (3) the closing of all current fiscal year encumbrances. See Section IX above for transactions occurring between agencies.

- **Establishing new expenditure accruals**

Journals in the GL module are to be used to establish accrued expenditures for valid obligations incurred but unpaid as of the end of fiscal year 2015.

1. Valid obligation criteria

General criteria for determining valid obligations are as follows:

- **Materials and supplies:** Materials and supplies should generally be expended in the fiscal year received. Goods ordered but not received as of fiscal year end may be accrued if a purchase order (state and/or agency) was issued.
- **Services:** Services should, as a general rule, be charged against the fiscal year in which the services will be received.
  - Valid obligations created by written interagency or intra-agency service agreements for systems development must be accrued at fiscal year end in accordance with Section 17-7-302(1), MCA.
  - An expenditure may be accrued for written interagency or intra-agency agreements with the Department of Administration for the alteration, repair, maintenance, or renovation of a building. If the appropriation is not encumbered by a valid obligation at the end of the next fiscal year, the appropriation reverts to the fund from which it was originally appropriated [Section 17-7-302(2), MCA].

- **Equipment:** Equipment should, as a general rule, be charged against the fiscal year in which a purchase order (PO) was issued. Equipment received after June 30<sup>th</sup> should not be entered onto the Asset Management system until the next fiscal year with an acquisition date later than June.
- **Contracts:** Commitments related to unperformed legally binding contracts in process at year end may be accrued.

## 2. Supporting documentation

It is the responsibility of the person approving the accrual to verify that the accrual meets the valid obligation criteria, and that the supporting documentation is sufficient to prove it. The supporting documentation must be kept by the agency. The following guidelines are recommended as minimum requirements for supporting documentation:

- All journals submitted for processing should provide adequate explanations and proper supporting documentation.
- Estimates for utilities should be well documented.
- Estimates for computer programming services should be supported by a contract.
- Other contracts should be attached where applicable, or reference made to a claim which has the contract attached.

## 3. A Accruals (encumbrances)

After reviewing the criteria above, if you have a valid PO to purchase items or a contract for services to be received *after* June 30<sup>th</sup>, this must be entered as an A Accrual. When applying the above criteria to A Accruals, agencies should first consider legislative intent. An A Accrual that complies with the valid obligation criteria but is contrary to the original intent of the legislature when appropriations were enacted, or as amended, if appropriate, should not be accrued.

Enter an A Accrual journal as follows:

- Debit the appropriate expenditure account (6XXXX)
- Credit account 2403 "A Accruals"
- SABHRS edits are in place to only allow 2403 to be used with A Accrual journals. In order to post the journal as an A Accrual/Encumbrance you must click on the "Commitment Control" link found on the journal header panel. Select the "Encumbrance" button on the window that appears. By utilizing this feature in the GL, the budget will be affected, but not any balances in the ACTUALS ledger. These accrual journals will be loaded into the A-ACCRUAL ledger for reporting purposes where they will appear in the related trial balance.
- A journal source of "EAC" may be used on the Header panel to assist the agency in tracking their A Accruals. Journals with "EAC" will have to be manually edited and budget checked.

- A Accruals, account 2403, requires an open item key. This field can be up to 30 characters of the agency's choice. Please note the following:
  - Make sure the open item key is unique.
  - Use the fiscal year in the open item key. This helps DOA State Accounting Bureau in determining the age of accruals.
  - Make sure to set-up new accruals, using a new open item key, for each fiscal year. This also helps DOA State Accounting Bureau in determining the age of the accruals.

Paying an A Accrual journal as follows:

- Reverse the entry created above. Remember to mark the "Encumbrance" button on the "Commitment Control" panel. Reversing this journal returns spending authority to your budget.
- Process a voucher or another journal to make the actual payment. The coding for the journal or voucher is against the related reverted appropriation (program year not equal to 2016).

#### 4. B Accruals

After reviewing the valid obligation criteria, if you have received goods or services *before* June 30<sup>th</sup> and the payment will not be made in fiscal year 2014 you must record a B Accrual. Note: if performance on a contract is complete, or virtually complete, it should be accrued as a B Accrual.

Enter a B Accrual journal as follows:

- Debit the appropriate expenditure account (6XXXX)
- Credit account 2301B "Accrued Liability (B)"
- B Accruals are recorded in the ACTUALS ledger, so no additional steps are required.
- A journal source of "EAC" may be used on the Header panel to assist the agency in tracking the B Accrual. Journals with "EAC" will have to be manually edited and budget checked.
- B Accruals, account 2301B, requires an open item key.

#### 5. Problems relating to A Accrual (encumbrance) journals

SABHRS will allow unbalanced A Accrual (encumbrance) journals to be posted. This problem applies to journals that establish, adjust, or reverse A Accruals. Therefore, to avoid errors when entering A Accrual journals, it is extremely important to ensure that the journal lines balance in total and within each fund. If more than one fund is included on the journal, the system may add cash lines (account 1104 - Cash in bank) to balance the journal. If the system adds 1104 cash lines to an A Accrual journal, you must correct errors on the journal and remove the cash lines before the journal posts. By fixing the balances by fund and running the edit check, the cash lines should be eliminated. Both unbalanced A Accrual journals and balanced A Accrual journals with cash lines are incorrect, and will need to be corrected prior to the fiscal year end close.

- **Closing accruals**

Each agency is responsible for closing all accrual balances that will not be paid during fiscal year end or continued into a future period. It is recommended these be closed by July 15<sup>th</sup>, but agencies have until close on July 23<sup>rd</sup>. To close these accruals, make the following entries via a journal in the GL module:

1. Closing an A Accrual

Using the process described in Section XI.3 above, record an entry in the general ledger using the A Accrual ledger.

- Debit the appropriate A Accrual account.
  - Account 2403 for accruals established for contracts or services outside the state agencies.
- Credit the appropriate expenditure account OR account 4301 “Encumbrance Assignment” for A Accruals related to two or more fiscal years ago. Note: account 4301 is the ONLY account available when closing an accrual older than two fiscal years in the A Accrual ledger.

Agencies may carry prior year A Accruals into fiscal year 2016 by requesting permission from the SFSD Administrator. Note: new accruals established in fiscal year 2015 do not apply. This request must be made in writing on or before July 16<sup>th</sup>. The letter must include a thorough explanation of why the accrual should be allowed to carry over into fiscal year 2016 in addition to the fund associated with the accrual, the open item key, and the carry-over accrual amount. The Administrator will review the requests to determine if carryover of the accrual(s) is proper. If a letter is not received and approved, the accrual must be closed by the agency. The DOA State Accounting Bureau will work with the agencies to make sure this happens.

2. Closing a B Accrual

Record a journal entry in the general ledger using the Actuals ledger to close B Accruals. Make sure to clean-up old B Accruals prior to fiscal year end close.

- Debit the appropriate B Accrual account
  - Account 2301B for accruals established for contracts or services outside the state agencies
  - Account 2106B for accruals established with another state agency, note a corresponding 1306 must be included on the same journal in order for the journal to balance and process
- Credit the appropriate expenditure account OR the appropriate Fund Equity account for the related fund (see Section XVI for discussion on fund equity accounts)

### 3. Closing encumbrances related to purchase orders

All purchase orders that are encumbered for the current fiscal year must be completed. Agencies can review purchase orders that have not completed by running the MTPO\_POs NOT\_COMPLETE query. There are two ways to clear encumbrances created through a requisition or PO from agency budgets:

- Close the PO using the Reconciliation Workbench page.
- Pay for the purchase order through a PO voucher (Note: Final payments for a PO must be identified by the final reference check on the PO voucher).

Agencies can review encumbrances created by POs by accessing the org reports in SABHRS. To navigate to the reports, use the following path: Main Menu > General Ledger > MT Org/Project Reports. .

After the purchasing process is completed, all encumbered balances should be cleared if you take one of the actions noted above. You may want to review appropriation or org budget status reports to verify that no budgets have encumbrances, except for valid A Accruals.

#### • **Carry-forward Accruals and Continuing Appropriations**

- In order to carry-forward A Accruals, a \$0 org and appropriation budget needs to be brought forward into fiscal year 2016. Rather than have each agency do manual budget documents, this process has been automated. To ensure all 2403 accruals will be carried forward into 2016 each accrual journal must have a program, subclass, and org associated with them. If the accruals are missing any of these fields, a GL journal reversing the original 2403 and adding these fields will have to be made. If this is not done, the budgets cannot be carried forwarded and they will have to be requested manually through OBPP.
- If an agency needs to reverse or write-off a B Accrual, there will not be an appropriation to reverse or write-off against unless there is a reverted balance of at least \$1 remaining. SABHRS does not mark B Accrual journals, as described above with A Accruals, so if an agency intends to reverse a B Accrual they will need to monitor their budgets. The Budget Office will have to establish a \$0 budget if this process is not followed.
- A Accruals are not recommended for use with continuing appropriations because there will not be a reverted appropriation in the next year to record your actual expenditures against. Your unspent balance will be carried forward into the next fiscal year, so there is no need to “reserve” spending authority to cover the cost of the item being accrued. As a result there is no need to encumber (carry-forward) the budget authority relating to the unperformed contract in to the next year. When the actual expenditure in the next year occurs it is recorded against the current year appropriation.
  - However, to provide sufficient authority in your base budget (in a base budget year) you may record an A Accrual against a continuing

appropriation. This accrual will then need to be reversed against the appropriation that has been carried forward in the next fiscal year, or the reverted authority in future years, to provide budget authority for the expenditure. For example, an accrual recorded with a program code of 2015 will be reversed with a program code of 2016, in fiscal year 2016 if the related payment is made in 2016. If the related expenditure occurs in fiscal year 2016 the reversal may be against the 2016 reverted appropriation (biennial appropriation), or if this is a true continuing appropriation, against the appropriation that has been continued into 2017.

## **XI. SABHRS reports and review**

### **• Trial balance reports**

Agencies should run trial balance reports on a periodic basis during the fiscal year period to determine account balances as fiscal year end transactions are posted. These reports include:

- SABHRS Data Mine
- Trial Balance Report
- Trial Balance – Fund
- MTGL\_TB\_FUND\_CHOOSE\_LEDGER
- MTGL\_TB\_FUND\_ACT\_ENTWIDE\_COMB

Refer to the Financial Reports Listing, the SABHRS Data Mine Manual and the Reporting Manual found in SABHRS Documentation for additional information on available reports and how to run reports in SABHRS.

year endyear end

Regardless of fund type, reports should be run for the Actuals, Entitywide, and A-Accrual ledgers. When reviewing the trial balance you should note the following information:

- Full accrual funds should not use the Entitywide ledger.
- Verify that certain account balances equal zero (See the clearing accounts section VIII).
- Verify that all nominal activity (5XXXXXX and 6XXXXX accounts) closed into the fund equity accounts in most federal special revenue funds and in all agency funds. There should be no fund equity balances reported in agency funds or in certain federal special revenue funds. Fund equity balances in these funds should be eliminated by establishing a receivable or payable, whichever is appropriate. Refer to the clearing accounts and revenue recognition sections for guidance.

A special situation may exist if a fund must transfer the remaining fund equity balance at year end to another fund. For the fund equity balance used to calculate this transfer, the trial balance should normally include the A Accrual amount. If this

is not included (checked), sufficient cash may not be available to pay any of the related A Accruals in the future. The inclusion of the A Accruals in this calculation is also dependent on the specific legal language relating to the fund and legislative intent.

• **Entitywide trial balance review**

Following are some general guidelines to assist agencies in their Entitywide ledger trial balance reviews:

- Only modified accrual funds should use this ledger.
- Various accounts for modified accrual funds should net to zero when the balances in the actuals ledger are netted with the balances in the entitywide ledger. Refer to the clearing accounts section VIII for detailed guidance.
- Typically, only a limited number of accounts should have balances in the entitywide ledger. Any other balances should be investigated. Following is a list of SABHRS accounts that are usually allowed to have balances in the Entitywide ledger for modified accrual funds:

Account	Description	Comments
17XX	Capital asset accounts and accumulated depreciation	
1809	Intangible assets	
1907	Other deferred outflows	
1908	Refunding deferred outflows	
1917	Govt mandated deferred outflows	Used to report resources received before goods or services are provided
2104	Lease obligation	
2116	Accrued interest payable	
2124	Current lease obligation	
2216	LT Payable – SBECF	
2217	LT Payable – SBECF – Current	
2516/2516A	Unavailable revenue	Used to reverse unearned revenue in modified accrual funds because it is not available.
2536-2539	Deferred inflow accounts	
26XX	Long-term liability accounts	
4XXX	Fund equity accounts	
5XXXXX	Various revenue accounts	Revenue that is deferred in modified accrual funds because it is not available should be recognized in the entitywide ledger.
549XXX	Capital contributions	
55040X	Gain sale non-gen fixed asset	
583XXX	Long-term debt proceeds accounts and capital asset proceeds accounts	
61170	Capitalizable salary – NB	
61210	Capitalizable hourly wages –NB	
61310	Capitalizable other compensation – NB	

<b>Account</b>	<b>Description</b>	<b>Comments</b>
61402	Early retirement benefits	
61430	Capitalizable employee benefits – NB	
61905	Compensated absences	
61910	Capitalizable other personal service – NB	
62111	Capitalizable other services – NB	
622A6	Capitalizable supplies and materials – NB	
62306	Capitalizable communications - NB	
62475	Capitalizable travel – NB	
62550	Capitalizable rent – NB	
62610	Capitalizable utilities - NB	
62763	Capitalizable repair & maintenance - NB	
62805	Depreciation	
62808	Loss on capital asset sale	
62819	Arbitrage tax	
62877	Amortization	
628A3	Capital contribution	
62918	Capitalizable goods purchase for resale – NB	
63196-63198 63399 63298 63498 64196-63198 64297-64298 64397-64398 64499	Full accrual equipment offset accounts	
65087	Capitalizable other operating expenses - NB	
66110	Capitalizable grants from state sources – NB	
66220	Capitalizable grants from federal sources – NB	
66320	Capitalizable grants from other sources – NB	
67901	Bond discount	
67902	Pay refunded bond escrow agent	
67902A	Pay refunded bond escrow agent-NB	
691XX	Bond principal, interest, issue costs	
692XX	Loan principal, interest, issue costs	

Account	Description	Comments
693XX	Lease principal, interest costs	
694XX	Installment purchase principal, interest costs	

• **Federal and agency fund trial balance review**

If your agency has funds that have balances in clearing accounts or an improper fund equity balance in a federal or agency fund, you should should make the correction in SABHRS before fiscal year end is run. This will allow SABHRS to be correct at fiscal year end, and will eliminate the need for manual adjustments to the CAFR. We will accept journals through July 22<sup>nd</sup> to correct any of these problems. When determining whether a fund equity balance exists in a federal fund, the trial balance should be calculated without A Accruals.

Following are examples of possible adjustments (also, see the section on adjustments and corrections):

- Uncleared collections (accounts 2506/2506A) have a positive balance of \$100 resulting from monies that have been received and not yet recorded as revenue. Account 2506/2506A should be debited, and the appropriate nominal control account (5XXXXX or 6XXXX) credited on a journal.
- An agency fund, used as a clearing account pending distribution of monies received to the appropriate fund, has an ending fund balance of \$200. This money must be distributed to the related fund using cash as the offsetting entry. According to GASB Statement No. 34, due to and due from other fund accounts cannot be used to record the liability to other funds, but instead the related distribution to other state funds must occur. If the distribution is due to a party outside the state reporting entity, a liability should be recorded.
- Federal special revenue funds (03XXX) that record only federal reimbursement grants should normally have a zero fund balance at fiscal year end (post-closing). GAAP requires that reimbursement grant revenue be recognized only when the expenditure is recorded. The recording of revenue equal to expenditures (excluding A Accrual expenditures) results in a zero fund balance.
  - Note: Fund balances may exist due to factors other than those mentioned here. A careful examination must be made to determine what the fund balance consists of and how to properly eliminate it. If your federal special revenue fund records federal grant receipts on both an advance basis and a reimbursement basis, the correct adjusting entry will have to be determined on a grant-by-grant basis.
  - Positive fund balance: If a fund used only to record federal grants has a positive fund balance, it may be the result of one of the following:
    - If the federal grant is received in advance of anticipated expenditures, the portion not expended as of fiscal year end should be recorded as unearned revenue. The debit would be to the revenue account (5XXXXX) initially credited, and the credit would be to account 2505/2505A - Unearned revenue. However, if the federal grant is

complete, a revenue account should be debited, and Due to federal government (account 2508) should be credited.

- If valid expenditures were not accrued, an expenditure account should be debited, and an accrued expenditure account should be credited.
  - If another fund initially recorded the expenditure and this expenditure was not moved to the federal special revenue fund when revenue was received, an expenditure account should be debited and cash (account 1104) should be credited. This is done to offset the previously recorded revenue with a corresponding expenditure. The fund that initially recorded the expenditure would debit cash (account 1104) and credit an expenditure account.
- Other situations exist where federal funds may not be zero at fiscal year end. Examples of these are where: indirect cost recoveries received from the federal government exceed expenditures; an agency receives a federal entitlement (i.e., the amount of payment to which the State is entitled is determined pursuant to an allocation formula) where only a failure to comply with prescribed regulations will cause a forfeiture of resources; some agencies receive cost recoveries for services provided to federal inmates or patients; part of the amount received is to reimburse the agency for their costs, and another portion is given to the agency to make improvements of their choice. Fund balances relating to this latter portion would not be zeroed out.
- Negative fund balance: If the federal fund has a negative fund balance:
- The negative fund balance may be caused by recording or accruing expenditures before the federal reimbursement is received. In this case, the amount of the reimbursement owed to the fund should be accrued if expenditures have been recorded or accrued as a B Accrual. The debit would be to Due from federal government (account 1302), and the credit would be to the proper revenue account (5XXXXX). Revenue related to A Accruals should not be accrued. If revenue was recorded prior to fiscal year 2015 that did not meet the revenue recognition criteria as per the related chapter section, reverse the entry to remove recognized revenue until the criteria are met.

Submit your adjusting ONL journals by July 22<sup>nd</sup>. Extra care should be taken to ensure that all coding is correct, and that appropriation balances are adequate to cover any expenditure accruals.

#### **D. Other SABHRS reports**

In addition to the reports already mentioned, below is a condensed list of reports and queries available in SABHRS that will assist you with reviewing account balances and researching financials transactions.

- SABHRS Data Mine
- InterUnit Journals

- MTGL\_JOURNAL\_LINE\_DETAIL
- MT\_IU\_JRNL\_ID
- MTGL\_FUND\_BY\_RESP\_BU

Refer to the Financial Reports Listing and the Reporting Manual found in SABHRS Documentation for additional information on available reports and how to run reports in SABHRS.

### **XIII. year end Adjustments and corrections**

Agencies are to review June's financial records and trial balance reports (in the Actuals, Entitywide and the A-Accrual ledgers) and submit any necessary adjusting or correcting entries for input to SABHRS. Administering agencies should review applicable funds and accounts to detect any necessary adjustments or corrections that must be made. Agencies are advised to make the necessary entries as the SABHRS financial records and reports will be the official state records. Adjusting and correcting entries typically involve:

- distribution of expenditure/transfer-out activity
- distribution of revenue/transfer-in activity
- adjustments between or among sources of funding (funds/appropriations)
- correction of amounts erroneously charged
- correction of input errors
- establishment of a reserve for long-term loans that equals account 1207 - Long-term loans receivable
- establishment of other relevant fund balance reservations or designations
- correction of negative asset, liability, revenues/additions, expenditures/deductions accounts; and/or improper use of accounts in recording transactions.

#### **A. Non-general fund adjustments**

Section 17-2-108, MCA, states "An office or entity of the executive, legislative, or judicial branch of state government shall apply expenditures against appropriated non-general fund money whenever possible before using general fund appropriations." Prior to the closing of fiscal year end, agencies must review their accounting records to determine compliance with this statute. Agencies should prepare a GL journal to charge the other source(s) and abate the General Fund.

#### **B. Agency funds**

"Agency funds should be used to report resources held by the reporting government in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations, or other governments." – GASB Statement No. 34, paragraph 73.

Agency funds (07XXX) are only permitted to hold assets and liabilities related to entities or individuals that are legally separate from the State of Montana's financial reporting entity. In other words, any balances held in an agency fund that belong to another fund of the State (including component units), must be removed from the agency funds prior to fiscal year end. All distributions from agency funds to other state funds (including component units) must be made using cash (account 1104); this includes distributions recorded during the fiscal year end cut-off period (July 1 to SABHRS close). Both the disbursing and the receiving fund must use the cash accounts.

Agency funds should not create 1306/2106B balances (due from/to other fund). If resources held in an agency fund that belong to another fund of the State are invested in STIP then agencies must sell the STIP in time to receive cash in the fund by June 30. The cash received from the STIP sale must then be distributed to the non-agency fund by fiscal year end close. Please refer to the BOI memo regarding Fiscal Year End STIP Procedures for important deadlines that must be met so that the STIP sale will be reflected as a current year transaction. In addition, agency funds should not create 1501/2102 balances (inter-fund loans receivable/payable) and 1903/2202 balances (inter-fund advances receivable/payable). Agency funds should not need a loan at year end. If cash in an agency fund is negative or anticipated to be negative when the fiscal year closes, state agencies must determine the cause for the negative cash and take the following steps:

- If the agency fund's cash balance is negative because cash has been invested in STIP, the agency must sell the STIP prior to the deadline stated in the BOI Fiscal Year End STIP memo so that the fund will be cash positive as of June 30<sup>th</sup>.
- If the agency fund's cash balance is negative because more cash has been distributed from the agency fund than has been received, the state agency must make every effort to collect the over-distributed funds by June 30<sup>th</sup> and deposit those funds to the credit of the agency fund.
- Any other reasons for an agency fund's cash balance to be negative must be investigated and resolved. Correcting entries should be posted to bring the cash balance positive by fiscal year end close.

Agency funds may still be used as clearing accounts for internal transactions during the fiscal year, but all amounts being held for other funds of the State must be cleared from the agency fund when SABHRS closes. Distributions of amounts being held in funds designated as agency funds within the higher education fund structure ("M" fund types for MSU campuses and "N" fund types for UofM campuses) are excluded from these requirements. For external reporting, these funds are not reported separately as agency funds; therefore, these funds are not required to use cash (account 1104) for fiscal year end distributions to other higher education funds. However, all higher education funds (including higher education agency funds) receiving distributions from agency funds of the State (07XXX) must record receipt of these distributions using cash (account 1104).

### C. Checklist for fiscal year 2015 activity

Various other adjustments must be made to SABHRS per other management memos (MM) and MOM Category 300 Policy. The following checklist is not intended to be all-inclusive, but provides an alphabetical subject listing of common topics that may be necessary to correct SABHRS:

<b>Subject</b>	<b>Reference</b>
Account descriptions	MOM policy 310
Arbitrage accounting	MOM policy 340
Bad debt transfers	MOM policy 320
Bonds (or notes) payable	MOM policy 340
Capital assets	MOM policy 335
Capital asset impairment	MOM policy 335
Capital projects accounting	MOM policy 302
Cash flow statements	MOM policy 372
Claims	MOM policy 340
Collections	MOM policy 325
Compensated absences	MOM policy 340
Computer software capitalization	MOM policy 335
Construction work-in-progress	MOM Policy 335
Contingencies	MOM policy 340
Current Year vs. Prior Year	MOM policy 320
Debt service funds	MOM policy 340
Deferred Inflows and Outflows of Resources	MOM policy 320
Deposits	MOM policy 325
Escheated property	MOM policy 390
Expenditure abatements	MOM policy 318
Federal excise tax on gasoline	MOM policy 382
Federal indirect cost recoveries	MOM policy 390
Fiduciary funds	MOM policy 302
Fund balance	MOM policy 311
Grants w/ Other BU/Funds	MOM policy 345
Installment purchases	MOM policy 340
Insurance proceeds	MOM policy 335
Intangible assets	MOM policy 335
INTERCAP loans	MOM policy 345
Inter-fund loans	MOM policy 345
Inter-fund transactions	MOM policy 345
Inventories	MOM policy 335
Judgments	MOM policy 340
Leases	MOM policy 335
Livestock accounting policy	MOM policy 335
Loans receivable - budgeted funds	MOM policy 318
Non-treasury cash accounts	MOM policy 326
OPEB	MOM policy 355

<b>Subject</b>	<b>Reference</b>
Pension reporting	MOM policy 355
Pollution remediation	MOM policy 360
Revenue Abatement	MOM policy 320
Revenue recognition	MOM policy 320
Risk financing & related insurance issues	MOM policy 360
Service Concession Arrangements	MOM policy 350
SWCAP	MOM policy 390
Transfers	MOM policy 345
Unearned Revenue and Unavailable Inflows of Resources	MOM policy 320
Working capital	MOM policy 302

#### **XIV. Other topics**

##### **A. Capital assets and asset management reminders**

Split-funded capital assets are assets that are paid for and recorded by two or more funds in the same fund type. Governmental and proprietary fund assets may be split-funded as long as the asset is recorded in the same fund type, i.e., governmental or proprietary.

A capital asset funded from both governmental and proprietary fund types will require special accounting treatment to properly record the asset in the AM module. In this situation, a transfer-in (accounts 582XXX) and transfer-out (accounts 68XXX) must be recorded to transfer the amount from one fund type to the fund type that is recording the asset. This must be done in a general ledger journal. Example #1: The General Fund pays \$7,000, and an enterprise fund will contribute \$9,000 for a single capital asset. The item will be recorded in the governmental fund. The enterprise fund should record a transfer-out for \$9,000, and the General Fund should record a \$9,000 transfer-in. The General Fund should record a total capital outlay expenditure of \$16,000, which must be appropriated. The entire amount is capitalized in the General Fund in the entitywide ledger. Example #2: A governmental fund and a proprietary fund type fund the purchase of a capital asset with the intent that the asset will be capitalized and depreciated within the proprietary fund. The governmental fund records a transfer-out (within their appropriated amounts), and the proprietary fund records a transfer-in. The proprietary fund then records the entire amount of the purchase as a capital outlay expense and capitalizes the asset in that fund.

Please contact OBPP for any additional information on budgetary concerns related to split-funded assets.

Agencies must perform reconciliation between Asset Management and the General Ledger. A report can be run using the following query: MTAM\_GL\_RECON.

To minimize potential asset management transaction errors for July 2015, agency staff may need to update orgs related to capital assets using the transfer

functionality. Asset management creates accounting transactions that use the chartfield attributes associated with the asset. Correction of org values associated with assets may minimize future transaction errors.

Agencies that have designated an asset with the wrong category in error (“PEQUP” instead of “GEQUP”) must retire the old asset and add it as a new asset with the correct profile and category. In these circumstances, agencies will need to reverse the loss on the retirement, the capitalized asset expense on the asset added correctly, and the amount of prior period depreciation generated on the asset added correctly.

Agencies should review the capital asset impairment policy (MOM Policy 335) and record any necessary accounting entries by fiscal year end.

The end-of-the-month processes for June will not be run until AM is closed in July.

## **B. Capital projects**

Some agencies retain a portion of payments due to vendors/contractors for capital project costs until the completion of the project. The amount retained is usually designated in an agreement or contract and is paid upon completion of the project. The amounts retained are usually based on payments made for services that have already been performed and are due to the vendor upon completion of the project. These payments may often be associated with a continuing appropriation. Since the service has been rendered and payment is reasonably probable, agencies need to determine if the retained amounts meet the valid obligation criteria, and whether an accrual for these amounts should be made as B-accruals. Each agency will need to review the circumstances of the amounts retained for these activities and record liabilities as appropriate. For reporting purposes, all valid liabilities should be recorded if the service has already been rendered whether or not the amounts are related to a continuing appropriation. See the expenditure accrual section for guidance on this topic.

## **C. Compensated absences, OPEB, and Pensions**

Prior to fiscal year end close, the DOA State Accounting Bureau will post all necessary compensated absences and other postemployment benefits (OPEB, Pension) entries on behalf of non-higher education units. The only exception to this approach is that entries necessitated by state agency responses to items on the compensated absences exception reports will be posted by DOA State Accounting Bureau as financial statement adjustments only. Higher education units are responsible for recording their own compensated absences and OPEB entries prior to fiscal year end close. For further details on compensated absences and OPEB, please refer to MOM Policy 340 and 355.

## **D. Procard transactions (excluding Department of Transportation/Montana University System transactions)**

To reduce the number of accruals necessary for June, procard transactions made and posted after the June 22<sup>nd</sup> billing cycle, SABHRS will create a journal with those transactions containing a June transaction date that have posted

between June 23<sup>rd</sup> and July 2<sup>nd</sup>. This will be done on the afternoon of July 2<sup>nd</sup>, to give agencies time to approve and make coding changes. These journals will use account 2101A rather than account 1104. There is still a small possibility that pre-July transactions may still post after this date, but it will be up to agencies to either accrue, if material, or make certain the coding on the journals created later in July is correctly coded against a prior year budget.

Agencies will have to be very careful in watching the coding that appears on the procard transactions starting in July. SABHRS will automatically change the program code on all default coding to 2016 on July 2<sup>nd</sup>, after the file from the bank has been loaded. For those agencies using speedcharts though, the coding will not change to 2016 until the morning of July 16<sup>th</sup> (the day after the AP module is to be closed for 2015).

The normal procard journal will be created on July 30<sup>th</sup> for the remaining transactions not previously posted. Please follow the below process when posting this journal:

- This journal will have not only the transactions you currently see in the Purchasing/Procard module, but also the fiscal year 2015 items with a transaction date of July (posted between July 1<sup>st</sup> and July 2<sup>nd</sup>).
- Agencies will need to add 1104 lines by fund to make the journal balance.
  - All the PRO journals will error unless each agency adds 2101A/1104 lines by fund to clear the 2101A accounts established by the FYE PRO journal created on July 2, 2015.
  - The best way to determine the 2101A balances that need to be cleared is to run the FYE 6/30/14 PRO journal into Excel using query MTGL\_IU\_JRNL\_ID. Sort the transactions by account and fund, total 2101A for each fund and input a debit (or credit as the situation dictates) and an offsetting 1104 cash line. Please contact the DOA State Accounting Bureau if you need assistance with this process.
  - DO NOT use account 2403 (A Accruals) on the PRO journal as this requires additional processing on the journal. See Section XI.A.3 for further details.

**E. Fund balance/net position adjustments**

Due to the implementation of GASB No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, governmental funds may have additional fund balance classification adjustments to make in the Actuals ledger prior to fiscal year end close. Manual fund balance reclassification adjustments are necessary if a governmental fund has a balance in either an inventory or a prepaid account. These adjustments reclassify a portion of the governmental fund’s fund balance to Non-spendable fund balance in the amount of either the inventory and/or prepaid account balance. Non-spendable fund balance accounts have been established for these adjustments: 4121 Fund Balance – Inventory and 4122 Fund Balance - Prepays.

Example Actuals Ledger Trial Balance at fiscal year end:

1104	Cash	\$5,000
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1802	Merchandise Inventory	5,000
1905	Prepaid Expense	2,500
4130	Fund Balance - Committed	\$12,500

In this scenario the manual fund balance adjustments required in the Actuals Ledger at fiscal year end would be:

4130	Fund Balance – Committed	\$7,500
4121	Fund Balance – Inventory	\$5,000
4122	Fund Balance – Prepays	2,500

Each agency whose business unit has an inventory or prepaid balance in a governmental fund is responsible for creating the appropriate manual adjustment (as illustrated above) prior to fiscal year end. These manual adjustments to fund balance will have to be approved and posted by DOA State Accounting Bureau/APFRS.

Additionally, an adjustment is required to reclassify the general fund's Non-spendable portion of fund balance as a result of outstanding advances made from the general fund to other funds as well as LT Notes/ Receivables due from external parties. A Non-spendable fund balance account has been established for this adjustment: 4123 Fund Balance – L/T Note/Rec. This adjustment is only required for the general fund. DOA will record the FYE entry for the outstanding advances to other funds, but each agency will have to make their respective FYE entry for the LT Notes/Receivables due from external parties.

Please submit the Fund Equity Account Transaction form for all fund equity accounts requiring system maintained approval. These accounts are mentioned in section XVI below. The form can be found at the Department of Administration website:

<http://sfsd.mt.gov/SAB/AccountingFormsInfo>

To expedite your requests, please send the forms directly to the State Accounting Mailbox by typing DOA State Accounting in the Outlook Address Book or [saccounting@mt.gov](mailto:saccounting@mt.gov).

#### **F. Additional information required for leases**

Agencies must disclose the gross amount of each capital lease by major asset class (e.g., land, building, equipment) and related accumulated depreciation. This information will be requested by the DOA State Accounting Bureau on the lease memo and capital lease template sent out to agencies before fiscal year end.

#### **XV. Closing entries**

Nominal and budgetary activity will automatically be closed on the agencies' behalf as indicated in the following table:

<b>Fund type</b>	<b>SABHRS fund range</b>	<b>Actuals Ledger</b>	<b>Entitywide Ledger</b>
General Fund	01100	4140 Unassigned	4101 Net Position - Unrestricted
State Special Revenue funds	02000-02999 & 08000-08449	Directed by Agency: 4125 Restricted 4130 Committed 4135 Assigned	Dictated by Fund Balance: 4201 Net Position – Restricted 4101 Net Position – Unrestricted 4101 Net Position - Unrestricted
Federal Special Revenue funds	03000-03999	4125 Restricted	4201 Net Position - Restricted
Debt Service funds	04000-04999	Directed by Agency: 4125 Restricted 4130 Committed 4135 Assigned	Dictated by Fund Balance: 4201 Net Position – Restricted 4101 Net Position – Unrestricted 4101 Net Position – Unrestricted
Capital Project funds	05000-05999	Directed by Agency: 4125 Restricted 4130 Committed 4135 Assigned	Dictated by Fund Balance: 4201 Net Position – Restricted 4101 Net Position – Unrestricted 4101 Net Position – Unrestricted
Enterprise funds	06000-06499	4101 Net Position - Unrestricted	Not Applicable
Internal Service funds	06500-06599	4101 Net Position - Unrestricted	Not Applicable
Investment Trust funds	08500-08599	4101 Net Position - Unrestricted	Not Applicable
Private -Purpose Trust funds	08600-08699	4201 – Net Position - Restricted	Not Applicable
Permanent Trust funds	09000-09499	Directed by Agency: 4120 Nonspendable 4125 Restricted 4130 Committed	Dictated by Fund Balance: 4202 Net Position – Perm Funds 4201 Net Position – Restricted 4101 Net Position - Unrestricted
Pension Trust funds	09500-09599	4101 Net Position - Unrestricted	Not Applicable
Restricted funds	32000-32999	4703 – FB - restricted expendable	Not Applicable
Student loan funds	40000-40999	4705 – FB - restr loans expendable	Not Applicable
Endowment funds	50000-50999	4701 – FB - restricted non-expendable	Not Applicable
Retirement of indebtedness funds	73000-73999	4707 – FB - restr debt service expend	Not Applicable
Net investment in plant funds	74000-74999	4709 – FB - NIIP fund equity	Not Applicable

**XVI. Human Resources and Payroll Information**

Fiscal year end information for Human Resources and Payroll can be found at <https://mine.mt.gov/documentation/sabhrs/hr/new/yearend.mcpx>

If you have further questions on Human Resources and Payroll, please contact Erin LaFromboise at 444-3794 or Rick Oie at 444-5715.

**XVII. DOA State Accounting Bureau contacts**

**A. Accounting Principles/Financial Reporting Section (APRFS)**

1.

Title	Name	Phone	Duties
State Accountant & Bureau Chief	Cody Pearce Effective 06/8/2015	444-4609	
Accountant	Neil Fryer	444-7830	GL, AM, & AP Helpdesk State Accounting policy development and implementation CAFR Preparation Fiscal year end assistance Agency issues and problems
Accountant	Bill Hall	444-3094	GL, AM, & AP Helpdesk State Accounting policy development and implementation CAFR Preparation Fiscal year end assistance Agency issues and problems
Accountant	Kristin Reynolds	444-5584	GL, AM, & AP Helpdesk State Accounting policy development and implementation CAFR Preparation Fiscal year end assistance Agency issues and problems
Accountant	Logan Nordahl	444-4669	GL, AM, AP & AR Helpdesk State Accounting policy development and implementation CAFR Preparation Fiscal year end assistance Agency issues and problems Travel Helpdesk

<b>Title</b>	<b>Name</b>	<b>Phone</b>	<b>Duties</b>
Accountant	Anthony Cacace	444-4689	GL, AM, & AP Helpdesk State Accounting policy development and implementation Fund Equity OPEB CAFR Preparation Fiscal year end assistance Agency issues and problems

**B. Warrant Writer Unit**

<b>Title</b>	<b>Name</b>	<b>Phone</b>	<b>Duties for all WWU Staff</b>
Accounting Tech - Lead Worker	Dulcie McNulty	444-3133	Accounts Payable Help desk Questions on 1099s, 1042s'
Accounting Tech	Pat Birnie	444-2505	Stale-dated warrants Warrant Cancellations Questions on vendor file and vendor forms EFT cancellations Copies of cashed warrants Duplicate, lost, forged or stolen warrant requests Express warrants