

WHAT IS INVENTORY?

Materials and supplies held in the normal course of operations for future consumption.

<u>Examples:</u> office supplies, medical supplies, automotive parts, safety gear, and forms unique to a department's mission and purpose

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2022 YEAR-END TRAINING

WHO NEEDS TO REPORT INVENTORY?

Departments with inventory values of \$50,000 or more in aggregate, are reportable.



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3

WHAT IS REQUIRED IF THE INVENTORY PROCESS APPLIES?

- Perform a physical inventory count on or as close to June 30 as possible
- Record the count result in PeopleSoft:
 - Inventory Management Module
 - Prepare Journal Entry (If adjustment is greater than \$5,000)
- Schedule E is required to document results of physical count



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SCENARIO

- The ABC Department, who operates as a governmental fund, has a beginning inventory on July 1, 2021 of \$600,000 and an ending inventory amount at June 30, 2022 of \$450,000.
 - •Inventory has decreased by \$150,000

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2022 YEAR-END TRAINING

5

SCHEDULE E -	Inve	entory of Material	nty of Riverside County Is and Supplies (Asset Account 17010 As of June 30, 2022 Due July 22, 2022	O) ACCUPATION OF STREET	
SCHEDULE E -	SCHEDULE	F			
IAIV (ENITO D) (osing Manual, Chapte	r 7)		
INVENTORY		10000			
	Fund No.: Fund Name:	General Fund	JE Num JE Sou		
	DeptiD:	1300100000	Business U		
(GOVERNMENTAL	Dept Name:	Auditor-Controller		age: 1 of 3	
•	Fund Type:	G	← (Enter "G" for governmental or "P" for propr	ietary)	
FUND)	Ending Inventory	Value Juga 201		\$450.000	
FUND)		nventory Value, July 1		600,000	
			ST have an aggregate amount equal to or greater than \$		
	(Enter applicable A		ust inventory and related expenditure account per YE Unassigned Fund Balance	(150,000)	
		315100	Nonspendable for Inventory	150,000	
	To reserve the portion of FB that is not available to finance current expenditures.				
	Journal Entry for Note to user	Proprietary Fund: Account	Description	Debit or (Credit)	
	Note to user	170100	Inventory Of Materials & Supp	Debit or (Credit)	
	(Enter applicable A				
		To ad	ljust inventory and related expense account per YE in	ventory count.	
	* Date physical i	nventory count was com	pleted: 06/29/2022		
	Prepared By:	Donald Duck (Print name)	Phone	N o.: 5-5555	
	Approved By:	Mickey Mouse (Print name)		Date: 07/02/2022	
		Hicky Him			
			e indicates this form is correct to the best of my knowledge to determine the ending value.	and that a physical inventory	
AUDITOR		6		2022 YEAR-END TRAINING	

JOURNAL ENTRY TO DECREASE INVENTORY (GOVERNMENTAL FUND)

Account Description	Debit	Credit
Inventory of Materials and Supplies		\$150,000
Applicable Expenditure Account	\$150,000	
Unassigned Fund Balance		\$150,000
Fund Balance - Nonspendable for Inventory	\$150,000	



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7

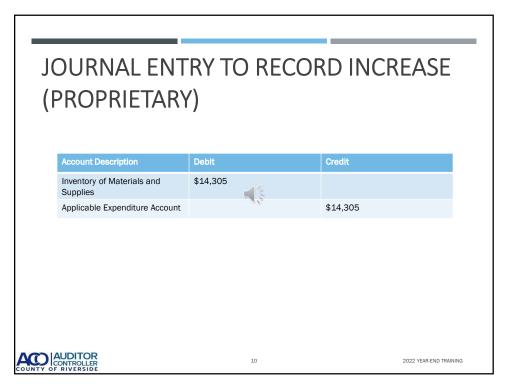
SCENARIO

- The ABC Department, who operates as a proprietary fund, has a beginning inventory balance on July 1, 2021 of \$56,280 and an ending inventory balance at June 30, 2022 of \$70,585.
- •Inventory has increased by \$14,305



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SCHEDULE E –	County of Riverside County Inventory of Materials and Supplies (Asset Account 170100) As of June 30, 2022 Due July 22, 2022					
INVENTORY		SCHEDULE E (Refer to YE Closing Manual, Chapter 7)				
(PROPRIETARY FUND)	Fund No.: Fund Name: DeptID: Dept Name: Fund Type:	40200 Enterprise Fund 4500100000 Pollution Manageme	JE Numbe JE Source Business Uni ent Department Page ← (Enter "G" for governmental or "P" for propriet	E YE WMARC E 1 of 3		
1 31127		Inventory Value, July 1	iT have an aggregate amount equal to or greater than \$5,	\$70,585 56,280 \$14,305		
	0 000-00 00	Governmental Fund:	, please prepare the entries as shown below.			
1/2	Note to user (Enter applicable A		Description Inventory Of Materials & Supp set inventory and related expenditure account per YE inv Unassigned Fund Balance	Debit or (Credit) entory count.		
200		315100	Nonspendable for Inventory	-		
~~		To reserve the porti	on of FB that is not available to finance current expendi	tures.		
	Journal Entry for	To reserve the porti	on of FB that is not available to finance current expendi	ures.		
•	Journal Entry for Note to user (Enter applicable A	Proprietary Fund: Account 170100	on of FB that is not available to finance current expendi Description Inventory Of Materials & Supp	Debit or (Credit) 14,305 (14,305)		
	Note to user	Proprietary Fund : Account 170100 C) → 527106	Description Inventory of Materials & Supp Just inventory and related expense account per YE Inventory	Debit or (Credit) 14,305 (14,305)		
	N ote to user (Enter applicable A * Date physical i	Proprietary Fund: Account 170100 C) 527106 To ad niventory count was com	Description Inventory Of Materials & Supp Just inventory and related expense account per YE Inventory O6/29/2022	Debit or (Credit) 14,305 (14,305) ntory count.		
	Note to user (Enter applicable A	Proprietary Fund: Account 170100 > 527106 To ad	Description Inventory Of Materials & Supp just inventory and related expense account per YE inventory	Debit or (Credit) 14,305 (14,305) ntory count.		
	N ote to user (Enter applicable A * Date physical i	Proprietary Fund: Account 170100 527106 To ad niventory count was com Donald Duck	Description Inventory Of Materials & Supp Just inventory and related expense account per YE Inventory O6/29/2022	Debit or (Credit) 14,305 (14,305) atory count.		
	Note to user (Enter applicable A * Date physical i Prepared By:	Proprietary Fund: Account 170100 > \$27108 To ad niventory count was com Donald Duck (Pfint name) Mickey Mouse (Print name) States Viture (Signature) "Ny signature above "Ny signature above	Description Inventory Of Materials & Supp Just inventory and related expense account per YE Inventory O6/29/2022	Debit or (Credit) 14,305 (14,305) (14,305) 2.5-5555 Date: 07/02/2022		



QUESTION

- Multiple choice
- Department "Y" performed an inventory count at year end, and it determined the value to be \$45,000 with a beginning inventory of \$15,000. Is Department "Y" required to prepare Schedule E?
- A. Yes
- B. No



11

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11

ANSWER

- Multiple choice
- Department "Y" performed an inventory count at year end, and it determined the value to be \$45,000 with a beginning inventory of \$15,000. Is Department "Y" required to prepare Schedule E?
- A. Yes
- B. No



12

SCHEDULE E - INVENTORY

 Submit Schedule E and Supporting Documents via <u>email</u> to:

ACO Year-End

acoyearend@rivco.org

Schedules are due July 22, 2022

Submit any questions via email to: acoyearend@rivco.org





13

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13



SCHEDULE M – PREPAID EXPENDITURES

- ✓ Amount paid for a product or service that has not been fully used up as of fiscal yearend
 - Insurance premiums paid in advance
 - Rents that are paid in advance



15

022 YEAR-END TRAININ

15

SCHEDULE M - PREPAID EXPENDITURES

- ✓ Schedule M allocates the total amount paid between current fiscal year expense and amount amortized for future fiscal year expense
- ✓ Journal entry is required to amortize amount of expense not used (1st step)
- ✓ Journal entry is also required to reserve an equity amount for the prepaid (2nd step require for governmental funds only)



16

SCENARIO

Department XYZ paid Accrual World Inc. a total of \$427,000 on June 1, 2022 for professional services for the month of July 2022. The full amount was recorded in Account 525440 under General Fund.

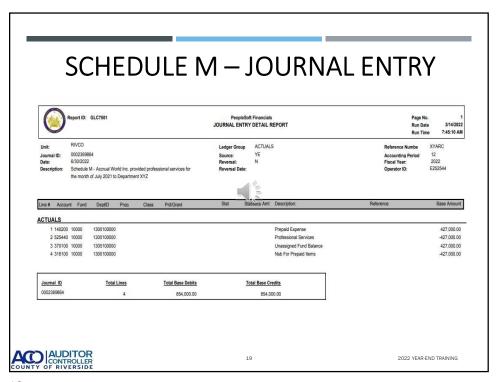


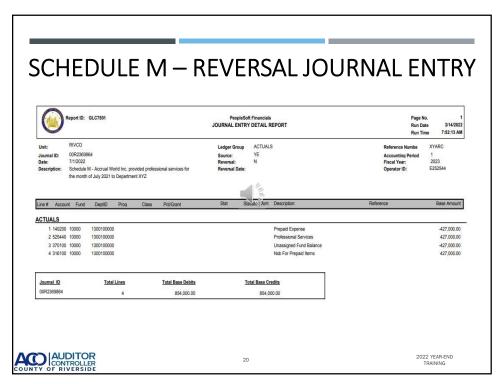
17

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17

SCHEDULE M - PREPAID EXPENDITURES County of Riverside AC AUDITOR COUNTY OF RIVERSIDE PREPAID EXPENSE: ASSET ACCOUNT 140200 As of June 30, 2022 Due July 22, 2022 SCHEDULE M end Closing Manual, Chapter 9) JE Number: 0002294688 / 00R2294688 JE Source: YE Page 1 of 1 Fund No.: 10000 Business Un XYARC DeptID: 1300100000 Fund Name: General Fund Dept Name: Department XYZ Note: Line items MUST have an aggregate arount equal to or greater than \$5,000 xpenditures Expenses Account Code Date Paid Amount Paid Vendor / Contractor Name Prepaid Items Goods / Services Accrual World inc. \$427,000 6/27/2022 525440 rofessional Services July 2021 \$ 427,000 427,000 SCHEDULE M TOTAL \$427,000 \$ 427,000 \$ Prepared By: Steve Austin Phone No.: 5-5555 Approved By: Dwayne Johnson Date: 7/6/2022 AUDITOR CONTROLLER COUNTY OF RIVERSIDE 18 2022 YEAR-END TRAINING





SCHEDULE M – SUPPORTING DOCUMENT



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21

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21

QUESTION

•If we receive an invoice at the end of April 2022 and make payment at the beginning of May 2022 for services provided in June 2022, do we fill out a Schedule M?

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22

ANSWER

No schedule is needed since the prepayment is made in May for services provided in June, the same fiscal year.



23

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23

Schedule M – Prepaid Expenditures

- Email Schedule M and Supporting Documents to:
 - acoyear rid@rivco.org

Questions?

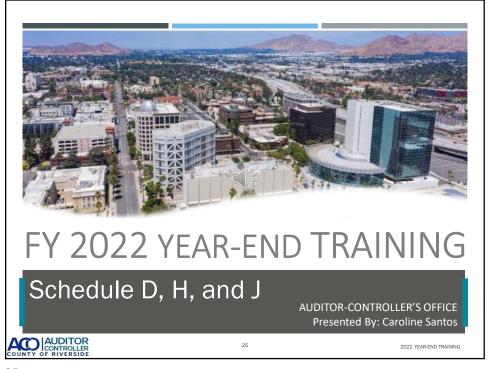
 Submit them by email to acoyearend@rivco.org



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24

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YEAREND SCHEDULES

- Schedule D Leases, Lessor
- Schedule H Financed Purchases
- Schedule J Leases, Lessee

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26

WHAT IS A LEASE AS DEFINED BY GASB 87?

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.



27

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27

CRITERIA FOR LEASES – (SCHEDULES D & J)

To determine if a contract conveys control of the right to use the underlying asset, a government should determine whether the contract meets both of the following criteria:

- The right to obtain the present service capacity from use of the underlying asset as specified in the contract
- The right to determine the nature and manner of use of the underlying asset as specified in the contract.

If a lease does not meet any of the above criteria it will most likely be classified as a <u>financed purchase</u> (Schedule H) or <u>short-term</u> <u>lease</u> (No Schedule).



28

GASB 87 LEASE EVALUATION TOOL

You will need to complete the GASB 87 Lease Evaluation Tool for any lease contract or contract with a lease component.

- · GASB 87 Lease Evaluation Tool for Lessee
- GASB 87 Lease Evaluation Tool for Lessor

The tool has been emailed several times to the FAMM/MAM community.

If you need a copy of the lease evaluation tool and the instructions, reach out to acoyearend@rivco.org. After completing the evaluation tool, you must submit to the ACO for review with a copy of the contract.



29

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29

GASB 87 LEASE EVALUATION TOOL

If your contract falls within the scope of GASB87, the ACO will work with you to calculate the present value of the lease payments and to create an amortization table.



30

FINANCED PURCHASES – SCHEDULE H

A lease is classified as a financed purchase if the underlying asset transfers ownership to the lessee by the end of the contract and does not contain termination options.



31

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31

SHORT-TERM LEASES

Short-term leases are defined as leases that have a maximum possible term of 12 months or less, including any options to extend, regardless of their probability of being exercised.



32

HOW TO COMPLETE SCHEDULE D, H, AND J

Purpose of Each Schedule:

- Schedule D To record a lease receivable and a deferred inflow of resources. A YE journal and a
 corresponding new year reversal entry needs to be submitted.
 - · Use the following accounts:
 - 160300 GASB87 Lease Receivable
 - · 260125 Def Inflw GASB87 Lease Revenue
- Schedule H To record a liability for the finances, psirchase. You will not submit a YE journal with this schedule. For Governmental funds, the liability is recorded in the Government-Wide Financial Statements not in the fund financials. For Proprietary Funds, you will record the liability same way you have before, during the clean up of the "non-applicable accounts". The accounts you will use are the same accounts you have used in the past. However, we have changed the name from Capital Lease to Financed Purchase.
 - · Use the following accounts:
 - · 250100 Financed Purchase Current
 - 283100 Financed Purchase LT
- Schedule J To record a GASB 87 Lease liability
 - · Use the following accounts:
 - 250240 GASB 87 Lease Payable-Current
 - · 283200 GASB 87 Lease Obligation

No YE Journal is needed with Schedule J. Follow the same format as Schedule H, except use the appropriate liability accounts.



33

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33

TO COMPLETE SCHEDULE D, H, AND J

You will need:

An amortization schedule

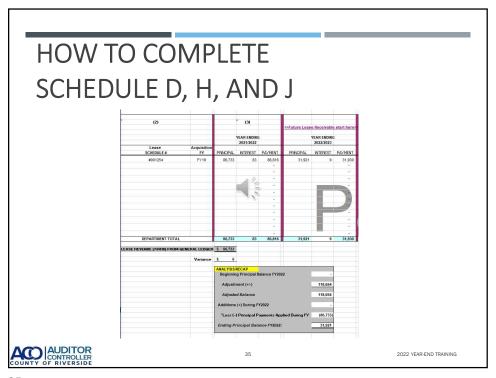
For Schedule D and J, you will work with the ACO to measure the present value of the lease payments during the lease term and to create an amortization table.

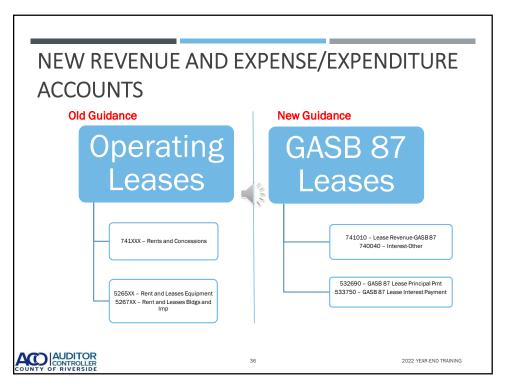
For Schedule H, the amortization table can be found in the contract/agreement.

Payment #	Date	Principal	Interest	Total Payment
1	7/1/2021	\$ 7,099.20	\$ -	\$ 7,099.20
2	8/1/2021	7,088.04	11.16	7,099.20
3	9/1/2021	7,088.75	10.45	7,099.20
4	10/1/2021	7,089.46	9.74	7,099.20
5	11/1/2021	7,303.15	9.03	7,312.18
5 6 7	12/1/2021	7,225.80	8.30	7,234.10
7	1/1/2022	7,304.60	7.58	7,312.18
8	2/1/2022	7,305.33	6.85	7,312.18
9	3/1/2022	7,306.07	6.11	7,312.18
10	4/1/2022	7,306.80	5.38	7,312.18
11	5/1/2022	7,307.53	4.65	7,312.18
12	6/1/2022	7,308.26	3.92	7,312.18
13	7/1/2022	7,308.99	3.19	7,312.18
14	8/1/2022	7,309.72	2.46	7,312.18
15	9/1/2022	7,310.45	1.73	7,312.18
16	10/1/2022	7,311.18	1.00	7,312.18
17	11/1/2022	2,680.85	0.29	2,681.14



34





SUPPORTING DOCUMENTS

- · Schedule D
 - A copy of the Amortization Table
 - A copy of the YE Journal and the corresponding new year reversal journal entry
- Schedule H
 - · A copy of the Amortization Table and
 - A copy of the AM-5 Form
- · Schedule J
 - · A copy of the Amortization Table and
 - A copy of the AM-9 Form



37

2022 YEAR-END TRAINING

37

SCHEDULE D, H, AND J

- Submit the YE Schedule and Supporting Documents via email to:
 - ACO Year-End
 - acoyearend@rivco.org
 - Schedule D, H, and J is Due July 22, 2022

Questions?
 Submit them by email to
 acoyearend@rivco.org





38

