


2023 YEAR-END MANUAL

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AUDITOR CONTROLLER
COUNTY OF RIVERSIDE

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Preface

The Office of the Auditor-Controller has prepared this manual to help facilitate, coordinate, and make the year-end closing process more efficient. Prolonged and sometimes complicated accounting concepts have been condensed into the main ideas necessary for year-end closing purposes.

For a more comprehensive treatment of governmental accounting standards and procedures, please log onto the California State Controller's website at https://www.sco.ca.gov/Files-ARD-Local/ASP_Manual.pdf. Of particular value on that website is an extensive Glossary of Accounting Terms.

Acronyms used in this manual

GAAP Generally Accepted Accounting Principles
GASB Governmental Accounting Standards Board
HCM Human Capital Management

Assets		+	Deferred Outflows of Resources		=	Liabilities		+	Deferred Inflows of Resources		+	Fund Balance/ Net Position	
Debit (+)	Credit (-)		Debit (+)	Credit (-)		Debit (+)	Credit (-)		Debit (+)	Credit (-)		Debit (+)	Credit (-)
Increase	**Decrease**		**Increase**	**Decrease**		**Decrease**	**Increase**		**Decrease**	**Increase**		**Decrease**	**Increase**

Normal Balances

Debits
Assets
Deferred Outflows of Resources
Expenditures/Expenses

Credits
Liabilities
Deferred Inflows of Resources
Fund Balance/Net Position
Revenues

Revenues	
Debit (+)	Credit (-)
Decrease	**Increase**

Expenditures/Expenses	
Debit (+)	Credit (-)

Chapter 1 Introduction

Purpose of the Manual

The purpose of the Year-end Manual is to provide guidance to the organizational units of the County with the goal of ensuring uniformity and consistency in the procedures to be followed for reporting year-end financial data.

Retention of Manual

We encourage you to make copies of this manual and to use applicable sections for the training of County personnel. Updated versions of this manual are issued annually, and older versions should be discarded.

Organizational Units Affected

All organizational units controlled by agencies that are governed by the County Board of Supervisors are affected by the requirements contained within this manual.

Reasons for Closing Procedures

1. To provide internal users of the County financial system with accurate, timely and reliable information. Accuracy is served by ensuring that transactions are recorded in the appropriate accounting period. The goal of timeliness is met by adhering to a set schedule of deadlines. Reliable information on year-end closing transactions is maintained by the supporting documentation provided by participating departments. With this information management can make better decisions regarding the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenditures, and fund balance/net position.

2. To provide the public and other external users of County Financial Statements with accurate, timely and reliable information. Lending institutions, bond rating agencies, and other major users of the County's financial statements also make decisions based on the information included in County financial reports. All organizational units of the County benefit by participating in the year-end closing procedures.

3. To provide independent auditors with information that conforms to generally accepted accounting principles (GAAP). The goal of the independent auditor is to obtain reasonable assurance that the financial statements are fairly presented and free from material misstatement. The schedules and supporting documentation provide this assurance to them.

Chapter 2 Fiscal Year-End Budgetary Control Procedures

Budget Deficits at Year-End

Governmental Code §29120 limits expenditures to only those amounts approved by the Board of Supervisors in the annual budget (as originally adopted, or through amendments to the budget as approved by Board action). Therefore, budgetary organizations cannot legally exceed their Board-approved appropriations.

1. Since the County Budget Act (Government Code § 29000 through § 30201) requires annual operating budgets for governmental funds, the Auditor-Controller's Office cannot close the fiscal year until all appropriation budget deficits are eliminated by Board-approved budget action. Proprietary funds can also have legally prescribed budgets, subject to Board discretion, and must also have appropriation budget deficits eliminated by Board-approved budget action.

2. It is the responsibility of each organizational unit to prevent excessive expenditures or to immediately resolve such budget deficits when they occur.

Cash Deficits at Year-End

1. It is the responsibility of the Department to prevent cash deficits or to immediately resolve such occurrences at the fund and sub-fund level.

2. Pursuant to Board of Supervisors Policy Number B-14, Section 25252 of the Government Code and Board Resolution No. 2010-205, the Auditor-Controller Office reports to the Board of Supervisors all funds resulting in a negative cash balance at the end of the fiscal year.

Chapter 3 Preparing and Submitting Closing Documents

General

This manual serves as a single source of information for fiscal year-end procedures. All organizational units must follow the procedures set forth in this manual. The fiscal accounting period for all organizational units is July 1 through June 30.

Basis of Accounting

State and local governments account for Internal Service Funds, Enterprise Funds, and Fiduciary Funds for year-end closing transactions on the accrual basis of accounting. All other funds are required to use the modified accrual basis of accounting.

Schedule Instructions

1. Submit the original of each schedule to the Auditor-Controller's Office no later than the deadline specified in the Year-End Closing Calendar. Exceptions to deadlines must be approved by the Auditor-Controller's Office in advance of the cutoff date. The organizational unit must make its request in writing to the year-end coordinator and receive written approval. The use of e-mail (acoyearend@rivco.org) for making these requests is acceptable. In addition, any request requiring an increase in budgeted appropriations requires the approval of the County Executive Office.

2. The Transmittal Letter (Schedule N) summarizes the closing schedules submitted for each budgetary unit (Fund/Dept. ID) and must accompany their closing package. Schedule N provides positive verification of the applicability of each schedule. Please add your mail stop number in the space provided in the upper right-hand corner of the Schedule N. **A transmittal letter must be returned for each budgetary unit even if there are no closing schedules.** (A budgetary unit represents a combination of Fund and Department ID at Level Four where the Board of Supervisors establishes an official budget). Check the appropriate box in each column to indicate what schedule(s) and journal(s) are included in the packet. (See Appendix A).

3. Schedules are required to be signed by the person preparing them and **must be approved by the department head or their management level designee.**

4. Copies of the schedules must be retained by the organizational unit along with supporting documents for future audits.

5. Report all dollar figures in whole dollars. Do not include cents.

6. If an amount is estimated, an explanation must accompany the schedule as to how the amount was determined. Indicate amounts estimated by inserting "(**E**)" in the estimate (**EST**) column.

7. Include the Fund Number, Business Unit, Dept. ID and Journal Entry number on the top of all schedules in the appropriate fields.

8. All schedules are available in Excel format from the Auditor-Controller's website: http://www.auditorcontroller.org/ReportsPublications.aspx

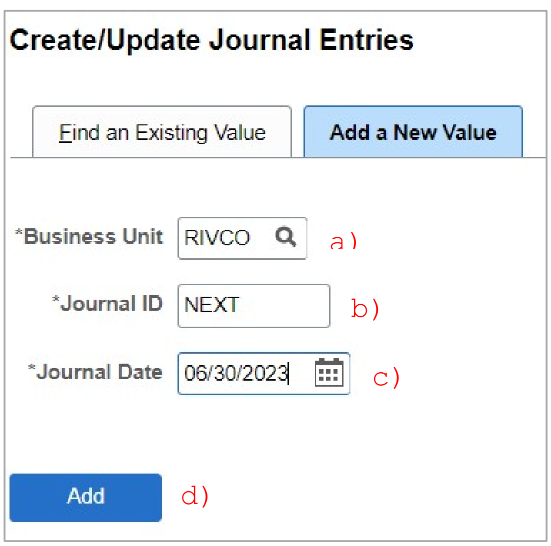
9. Schedules S-12 (Deferred Inflows/Advances), T-12 (Due from Other Governments) and V-12 (Due to Other Governments) must reconcile to the General Ledger Balance as of June 30. Proper supporting documentation for all transactions must be attached.

10. If you have any questions regarding the year-end process, please contact us by e-mail at acoyearend@rivco.org. You may also contact Caroline Santos at (951) 955-3836, or Mary Yip at (951) 955-8893.

Preparing the Year-End Journal Entry

A copy of each online accrual journal entry (JE) as well as its accompanying accrual reversal must be submitted with the applicable original signed closing schedule no later than the date indicated in the Year-End Closing Calendar. **The accrual journal entry must tie to the corresponding schedule.** The journal number must be referenced in the upper right hand side of the supporting accrual schedule.

Step 1: Go to General Ledger>Journals>Create/Update Journal Entries



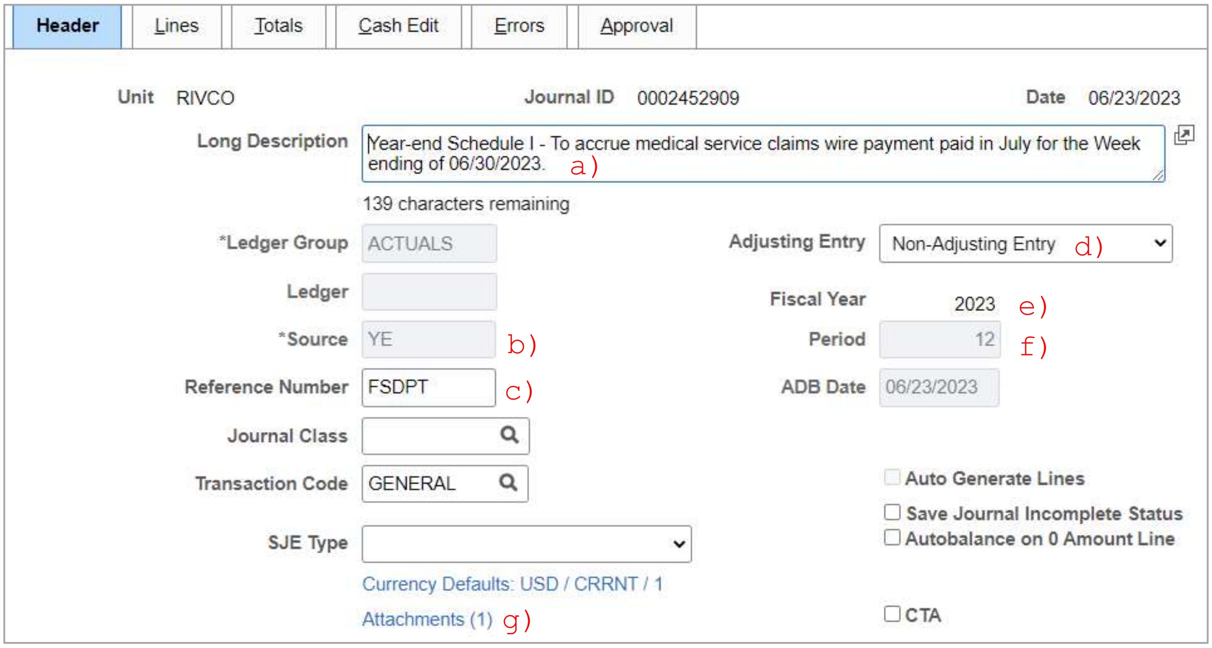
a) Type Business Unit: RIVCO

b) Journal ID: NEXT

c) Type Journal Date: 06-30-2023

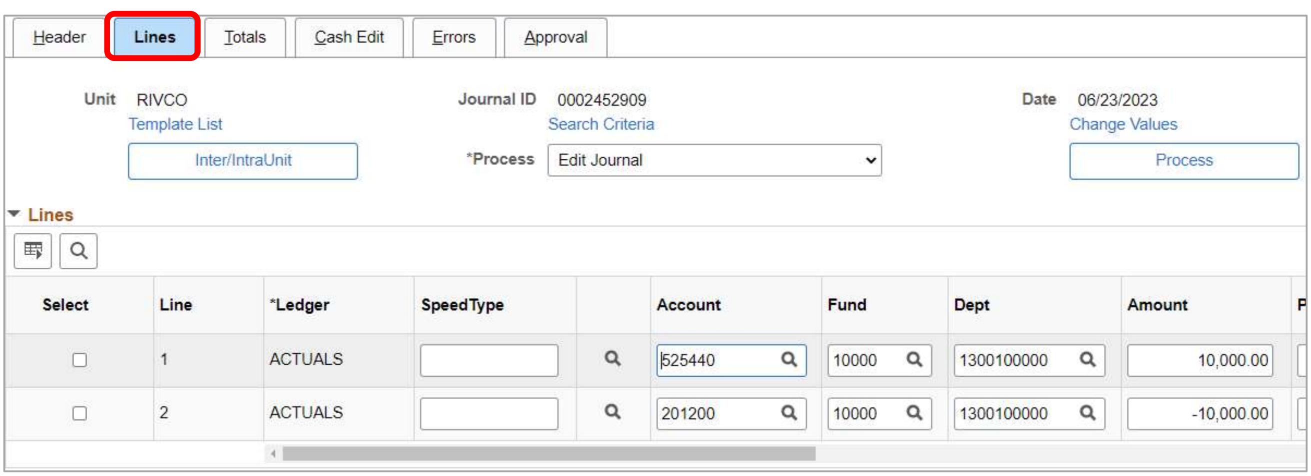
d) Click: Add

Step 2: Header tab



a) Long Description: YE Schedule - (YE Schedule and description)
b) Source: YE
c) Reference Number: Enter your department business unit
d) Adjusting Entry: Non-Adjusting Entry
e) Fiscal Year: 2023 (System default)
f) Accounting Period: 12 (System default)
g) Attachments: Attach a scanned copy of supporting document

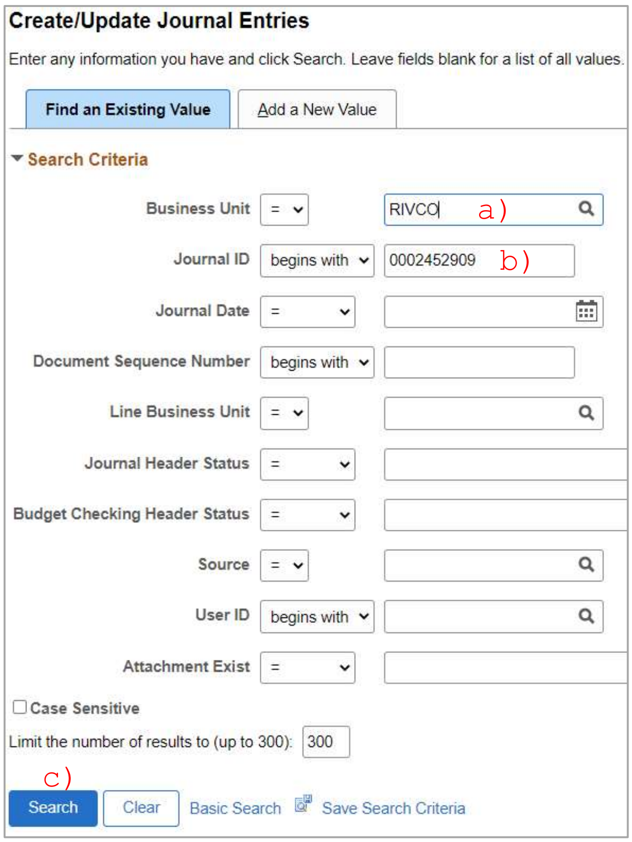
Step 3: Click Lines tab to complete the accounting entry



To copy and reverse the accrual journal entry:

It is the policy of the Auditor-Controller's office that year-end reversals are created by manually copying and reversing the accrual Journal Entry at the same time the accrual is entered. Forward both documents to the Auditor-Controller's Office. This ensures that all accruals are reversed.

Step 1: Go to General Ledger/Journals/Journal Entry/Find an Existing Value

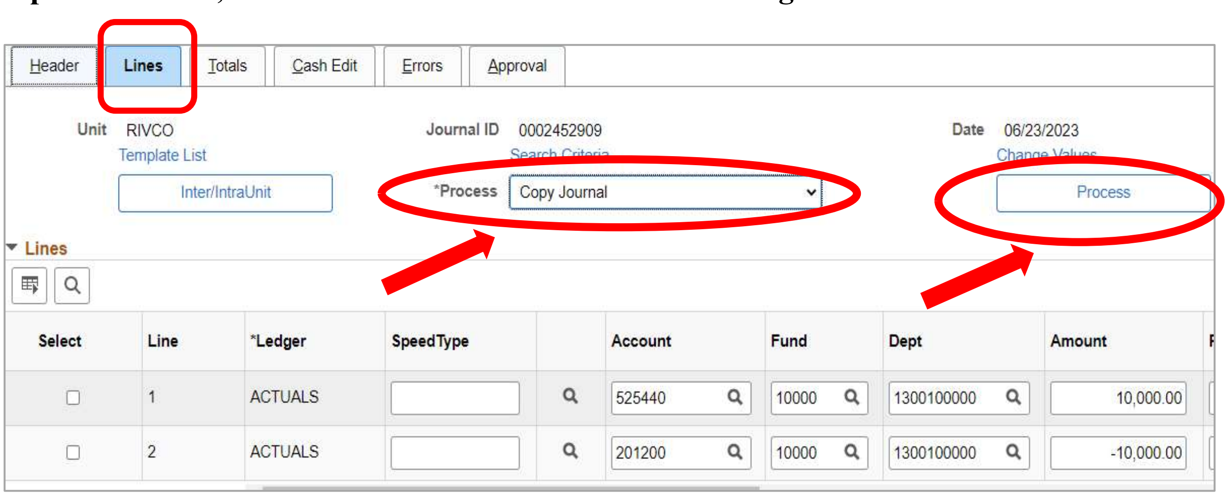


a) Business Unit: RIVCO

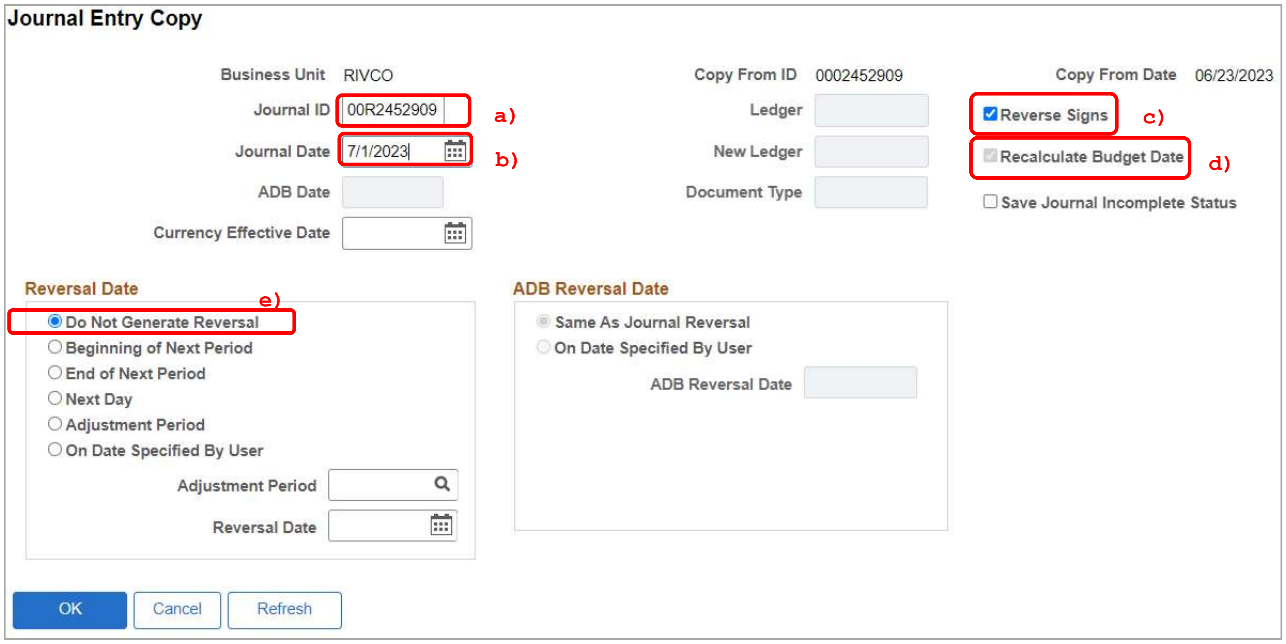
b) Journal ID: Type the value of original Journal ID number

c) Click: Search

Step 2: When journal opens, select the Lines tab. Select "Copy Journal" from the Process drop-down menu, then Click the "Process" button to the right of the menu.



Step 4: The following screen will show:



a) **Journal ID:** Type the original Journal ID but replace the 3rd number from the left with an **R** (for reversal - i.e., 00**R**2452909).
b) **Journal Date:** 07/01/2023
c) Check the box **"Reverse Signs"**
d) Check the box **"Recalculate Budget Date"**, if this Box is not checked, the journal will budget check against the old fiscal year rather than the new fiscal year
e) **Reversal Date** Panel**:** The **"Do not Generate Reversal"** button should be checked.

Additional Journal Entry Instructions

1. Accrual journal entries are to be prepared at the organizational level ordinarily used by the business unit to capture the accounting needs of the organization. However, if the lower level posting result in 50 or more journal entry line items accrued, business units are required to submit a level 5 operating fund level summary for each Dept. ID. The purpose for this summary is to facilitate Debit/Credit analysis.

2. Make a minimum of one journal entry per accrual schedule. Do not merge multiple Year-end Closing Schedules into a single journal entry transaction.

3. Prepare reversal journal entries at the organizational level ordinarily used by the business unit to capture the accounting needs of the organization.

4. Reverse revenue/expenditure accruals from the same revenue/expenditure account code(s) in which accrued.

5. For each accrual schedule submitted, there must be a journal entry entered into the financial system by the department to post the accrual, and Schedule N-Transmittal Letter that will indicate the submission.

6. It is important to meet the following requirements when submitting year-end schedules to the Auditor-Controller's Office.

    a. Submit one copy of each journal entry prepared to post accruals into the financial system.

    b. Attach supporting documentation for each journal entry/schedule to validate the accrual.

    c. All journal entries must have a valid Edit/Budget check and be department approved through the financial system. Please contact ACO by e-mail at chartofaccount@rivco.org for edit check errors, acobudgets@rivco.org for budget errors.

    d. It is the responsibility of the organizational unit originating the journal entry to obtain agreement to post the transaction and provide documentation to other agencies involved.

Chapter 4 Receivables

Definitions and Accounting Treatment

The term accounts receivable includes a variety of claims that will result in future inflow of cash to the County. Accounts receivable come into existence as (1) a result of goods sold or services rendered between organizational units within the County or between the County and outside entities, (2) from a legal liability on the part of the homeowners to pay property taxes, (3) from the state or federal government in the form of grants, administrative claims, mandated cost claims and (4) various other amounts due to County organizational units for goods and services rendered on or before June 30, 2023.

Revenue Recognition

Revenue and receivables can result from exchange or non-exchange transactions. In exchange transactions, a County organizational unit/department provides goods or services to individuals, private businesses, organizations or other governmental entities in exchange for value. Generally, the County recovers revenue in an amount equal to the cost of providing goods or services; however, in some instances a lesser amount, as authorized by the Board of Supervisors, is recovered.

Non-exchange transactions are the result of the County receiving value without giving equal value in exchange. The most significant portion of the County's revenue is derived from non-exchange transactions such as property taxes, state and federal grants, entitlements, and other financial revenues. GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, provides the governmental accounting and financial reporting standards for non-exchange transactions.

For revenue recognition to occur, the County must be entitled to the revenue. In order to be entitled, the following criteria must have been met: (1) the underlying exchange has occurred, (2) taxes have been levied, (3) the claim is legally enforceable or (4) all applicable eligibility requirements have been met.

Availability Period

For Governmental Funds, revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County has adopted the following availability periods for accruing Governmental Fund revenues:

1. Property and sales taxes are considered available for the year levied and are accrued when received within sixty (60) days after fiscal year-end.

2. Revenue received from expenditure driven (cost-reimbursement) grants, as defined by GASB Statement No. 33, are considered available and accrued if expected to be received within twelve months after fiscal year-end. A copy of the grant documentation, such as a claim form, demonstrating that the grant is "Expenditure Driven" should be included with the applicable Schedule(s).

3. All other revenue streams are considered available and accrued if they are expected to be received within ninety (90) days after the fiscal year-end.

For revenue received in advance, a deferred inflows of resources or an advance from grantors and third parties should be recorded and released upon revenue entitlement. Revenue received in advance is revenue that has not yet been earned and which the County is not entitled. For revenue that the County is entitled to, but receipt is not expected until after fiscal year-end but within the availability period, the revenue should be recognized (credited) with an offsetting entry (debit) to a receivable account. See Chapter 8, Deferred Inflow of Resources/Advances from Grantors and Third Parties for more information.

Instructions: Schedules A, B, & C for Reporting Receivables

When a County organizational unit is entitled to receive measurable amounts of $5,000 or greater, Schedules **A, B, & C** are required to record the asset and accrue the revenue. Substantiate each item on Schedules **A, B, & C** by a formal claim for reimbursement or billing and attach a copy of the claim or billing to the back of the schedule on which it is listed. If estimated, attach an explanation of how the estimate was determined.

Receivable Categories

1. **Taxes Receivable (No Schedule Required)**

   Property taxes are imposed non-exchange revenue transactions that the County is entitled to recognize as revenue in the period for which the taxes are levied and assessed – even if an enforceable claim or the due date for payment occurs in a different period. The amounts owed by property owners for property taxes, which are received within 60 days after fiscal year-end are available to accrue to the old fiscal year. Therefore, the amount of property taxes received and apportioned through August 30 for lien dates prior to July 1, qualify as measurable and available for revenue recognition to the old fiscal year.

   Since the Auditor-Controller's Office performs an apportionment in July, the revenue is posted and recognized to the old fiscal year and organizational units require no accrual. Taxes receivables are accounted for under asset section (110100).

2. **Interest Receivable (No Schedule Required)**

   Treasurer's Pooled Cash Investment: After June 30 each fiscal year, two interest apportionment transactions are posted for 4th quarter interest earnings for cash held in the County Treasury. Treasurer interest apportionments can be identified by the unique source code "IT".

The first transaction is to apportion cash dividends and interest received by the Treasury as of June 30. Cash and related revenue is recognized in the specific fund entitled to receive interest earnings as of June 30. The second transaction is to apportion dividends and interest earned by the Treasury, but not yet received. The interest accrual is posted in each fund entitled to receive interest as follows:

ACCRUAL ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Interest Receivable (Asset Account 116100)	XXX	
Investment Income (Revenue account code 740XX0)		XXX

ENTRY TO REVERSE ACCRUAL (NEW YEAR POSTING)

Account Description	Dr	Cr
Investment Income (Revenue Account code 740XX0)	XXX	
Interest Receivable (Asset Account 116100)		XXX

ENTRY TO POST IN THE NEW YEAR WHEN CASH IS AVAILABLE TO PAY THE ACCRUAL

Account Description	Dr	Cr
Cash (Asset Account 101100)	XXX	
Investment Income (Revenue Account Code 740XX0)		XXX

If there are **other** interest earnings receivable separate from the Treasurer's Pooled Cash Investments, you may report these as **Operating Accounts Receivable (Schedule C)**.

3. Due From Other Funds (Schedule A Required)

When a receivable and corresponding liability exists between operating funds at June 30 **and cash is not available** to satisfy the liability, an internal receivable "Due From Other Funds" should be established for the entitled amount. In addition, a corresponding liability "Due To Other Funds" is required in the other fund for the same amount.

The organizational unit entitled to the revenue should prepare Schedule A and must coordinate the receivable and payable transaction to ensure both parties are in agreement on the amount and account.

Example:

The Sheriff department provides services to Regional Medical Center. The Sheriff (Governmental Fund) is entitled to receive the revenue and record the receivable (Due From) and applicable revenue. Regional Medical Center (Proprietary Fund) is the liable department that will incur a payable (Due To) and an applicable expense account. The transaction should be recorded as follows:

ACCRUAL ENTRY (OLD YEAR POSTING)

In the fund entitled to receive revenue:

Account Description	Dr	Cr
Due From Proprietary Funds (Asset account 125200)	XXX	
Applicable Revenue Code		XXX

In the fund liable for payment, record the following after coordinating the transaction:

Account Description	Dr	Cr
Expenditure Account	XXX	
Due To Governmental Funds (Liability account 206200)		XXX

ENTRY TO REVERSE ACCRUAL (NEW YEAR POSTING)

In the fund entitled to receive revenue:

Account Description	Dr	Cr
Revenue Code (Same as used on accrual JE)	XXX	
Due From Proprietary Funds (Asset account 125200)		XXX

In the fund liable for payment, record the following:

Account Description	Dr	Cr
Due To Governmental Funds (Liability account 206200)	XXX	
Expenditure Account (Same as used on accrual JE)		XXX

Other “Due to Other Funds” liability accounts are listed among the liability chartfields, (such as account numbers “2062XX”), and available to accrue expenditures against specific County Programs.

4. Due From Other Governments (Schedules B and T-12 are Required)

When a County organizational unit is entitled to revenue from a federal, state, city or other local governmental entity (external to the County), **and payment has not been received by June 30**, a receivable Due from Other Governments (DFOG) should be established for the entitled amount. The receivable could be the result of services rendered, or a non-exchange transaction such as sales tax revenue. The County is entitled to accrue the receivable and recognize the revenue in the old fiscal year when services are rendered, eligibility requirements are fulfilled, and the amount earned is measurable.

If revenue is earned, but not available because of availability period rule described in the beginning of this chapter, then revenue should be deferred. The accrual of revenue to specific DFOG receivable account should be posted in the old fiscal year, segregating the DFOG accounts by source (federal, state, city, other) as follows:

118302-DFOG-Federal-YE
118402-DFOG-State-YE
118502-DFOG-City-YE
118602-DFOG-Other-YE

DFOG asset accounts ending in "02" are to be used for Year-end accrual only.

ACCRUAL ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Due From Other Governments (Asset account 118X02)	XXX	
Applicable Revenue Code or Deferred Inflows of Resources		XXX

ENTRY TO REVERSE ACCRUAL (NEW YEAR POSTING)

Account Description	Dr	Cr
Applicable Revenue Code (Same revenue account used for accrual)	XXX	
Due From Other Governments (Asset account 118X02)		XXX

In Governmental funds, if the "Deferred Inflows of Resources" or "Advances from Grantors and Third Parties" account is recorded rather than the "Revenue" account, the accrual will not be reversed until the revenue is recognized.

Please note all current activities for accounts 118XXX for the current fiscal year must be notated on Schedule T-12.

Schedule T-12 is required for all departments with outstanding balances as of June 30 in accounts 118XXX. Schedule T-12 serves as an aging report of outstanding receivable. This Schedule should summarize all pending receivables from other governments (including amounts accrued prior to 6/30 plus new accruals for 6/30). The list should outline the entity name, amount receivable, grant name, contract name, period earned and estimated date of receipt. The total balance reported in Schedule T-12 must match the PeopleSoft general ledger balance for accounts 118XXX. Attach proper documentation for each line item in Schedule T-12.

5. **Operating Accounts Receivable (Schedule C Required)**

Operating Accounts Receivables are amounts owed to the County from private individuals, businesses or organizations for goods and services provided by the County. These receivables exclude amounts due internally (from other County funds), from other government entities, or amounts based on assessment – such as, property taxes, interest, and special assessments, which are all separately classified. The billing module can be used to book accounts receivable accruals only when a reversal is not required and the actual invoice amount is known (not an estimate). Security roles will not allow you to reverse accruals. A journal entry should be used to book accruals and reversals. (see below)

Also, those departments that do not utilize the billing module or have some receivables maintained outside of the financial system, a journal entry (see below) will be needed to accrue for amounts entitled to as of June 30.

ACCRUAL ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Accounts Receivable (Asset account 112200)	XXX	
Applicable Revenue code		XXX

ENTRY TO REVERSE ACCRUAL (NEW YEAR POSTING)

Account Description	Dr	Cr
Applicable Revenue Code (Same Revenue account used for accrual)	XXX	
Accounts Receivable (Asset account 112200)		XXX

Chapter 5 Accounts Payable

Definitions and Accounting Treatment

Accounts payable are current (short-term) liabilities that are the result of goods or services received by a County organizational unit for which payment is not going to be made until a subsequent accounting period. For year-end accrual purposes, goods or services received as of June 30 and expected to be paid within the next 12 months should be expended/expensed and accrued in the old fiscal year.

Throughout the fiscal year vendors' vouchers are routinely recorded through the accounts payable module. Expenditures/expenses are recorded in the operating funds through voucher processing and cash is transferred to a warrant-clearing fund. The warrant-clearing fund records the liability account and receipts the cash until the warrants are honored or approved for payment by the Treasurer.

Accruals for payroll and vendors are posted at year-end by the Auditor-Controller's office. However, at fiscal year-end, additional accruals are required to account for short-term liabilities such as Due to Other Funds maintained in the County Treasury (Governmental and Proprietary Funds), due to other government entities, and due to outside entities such as private parties and businesses.

Accounts Payable Categories—Schedules A, G, and I

In the financial system, the County has five types of short-term liability (payable) categories available for recording the amounts owed as of June 30:

- **Operating Accounts Payable** (No Schedule Required
- **Salaries and Benefits Payable** (No Schedule Required)
- **Due To Other Funds** (Schedule A Required)
- **Due To Other Governments** (Schedule G Required)
- **Accounts Payable Other** (Schedule I Required)

An explanation for each category follows:

1. **Operating Accounts Payable (No Schedule Required)**

   Creating accounts payable vouchers with an accounting date in fiscal year 2022-23 will be disallowed beginning July 1. Instead, departments have been instructed to create vouchers with a new fiscal year accounting date, but an old fiscal year invoice date. The invoice date field will determine which period the amount is reported. The Auditor-Controller's Office will create the Operating Accounts Payable accrual journal entries by AP Business Unit based on the following criteria:

a. Voucher invoice date must be equal to June 30 or prior. Departments should review transactions very carefully in July and August to ensure that invoice dates are correct. For assistance, in selecting appropriate invoice date, see Appendix B.

b. Two accrual journal entries will be processed: The first journal entry will be posted by July 28. The second journal entry will post by August 25. September will be evaluated for materiality. Wires will be evaluated over the same periods.

c. The first accrual journal will include all vouchers with an invoice date of June 30 or earlier. The second accrual journal will include only vouchers greater than or equal to $5,000 with an invoice date of June 30 or earlier.

ACCRUAL ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Applicable Expenditure Account	XXX	
Accounts Payable – YE (201103)		XXX

ENTRY TO REVERSE ACCRUAL (NEW YEAR POSTING)

Account Description	Dr	Cr
Accounts Payable – YE (201103)	XXX	
Applicable Expenditure Account		XXX

2. **Salaries and Benefits Payable (No Schedule Required)**

Biweekly employee payroll is paid through the Human Capital Management (HCM) Production, also known as Human Resources Management System (HRMS) interface and can be identified by its unique "PR" source code in the financial system. For services rendered by employees through the end of the fiscal year, County organizational units have a liability for the amounts due for salaries, benefits, compensating absences as well as other accrued payroll liabilities. Other examples of such liabilities are the County's share of Social Security, Medicare taxes, and contributions to retirement plans.

The journal date corresponds to the pay date for the given pay period, with the exception of the dates used for the accrual journals at year end. The scheduled accrual journals for fiscal year 2022-23 are shown on next page.

Pay Period	Dates Covered	Pay Date	FY23 Accrual
PP14 (100%)	6/15/2023 to 6/28/2023	7/12/2023	6/29/2023
PP15 (20%)	6/29/2023 to 7/12/2023	7/26/2023	6/30/2023

Since payroll entries are posted through a payroll interface, the old year accruals and new year accrual reversals are also posted electronically through the interface.

ACCRUAL ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Applicable Payroll Expenditure Accounts	XXX	
Salaries and Benefits Payable (202100)		XXX

ENTRY TO REVERSE ACCRUAL (NEW YEAR POSTING)

Account Description	Dr	Cr
Salaries and Benefits Payable (202100)	XXX	
Cash (101100)		XXX

3. **Due To Other Funds (Schedule A Required)**

When a liability and corresponding receivable exists between funds at June 30 and cash is not available to satisfy the liability, but it is expected to be paid within the next fiscal year, an internal liability "Due To Other Funds" should be established for the amount due. In addition, a corresponding receivable "Due From Other Funds" is required in the other fund for the same amount.

See Receivables Chapter for procedures regarding Due from Other Funds. **Do not prepare Schedule A, or the journal entry if your organizational unit is responsible for the liability and the related expenditure.**

4. **Due To Other Governments (Schedules G and V-12 are Required)**

When an amount is due to a federal, state, city, or other local governmental entity outside the County and has not been paid as of June 30, a liability "Due To Other Governments" should be recorded for the amount due. The liability could be the result of services received (an exchange transaction) where a County organizational unit received resources/funding from another governmental entity for specific programs such as those outlined in agreements or legislation (non-exchange transaction).

In the accounting period when services are received, the amount is due, and is expected to be paid within the next fiscal year, the County should accrue the payable and record the expense in the appropriate fiscal year. If services are received in the old fiscal year, the accrual should be posted to 06/30/2023 and to the specific “Other Government” payable account, which is identified in the financial system under liability account number “2081XX” series. The accrual and accrual reversal journal entry should be posted as follows:

ACCRUAL ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Applicable Expenditure Account Code (5XXXXX)	XXX	
Due To Other Government (208100)		XXX

ENTRY TO REVERSE ACCRUAL (NEW YEAR POSTING)

Account Description	Dr	Cr
Due To Other Government (208100)	XXX	
Applicable Expenditure Account Code (same code used for the accrual)		XXX

Other “Due To Other Governments” liability accounts, which are listed in the financial system liability sub-accounts, as account numbers “2081XX”, are also available to accrue current liabilities against specific government programs.

Example:

The University of California, Riverside provided employment training services to the Example Department from 4/1/2023 to 6/30/2023. The cost of the services $14,436 and was due 8/20/2023. The amount payable to UCR should be recorded as DTOG on Schedule G and Schedule V-12 as of 6/30.

Schedule V-12 is required for all departments with outstanding balances as of June 30, 2023 in accounts 2081XX. Schedule V-12 serves as an aging report of outstanding liabilities in accounts 2081XX. This Schedule should summarize all pending liabilities to other governments (including amounts accrued prior to 6/30 plus new accruals for 6/30). The list should outline the entity name, amount payable, contract description, date incurred, and estimated date of payment. The total balance reported in Schedule V-12 must match the PeopleSoft general ledger balance for accounts 2081XX. Attach proper documentation for each line item in Schedule V-12.

5. **Accounts Payable Other (Schedule I Required)**

For amounts due by a County organizational unit which will be settled within the next fiscal year and the amount does not specifically fall into one of the four liability accounts described above, this "Other" account should be used for accrual journal entries. An example for the type of transaction would be the wire transfer payments to banks or vendors processed by the County Treasurer. The step-by-step instruction is available on page 2 of the Schedule.

Example:

The Fiscal Service Department has chosen the electronic fund transfer option to pay Pacific Care Medical Group on a weekly basis for claim payments. The total claims paid for the Week of 6/27/2023 was $135,525. The wire transfer is prepared from the General Fund according to the payment instructions and submitted to the County Treasurer on 7/5/2023. The payment should be accrued as Accounts Payable Other on Schedule I as of June 30.

The transaction should be recorded as follows:

ACCRUAL ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Applicable Expenditure Account Code (5XXXXX)	XXX	
Accounts Payable Other (201200)		XXX

ENTRY TO REVERSE ACCRUAL (NEW YEAR POSTING)

Account Description	Dr	Cr
Accounts Payable Other (201200)	XXX	
Applicable Expenditure Account Code (5XXXXX)		XXX

No Accounts Payable accruals required for the following

1. **Recurring Charges Due to the General Fund: Do not** include amounts due to General Fund for recurring charges such as central mail or payroll related charges. They will be determined and reported by the General Fund organization.

2. **Encumbrances** are commitments related to unperformed contracts for goods or services. Since the commitments have not been fulfilled at fiscal year-end, these amounts should not be included on any accounts payable schedules and they should not be accrued as liabilities at year-end. In order to reserve old year fund balance to satisfy these commitments once they have been fulfilled, Board of Supervisors approval must be obtained. See Chapter 6, Encumbrances, for requirements on reserving fund balance for encumbrances at fiscal year-end.

3. **Amounts due to Internal Service Funds: Do not** include amounts due to the following funds since they will be determined and reported by the individual Internal Service Fund:

45300 - ISF-Automotive Maintenance
45310 - ISF-Fleet Svcs Vehicle Holdings
45500 - ISF-Information Technology
45510 - ISF-RCIT Pass Thru
45520 - ISF PSEC
45620 - ISF-Central Mail Services
45700 - ISF-Surplus Services
45800 - ISF-Exclusive Provider Optn
45860 - ISF-Delta Dental PPO
45900 - ISF-Local Adv Plus Dental
45920 - ISF-Local Adv Blythe Dental
45960 - ISF-Liability Insurance
45980 - ISF-Long Term Disability
46000 - ISF-Malpractice Insurance
46040 - ISF-Safety Loss Control
46060 - ISF-Std Disability Ins
46080 - ISF-Unemployment Insurance
46100 - ISF-Workers Comp Insurance
46120 - ISF-Occupational Health & Wellness
46140 - HCM Technology
47200 - FM-Custodial Services
47210 - FM-Maintenance Services
47220 - FM-Real Estate
48000 - Hydrology Services
48020 - Garage-Fleet Operations
48040 - Project-Maintenance Operation
48080 - Data Processing

Chapter 6 Encumbrances (Governmental Funds)

Definitions and Accounting Treatment

When the Board of Supervisors approves a contract or a purchasing buyer authorizes a Purchase Order for goods or services, a legally binding commitment has been created by that organizational unit. However, until the goods are received, or services performed, the County has no obligation to pay and therefore the accounting entry to record the expenditure and related liability are not yet necessary.

Schedule K Required

At fiscal year-end, numerous commitments exist related to unfulfilled contracts for goods or services. These commitments are referred to as **Encumbrances**. If the organizational unit waits until the next fiscal year when the commitments are fulfilled (goods received or services performed) to record the related expenditures, the unit may not have appropriations available to satisfy the payments. Therefore, in order to use budgeted appropriations from the fiscal year when the commitment was established, the Board of Supervisor approval must be obtained to increase the appropriation. When encumbering amounts for specific purposes for which the resources have already been restricted, committed or assigned this will not result in a separate display of the encumbered amounts within those classifications. Encumbered amounts for specific purposes for which amounts have not been restricted, committed or assigned should not be classified as unassigned but, rather, should be assigned fund balance.

How to Increase your Appropriation for Encumbrances:

1. A request to increase your appropriation due to an established encumbrance must be submitted through the year-end accrual process by completing either the Schedule K (Purchase Orders) or Schedule K-1 (Other Commitments).

2. Subject to availability of appropriations and Net County Cost requirements, the County Executive Office will review the request for Encumbrance amounts and recommend the classification to its appropriate fund balance (i.e., restricted, committed, or assigned).

3. Once the Board of Supervisors has approved the encumbrance amounts, a journal entry will be posted to reclassify the approved amounts from either an unassigned fund balance (370100) to Assigned for Encumbrance (350500) or from a restricted fund balance to Restricted for Encumbrance (321169) or from a committed fund balance to Committed for Encumbrance (330150). Only fund balance accounts are affected in this process and these balances will roll-forward into the new fiscal year.

4. The fund balance reclassification will then be appropriately reflected in the new fiscal year and budgeted appropriations will be increased in the original budgeted expenditure account to satisfy the commitment.

Accounting Treatment

The Auditor-Controller's Office will post the following reclassification journal entry:

RECLASSIFICATION ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Unassigned Fund Balance (370100) or Restricted General (3211XX) or Committed Fund Balance (3301XX)	XXX	
Assigned for Encumbrances (350100) or Restricted for Encumbrances (321169) or Committed for Encumbrances (330150)		XXX

ENTRY TO REVERSE RECLASSIFICATION (NEW YEAR POSTING)

Account Description	Dr	Cr
Assigned for Encumbrances (350100) or Restricted for Encumbrances (321169) or Committed for Encumbrances (330150)	XXX	
Unassigned Fund Balance (370100) or Restricted General (3211XX) or Committed Fund Balance (3301XX)		XXX

Commitments Qualifying for Encumbrances

1. Encumbrances (Schedule K), is restricted to approved contracts and purchase orders, where the County has an unfulfilled commitment for goods or services that have not been satisfied or received as of June 30. If goods or services have been received as of June 30, the expenditure should either be recorded through the PeopleSoft voucher system or recorded based on the appropriate accounts payable accrual schedule (Year-end schedules G or I).

2. Only commitments with **available budgeted appropriations** (see the RVPOA621E Schedule K Budgetary Appropriations report) can be encumbered through the year-end process. In addition, requests for reserve for encumbrances may not cause the budgetary units to exceed their approved Net County Cost. See below for computation to determine approved Net County Cost.

3. Schedule K consists of the following PO's that have rolled over and are $5,000 or greater and must have a Status of Dispatched or Pending Approval.
   a) Supply
   b) Print
   c) LVPA-G

d) LVPA-S
e) ELVPO-G
f) ELVPO-S
g) Regular-G
h) Regular-S
i) Lease
j) Finance
k) Sole Src- G
l) Sole Src - S

STEP #1: Determine Budgeted Net County Cost:

	Budgeted Appropriations
Less:	Estimated Departmental Revenues
Equals:	Budgeted Net County Cost

STEP #2: Determine Actual Net County Cost:

	Actual Expenditures plus Reserve Request
Less:	Actual Departmental Revenue
Equals:	Actual Net County Cost

Each Budgetary unit's **Actual Net County Cost** must be less than its **Budgeted Net County Cost** to qualify for Reserve for Encumbrance.

4. Outstanding contracts and purchase orders in the **amount of $5,000 or more** will be subject to reserve**. It is not allowed to combine multiple purchase orders and contracts as part of $5,000 guideline**. If the individual commitment does not reach the $5,000 limit, it should not be included in the Encumbrance request to the Board of Supervisors.

5. The following reports are available through the website of the Auditor-Controller's office in excel format:
   a) Schedule K (RVPOA621D) Summary
   b) Encumbrance Line Report (RVPOA621) Detail Report

6. For each business unit, **submit a separate Schedule K (RVPOA621D)**. This report provides the total available amounts for each unique budget level Fund/Appropriation Dept. ID/ Appropriation account related to each individual business unit.

7. Each department is responsible for reviewing and completing the Encumbrance Line Report (RVPOA621). The following steps are required:

   a) **Review** the Schedule K Encumbrance Line Item Detail Report (RVPOA621) to identify Purchase Orders that the department wants to submit to the Board for approval.
   b) **Subtract** Purchase Orders/Invoices that would be accrued through the Accounts Payable accrual process from Schedule K Report and the Reserve for Encumbrance Line Report.

c) **Total** all applicable amounts by their unique budget level Fund/Appropriation Dept. ID/ Appropriation account.
d) **Enter** the amount on the Schedule K (RVPOA621D).
e) **Sign** and **Date** each Schedule K (RVPOA621D) before submitting it for approval.

8. Each Schedule K (RVPOA621D) along with the accompanying Encumbrance Line Report (RVPOA621) **must first be submitted** to the County Executive Office for Analyst review and encumbrance recommendation. The Schedule K packet should be presented as follows:

   1st Section Schedule K (RVPOA621D)
   2nd Section Encumbrance Line Report (RVPOA621)

   The approved schedules will be forwarded to the Auditor-Controller's Office for further action. Executive Office and Auditor-Controller's Office submission deadlines are included in the Year-end Closing Calendar.

9. The total requests qualifying for reserve **will be summarized** by the Auditor-Controller's Office. The data will be provided to the Executive Office, consolidated into one Countywide Form 11, and submitted to the Board of Supervisors for approval based on their scheduled meeting date established in the Year-end Closing Calendar.

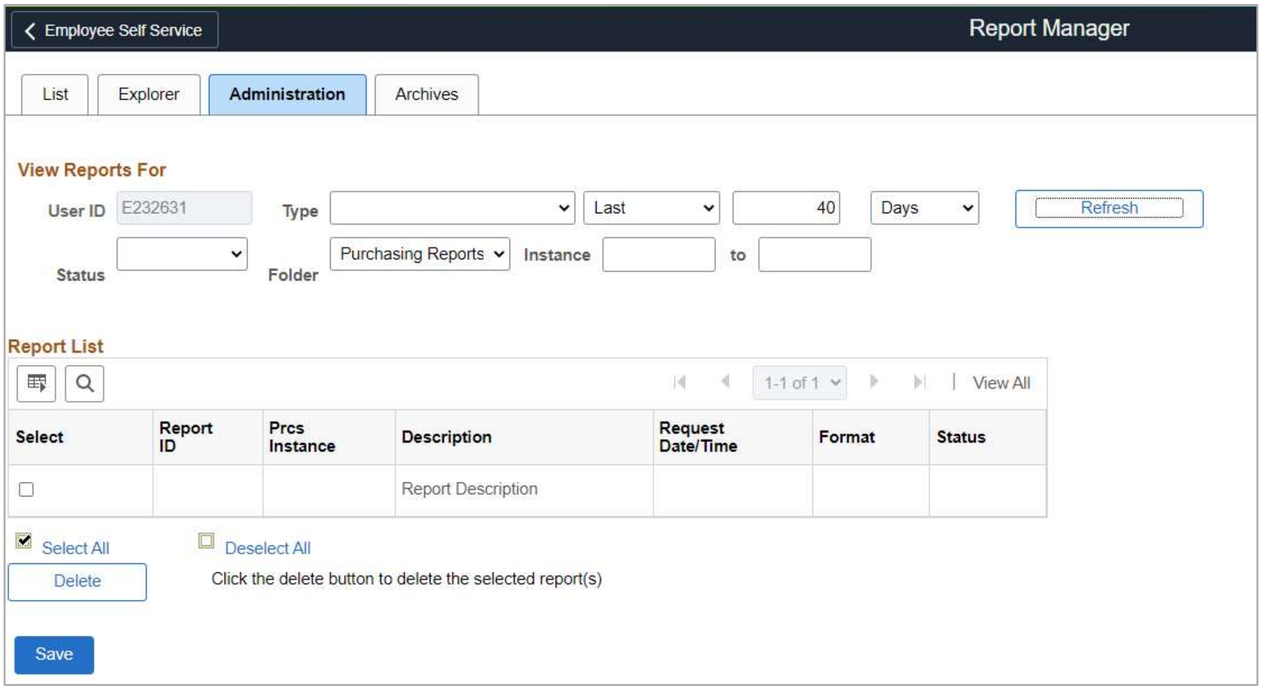
Schedule K-1 Optional

Schedule K-1 has been added to capture other legal commitments that do not have a related purchase order. Items to be reported on Schedule K-1 are Form-11s, Form-5s, H-11s, contracts, MOUs, and other commitments that are greater than or equal to $5,000. The schedule and all supporting documentation are to be routed through the County Executive Office using the same guidelines and deadlines as the traditional Schedule K. These items will be consolidated with the purchase order related encumbrances.

Do not include on Schedule K or K-1 any of the following items:
1. **Goods or services received prior to or on June 30,** which have not been paid through the financial system for old fiscal year posting. These items represent liabilities rather than commitments of the County and should be accrued as payable utilizing one of four payable schedules (Schedule A, G, H or I). See Chapter 5 Accounts Payable.
2. **Undelivered goods or services as of** June 30, which are less than $5,000.
3. **Requisitions** are requests, not commitments or obligations to pay and are not recordable transactions. Requisitions will be canceled in the financial system based on the Year-end Closing Calendar and will not roll forward to the new fiscal year.
4. **Blanket Purchase Orders** covering multiple deliveries during the year, do not qualify for Encumbrance.
5. **Contracted goods and services that expire prior to or on June 30th.**

Pre-Encumbrance and Encumbrance Cleanup

In order to maximize budgets, departments are strongly recommended to review the Outstanding Pre-Encumbrances Report (RVPOA551) and the Outstanding Encumbrances Report (RVPOA591) on a weekly basis. Please see the following samples. These reports can be found in PeopleSoft Production under the Report Manager Module. Reports will be displayed under the "Purchasing Reports" folder in the Administration tab and are generated every Saturday. It will be required for PeopleSoft Financial users to have the "PO_ Inquiry" security role to be able to see the reports.



RVPOA591 – Remaining Encumbrances Report (Outstanding Encumbrances Report)

Report ID: RVPOA591

PeopleSoft
REMAINING ENCUMBRANCES REPORT

Page No. 1
Run Date 02/05/2022
Run Time 19:32:03

V	R	B	BP	P	H	BU	PO ID	Line	Schedule	Distrib	PO Amount	Posted Vouchers	Remaining Amount
Y		W		N		ACARC	21-0002520	1	1	2	$216,800.00	$162,500.00	$54,300.00
Y		W		N		ACARC	22-0010538	1	1	1	$15,000.00	$2,397.80	$12,602.20
		W		N		ACARC	22-0010562	1	1	1	$5,000.00	$0.00	$5,000.00
		W		N		ACARC	22-0010649	1	1	1	$5,000.00	$0.00	$5,000.00
		W		N		ACARC	22-0011903	1	1	1	$17,125.00	$0.00	$17,125.00
Y		W		N		ACARC	22-0013438	1	1	1	$53.40	$51.93	$1.47
Y		W		N		ACARC	22-0013438	2	1	1	$176.66	$171.78	$4.88
Y		W		N		ACARC	22-0013438	3	1	1	$84.55	$82.22	$2.33
Y		W		N		ACARC	22-0013438	4	1	1	$84.55	$82.22	$2.33
Y		W		N		ACARC	22-0013438	5	1	1	$84.55	$82.22	$2.33
Y		W		N		ACARC	22-0013438	6	1	1	$169.11	$79.89	$89.22
Y		W		N		ACARC	22-0013438	7	1	1	$16.42	$15.97	$0.45
Y		W		N		ACARC	22-0013438	8	1	1	$40.00	$38.90	$1.10
		W		N		ACARC	22-0013438	9	1	1	$80.27	$-2.22	$80.27
Y		W		N		ACARC	22-0016673	1	1	1	$127.66	$124.14	$3.52
Y		W		N		ACARC	22-0016673	1	1	2	$11.80	$11.47	$0.33
Y		W		N		ACARC	22-0016673	1	1	3	$30.52	$29.68	$0.84
Y		W		N		ACARC	22-0016673	3	1	1	$553.45	$538.17	$15.28
Y		W		N		ACARC	22-0016673	3	1	2	$51.20	$49.79	$1.41
Y		W		N		ACARC	22-0016673	3	1	3	$132.24	$128.59	$3.65
Y		W		N		ACARC	22-0016673	4	1	1	$19.17	$18.64	$0.53
Y		W		N		ACARC	[illegible]	4	1	2	[illegible]	[illegible]	[illegible]

RVPOA551 – Remaining Pre-Encumbrances Report (Outstanding Pre-Encumbrances)

PeopleSoft

Report ID: RVPOA551 REMAINING PRE-ENCUMBRANCES RPT

Page No. 1
Run Date 02/05/2022
Run Time 19:30:35

PO	S	B	P	H	BU	REQ ID	Line	Schedule	Distrib	REQ Amount	PO Amount	Remaining Amount
Y					DHARC	0000006444	4	1	1	$35.88	$19.51	$17.94
		W			DHARC	0000006479	1	1	1	$178.65	$0.00	$178.65
		W			DHARC	0000006505	1	1	1	$52.62	$0.00	$52.62
		W			DHARC	0000006505	2	1	1	$82.04	$0.00	$82.04
		W			DHARC	0000006505	3	1	1	$9.68	$0.00	$9.68
		W			DHARC	0000006505	4	1	1	$316.32	$0.00	$316.32
		W			DHARC	0000006505	5	1	1	$121.75	$0.00	$121.75
		W			DHARC	0000006505	6	1	1	$80.89	$0.00	$80.89
		W			DHARC	0000006505	7	1	1	$122.70	$0.00	$122.70
		W			DHARC	0000006505	8	1	1	$19.08	$0.00	$19.08
Y		W			DHARC	0000006651	1	1	1	$1,159.00	$254.00	$905.00
		W			DHARC	0000006690	1	1	1	$96.00	$0.00	$96.00
		W			DHARC	0000006690	2	1	1	$48.00	$0.00	$48.00
		W			DHARC	0000006691	1	1	1	$48.00	$0.00	$48.00
		W			DHARC	0000006691	2	1	1	$96.00	$0.00	$96.00
		W			DHARC	0000006692	1	1	1	$595.96	$0.00	$595.96
		W			DHARC	0000006693	1	1	1	$205.00	$0.00	$205.00
		W			DHARC	0000006695	1	1	1	$42,892.50	$0.00	$42,892.50
		W			DHARC	0000006698	1	1	1	$880.00	$0.00	$880.00
					DHARC	0000006702	1	1	1	$712.20	$0.00	$712.20
		W			DHARC	0000006711	1	1	1	$1,399.05	$0.00	$1,399.05
		W			DHARC	0000006712	1	1	1	$93.60	$0.00	$93.60
		W			DHARC	0000006716	1	1	1	$53.00	$0.00	$53.00
		W			DHARC	0000006716	2	1	1	$18.00	$0.00	$18.00
		W			DHARC	0000006717	1	1	1	$522.00	$0.00	$522.00
		W			DHARC	0000006717	2	1	1	$18.00	$0.00	$18.00
		W			DHARC	0000006719	1	1	1	$712.20	$0.00	$712.20
					DHARC	0000006727	1	1	1	$116.95	$0.00	$116.95
		W			DHARC	0000006732	1	1	1	$23.08	$0.00	$23.08

Departments must analyze and determine which requisitions (REQ) and purchase orders (PO) have already been fulfilled and which are still outstanding. If they are not needed or fulfilled with budget still being tied up, please make sure to clear them out of the system to free up department budget.

Pre-Encumbrance and Encumbrance Documentation for Schedule K and K-1

Once the pre-encumbrances and encumbrances are cleared up as much as possible, proceed with the following steps as a supplement to Schedule K and K-1:

1. Create a spreadsheet of all the remaining REQs and POs that are valid.
2. Print the spreadsheet and attach it to the RVPOA551 and RVPOA591.
3. Have the department head certify this list with a signature and date.
4. Submit the package to your management analyst at the County Executive Office by the due date based on the ACO Calendar.

Chapter 7 Inventories

Definitions and Accounting Treatment

Materials and supplies held in the normal course of operations for future consumption are referred to as inventory. Examples of inventory include office supplies, medical supplies, automotive parts, hoses, nozzles, safety gear, child care supplies, and forms unique to a department's mission and purpose. Office supplies are broadly defined as copier paper, writing instruments, and other supplies necessary for routine office operations.

Inventories (Schedule E)

Inventory values of $50,000 or more in aggregate, per department, are reportable. Departments maintaining inventory valued less than $50,000 should expense, rather than capitalize, inventory in the period purchased.

The County uses the average cost method for valuing inventory costing. Under the average cost method, inventory used or on hand is valued at the average unit cost. The average cost is determined by dividing the total cost of the identical commodity on hand by the total number of units on hand.

Organizational units with an estimated inventory value of $50,000 or more are required to perform an annual inventory count in accordance with procedures outlined in the Auditor-Controller's Office Internal Control Handbook, and Annual Physical Inventory of Parts and Supplies. Inventory counts should be completed on or as close to June 30 as possible.

For organizational units using the Inventory Module

Once the ending inventory value is determined, the quantities should be recorded in the inventory module.

For all organizational units

For changes in inventory balances of $5,000 or more, the inventory balance should be adjusted and posted to the financial system by journal entry. The required accounting transactions will be dependent on the account used to routinely record purchases of inventory.

The inventory adjustment computation is as follows:

	Inventory at the end of the current fiscal year
Less:	Inventory at the beginning of the same fiscal year
Equals:	Increase (decrease) to inventory

Accounting for Changes to Governmental Fund Inventory

Schedule E should be completed to support the adjustment to inventory. For organizational units with a change in inventory valuation of $5,000 or more, a journal entry should be prepared to adjust the related accounts as follows:

ENTRY TO INCREASE INVENTORY BALANCE

Account Description	Dr	Cr
Inventory of Materials & Supplies Account (170100)	XXX	
Applicable Expenditure Account (5XXXXX)		XXX
Unassigned Fund Balance (370100)	XXX	
Fund Balance-Nonspendable for Inventory (315100)		XXX

ENTRY TO DECREASE INVENTORY BALANCE

Account Description	Dr	Cr
Inventory of Materials & Supplies Account (170100)		XXX
Applicable Expenditure Account (5XXXXX)	XXX	
Unassigned Fund Balance (370100)		XXX
Fund Balance-Nonspendable For Inventory (315100)	XXX	

Accounting for Changes to Proprietary Fund Inventory

Since Proprietary Funds present their financial statements on the accrual basis of accounting and the economic resources measurement focus, inventory is recorded to the inventory asset account when acquired and expensed as consumed. Below is the required accounting transaction for inventory adjustments at fiscal year-end.

ENTRY TO INCREASE INVENTORY BALANCE

Account Description	Dr	Cr
Inventory of Materials & Supplies (Asset Account 170100)	XXX	
Applicable Expense Account (5XXXXX)		XXX

ENTRY TO DECREASE INVENTORY BALANCE

Account Description	Dr	Cr
Inventory of Materials & Supplies (Asset Account 170100)		XXX
Applicable Expense Account (5XXXXX)	XXX	

Valuation Methods

Proprietary Fund inventory values must be reported at the lower of cost or market. For Governmental Funds, inventory values must be reported at cost unless the inventory has been affected by physical deterioration or obsolescence, in which case the inventory should be written down based on the estimated value.

Chapter 8 Deferred Inflows of Resources/Advances From Grantors and Third Parties

Definitions and Accounting Treatment

For revenue recognition to occur, the County must be entitled to the revenue. In order to be entitled the following criteria must have been met: (1) the underlying exchange has occurred, (2) taxes have been levied, (3) the claim is legally enforceable or (4) all applicable eligibility requirements have been met.

Availability Period

As discussed in Chapter 4, revenues are considered available for governmental funds when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County has adopted the following availability periods for accruing governmental fund revenues:

1. Property and sales taxes are considered available for the year levied and are accrued when received within **sixty (60) days** after fiscal year-end.

2. Revenue received from expenditure driven (cost-reimbursement) grants, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transaction,* are considered available and accrued if expected to be received within **twelve months** after fiscal year-end. A copy of the grant documentation, such as a claim form, demonstrating that the grant is "expenditure driven" should be included with the applicable Schedule(s)

3. All other revenue streams are considered available and accrued if they are expected to be received within **ninety (90) days** after the fiscal year-end.

Deferred Inflow of Resources is an account used to record resource inflows that do not yet meet the criteria for revenue recognition.

There are two types of deferred inflow of resources in the public sector:

1. Advanced Revenue: Under both the accrual and the modified accrual basis of accounting, cash received in advance but not earned must be deferred until it is earned when timing is the only eligibility requirements not met. Non-exchange revenue, like taxes, is earned when the County has legal claim to the resources.

2. Unavailable Revenue: Under the modified accrual basis of accounting, revenue is deferred if it is not available to pay current expenditures or additional eligibility criteria have not been met. Modified accrual only applies to governmental funds.

Advances from Grantors and Third Parties is also an account used to record resource inflows that do not yet meet the criteria for revenue recognition.

The Advances liability account differs from the deferred inflows account in that the advances are for resources received in advance of exchange transactions and for resources received in advance of a government mandated or voluntary non-exchange transactions when other eligibility requirements other than timing are required.

Three schedules have been developed to distinguish which type of deferred inflow of resources or advances from grantors and third parties is being posted. Since the criteria and the related accounting treatment is different for the three types of transactions, all are described in the sections below.

1. **Schedules L-1 (deferred inflows of resources) and S-12: Deferred Inflow of Resources Resulting from Cash Received In Advance of Revenue Entitlement.**

When cash is received in advance of entitlement, a deferred inflow should be reported until the exchange has occurred.

In **non-exchange** transactions, the County receives monetary amounts without giving value in return. Therefore, revenue cannot be recognized for the advance proceeds until the County has a legally enforceable claim. A deferred inflow of resources should only be recognized if time requirements are the only eligibility requirements that have not been met.

In organizational units that recognize revenue upon receipt and an amount is not earned as of June 30, and the transaction is in excess of $5,000, a reclassification journal entry should be posted and the deferred inflow of resources should be included on **Schedules L-1** and **S-12 Deferred Inflows of Resources**.

For example: On March 15, 2023, Department ABC received a $500,000 grant from the state which only has an eligibility requirement for the timing of the grant to be used in the next fiscal year.

03/15/2023—CASH RECEIVED / RECOGNIZED AS REVENUE

Account Description	Dr	Cr
Cash (101100)	500,000	
Applicable revenue account (7XXXXX)		500,000

As of June 30, 2023, only 50% of the grant has been completed. A reclassification entry is then needed to account for the $250k not yet earned.

6/30/2023—RECLASSIFICATION ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Applicable revenue account (7XXXXX)	250,000	
Deferred inflow of resources (2601XX)		250,000

7/01/2023—ENTRY TO REVERSE RECLASSIFICATION (NEW YEAR POSTING)

Account Description	Dr	Cr
Deferred inflow of resources (2601XX)	250,000	
Applicable revenue account (7XXXXX)		250,000

The transaction is reversed once the revenue recognition cycle is complete. If the earning process is not completed promptly, the business unit should consider the appropriateness of routinely recognizing revenue upon receipt and consider using the ‘deferred inflows of resources’ account. Factors such as the duration of the earning cycle and materiality of amounts received should be part of the decision process.

2. **Schedule L-2 (Unavailable) and S-12: Deferred Inflows of Resources in Governmental Funds When Revenue Is Earned, But Not Availabl**e.

Since governmental funds are entitled to recognize revenue only when it is available for use to pay current expenditures, unavailable amounts should be reported as deferred inflow of resources. When the unavailable amount is **$5,000** or greater, a journal entry should be posted and the deferred inflow of resources should be included on **Schedules L-2 (Unavailable)** and **S-12 Deferred Inflows of Resources** with the following accounting transaction:

For example: On 05/14/2023, a governmental fund completed services for a city costing $500,000. An invoice was sent to the city for the service provided and payment is not expected to be received until October 15, 2023. <u>If the offset chosen was a revenue account</u>, the following entry should be recorded at June 30:

6/30/2023 - GOVERNMENTAL FUND ACCRUAL ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Revenue (7XXXXX)	500,000	
Deferred inflow of resources (2601XX)		500,000

When the payment is received, the above entry should be reversed as follows.

10/15/2023 - ENTRY TO REVERSE ACCRUAL (NEW YEAR POSTING)

Account Description	Dr	Cr
Deferred inflow of resources (2601XX)	500,000	
Revenue (Use same account as original invoice)		500,000

3. **Schedule L-3 (Advance from Grantors and Third Parties) and S-12: Advances Resulting From Cash Received In Advance of Revenue Entitlement.**

When cash is received in advance of entitlement, a liability should be reported until the exchange has occurred or eligibility requirement(s) have been met.

In an **exchange** transaction where the County receives the monetary amount prior to performing services or providing goods, an advance is recorded until the earning process is complete.

In **non-exchange** transactions, the County receives monetary amounts without giving value in return. Therefore, revenue cannot be recognized for the advance proceeds until the County has a legally enforceable claim or other eligibility requirements are met. Eligibility requirements are stipulations placed on provided resources, such as:

- Costs allowed on claims for reimbursement
- Other contingencies
- Characteristics of recipients to qualify for resources

This differs from schedule L-1 in that there are other eligibility requirements other than timing. Also, schedule L-1 only deals with non-exchange transactions. If there are resources received in advance for an exchange transaction, it will be a liability and reported on schedule L-3.

In organizational units that recognize revenue upon receipt and an amount is not earned as of June 30, and the transaction is in excess of $5,000, a reclassification journal entry should be posted and the Advances from Grantors and Third Parties should be included on **Schedules L-3** and **S-12 Advances**.

For example: On March 15, 2023, Department ABC received $500,000 from the state for use in a road repair project.

3/15/2023—CASH RECEIVED / RECOGNIZED AS REVENUE

Account Description	Dr	Cr
Cash (101100)	500,000	
Applicable revenue account (7XXXXX)		500,000

As of June 30, 2023, only 50% of the project has been completed. A reclassification entry is then needed to account for the $250k not yet earned.

6/30/2023—RECLASSIFICATION ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Applicable revenue account (7XXXXX)	250,000	
Advances from Grantors and Third Parties (2301XX)		250,000

7/01/2023—ENTRY TO REVERSE RECLASSIFICATION (NEW YEAR POSTING)

Account Description	Dr	Cr
Advances from Grantors and Third Parties (2301XX)	250,000	
Applicable revenue account (7XXXXX)		250,000

The transaction is reversed once the revenue recognition cycle is complete. If the earning process is not completed promptly, the business unit should consider the appropriateness of routinely recognizing revenue upon receipt and consider using an 'Advances from Grantors and Third Parties' liability account to initially receive proceeds. Factors such as the duration of the earning cycle and materiality of amounts received should be part of the decision process.

Schedule S-12 Deferred Inflows of Resources is required for all departments with outstanding balances as of June 30, 2023 in accounts 2601XX. Schedule S-12 Deferred inflows serves as an aging report of deferred inflow of resources in accounts 2601XX and includes all the information from schedules L-1 and L-2. This Schedule should summarize all deferred inflow of resources (including amounts deferred prior to June 30, plus new deferrals for June 30). The list should outline the entity name, amount deferred, reason for deferral (unearned or unavailable), description of program, and estimated period when revenue will be recognized. The total balance reported in Schedule S-12 Deferred inflows must match the PeopleSoft general ledger balance for accounts 2601XX. Attach proper documentation for each line item in Schedule S-12 Deferred inflows.

Schedule S-12 Advances is required for all departments with outstanding balances as of June 30, 2023 in accounts 230XXX. Schedule S-12 Advances serves as an aging report of Advances from Grantors and Third Parties in accounts 230XXX and includes all the information from schedule L-3. This Schedule should summarize all Advances from Grantors and Third Parties (including amounts advanced prior to June 30, plus new advances for June 30). The list should outline the entity name, amount advanced, reason for advance, description of program, and estimated period when revenue will be recognized. The total balance reported in Schedule S-12 Advances must match the PeopleSoft general ledger balance for accounts 230XXX. Attach proper documentation for each line item in Schedule S-12 Advances.

Transactions Not Qualifying As Deferred Inflow of Resources or Advances from Grantors and Third Parties

1. When operational units receive advances as a condition of performance and it expects to refund these amounts or the majority of amounts received upon performance of the

established condition(s), the advances should be reported as "Customer Deposits" rather than "Deferred Inflow of Resources" or "Advances from Grantors and Third Parties".

Deferred inflows of resources or advances from grantors and third parties are received with the expectation that the County has a requirement to fulfill before being entitled to recognize revenue. Customer deposits are received from a third party and are held to motivate them to fulfill some stipulated conditions. It is the desire of the County to have the established conditions met and refund the money; however, if the conditions are not met, some or all of the money is forfeited by the customer and recognized by the County as revenue. Generally, customer deposits are accounted for under liability section (201800); however, some specific accounts were established for departments requiring multiple refundable deposits and these liability accounts have prefixes of "2018XX".

2. When amounts are earned by a Proprietary Fund, but not available, revenue should be recognized, rather than deferred. Proprietary Funds use the accrual basis of accounting and revenue should be recognized when earned or when the organizational unit is entitled to the proceeds.

Note: Estimates of accruals should not be entered through the Accounts Receivable system.

Chapter 9

Prepaid Expenses

Definitions and Accounting Treatment

A prepaid expense is the amount paid for a commodity or service that has not been received at the end of the fiscal year. The monetary amount that has been paid is capitalized in a prepaid expense account (Asset account 140200) to be expensed over the period used. Prepaid items are costs of operations that are capitalized at year end and will be consumed within the next fiscal year. Examples of prepaid expenses include insurance premiums and rent which are paid in advance.

For example, if on January 1, an organizational unit pays $12,000 to rent a facility for a 12-month period, six months worth or $6,000 of the expenditure/expense would be capitalized at June 30. The remaining $6,000 must be expensed in the new fiscal year for the amount of rent attributed to July through December.

Schedule M Required

Schedule M should be completed for those prepaid items of **$5,000 or more** as of June 30 in any one organizational unit and a JOURNAL ENTRY should be prepared to post the following accounting transaction:

ACCRUAL ENTRY (OLD YEAR POSTING)[1]

Account Description	Dr	Cr
Prepaid Expense (140200)	XXX	
Applicable Expenditure Account (5XXXXX)		XXX
Fund Balance (3XXXXX)	XXX	
Nsb For Prepaid Items (316100)		XXX

ENTRY TO REVERSE ACCRUAL (NEW YEAR POSTING)

Account Description	Dr	Cr
Applicable expenditure account (Same expenditure account used for accrual: 5XXXXX)	XXX	
Prepaid Expense (140200)		XXX
Nsb For Prepaid Items (316100)	XXX	
Fund Balance (3XXXXX)		XXX

1 If prepayment is applied to insurance, asset account 14100 should be used and interest prepaid by RUHS-Medical Center should be capitalized to Asset Account 140201.

Example:

Facilities Management negotiated a very favorable lease agreement of an office building on behalf of a county department. The agreement calls for the annual lease payments of $30,000 to be made on January 2nd of each year. The unused portion of the lease amount, $15,000, should be recorded as prepaid on Schedule M as of 6/30.

Expenses Not Qualifying As Prepaid Expenses:

1. Deferred Outflows of Resources: Resources advanced to another government in relation to a government-mandated nonexchange transaction or a voluntary nonexchange transaction when time requirements are the only eligibility requirements that have not been met by the other government. An example is intra-entity transactions. The transferee government of intra-entity transfers of future revenues should report the amount paid as a deferred outflow of resources. Debt issuance costs are now expensed in the period incurred.

2. Internal Service Fund expenses: Expenditures paid to internal service funds, such as County self-insurance, do not qualify as prepaid expenses. These costs are considered incurred during the fiscal year and do not benefit future periods.

Chapter 10 Depreciation and Construction in Progress

Definitions and Accounting Treatment

Capital assets include land, land improvements, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and have initial useful lives greater than a single reporting period. Capital assets should be reported at historical cost and must meet the capitalization threshold of **$5,000 or more**. **Capitalized costs** include the value paid for the asset, sales tax, capitalized interest, freight & transportation charges, in-transit insurance, and any associated costs to prepare the asset for its intended use (e.g., special foundations, installation costs). The cost of capital assets should be systematically expensed over the estimated period of time the asset is in service or will be of value to the organizational unit.

The estimated time of service is referred to as the **useful life** of the asset. The systematic expense of the asset cost is referred to as **depreciation**. Some assets are inexhaustible, such as land and land improvements, and are not depreciated since they retain their value.

There are various methods to calculate depreciation. The County uses the **straight-line method** of depreciation. The straight-line method of depreciation provides for equal periodic charges to expense over the estimated life of the asset as follows:

$$\frac{\textbf{Cost of Asset - Salvage Value (If any)}}{\textbf{Useful Life of Asset}} = \textbf{Depreciation Expense}$$

Asset depreciation is calculated in the PeopleSoft financial system Asset Management Module for all depreciable capital assets (Proprietary Funds, as well as Governmental Funds). The difference between the two fund classifications is that for Proprietary Funds, the depreciation expense will be posted directly to actual ledger of the fund. For Governmental Funds, there will be no expense posted to the fund. Instead, in accordance with GASB Statement No. 34, the expense will be included in the Government-Wide financial statements for ACFR purposes only.

Since depreciation is calculated monthly through the PeopleSoft financial system Asset Management Module (identified by journal entry source code “AM”), a system-generated journal entry is produced at the sub-ledger level. The Auditor-Controller’s Office then posts the monthly depreciation expense to the proprietary fund actual ledger. No year-end schedule is required from departments to post the depreciation expense. However, once the depreciation expense is posted to the fund level, organizational units will be responsible for determining the accuracy of the posting.

The following is sample depreciation journal entry that reflects the posting of depreciation expense:

DEPRECIATION JOURNAL ENTRY (OLD YEAR POSTING)

Account Description	Dr	Cr
Depreciation-Building (53554X)	XXX	
Depreciation-Equipment (53556X)	XXX	
Depreciation-Infrastructure (53558X)	XXX	
Accumulated Depr. - Buildings (19820X)		XXX
Accumulated Depr. - Equipment (19820X)		XXX
Accumulated Depr. - Infrastructure (19830X)		XXX

Construction In Progress and Schedule Q

Construction In Progress (CIP) is a type of capital asset used to track costs of direct labor, direct material, and overhead amounts incurred in one fiscal year to construct or develop a tangible or intangible capital asset before it is substantially ready to be placed into service. Refer to SPM Policy 510 for a listing of capitalizable CIP costs. No depreciation benefit is received until the CIP asset is completed and placed into service. Therefore, depreciation expense or amortization expense would not be recognized either for projects in the construction or development stage. Once the CIP asset is completed, the asset would be reclassified into the appropriate asset category and depreciation will commence. Schedule Q is a report used by the Auditor-Controller's Office to request detailed CIP information from the departments by asset level. Schedule Q is broken into 3 major categories: 1) Active 2) New and 3) Closed CIP projects for the defined fiscal year. Active projects are all ongoing projects, which might reflect needed cost adjustments to be processed in the PeopleSoft Asset Management Module, as additional costs for a project are incurred during the fiscal year. New projects are those that commenced during the current fiscal year and closed projects are those that have been completed during the fiscal year. Completed projects require a Notice of Completion (NOC) or other source document approved by the Board of Supervisors and internally by the department's management team. The approved Notice of Completion is attached with the completed AM-4 form and provided to the Auditor Controller's Office. The Auditor-Controller's Office will then reclassify the CIP costs to the appropriate asset category and depreciation will commence.

Chapter 11 | Bank Accounts Controlled By Departments or Agencies

General

A Schedule P is required for the following

1. All bank accounts that were established in accordance with the Auditor-Controller's Standard Practice Manual Policy #607.

2. Accounts that are used by departments for monies that are being held in a fiduciary/non fiduciary capacity and auditor-controller/treasurer granted approval.

Instructions for Schedule P

Submit a Schedule P for each bank account established/opened outside the County Treasury and it is controlled by your department.

1. List the number of bank accounts that is controlled by your department and submit a separate schedule for each account.

2. Complete all fields on schedule P, answer the questionnaire in detail, and attach a copy of the following documents:

   - Approved Request to Establish a Bank Account (SPM Form AP-5)* (if previously not submitted)
   - Approved Bank Account Information Change Request (SPM Form AP-6)*. This form needs to be completed when there is a change in Bank, Bank Account Number, or the authorized signature card is updated.
   - June 30 bank statement
   - June 30 bank reconciliation
   - Authorized signature card
   - Listing of the top 10 collection sites for cash and checks.

**** For your reference, modified SPM Form AP-5 and SPM Form AP-6 are available on ACO website.***

Chapter 12 Leases, Financed Purchase, and SBITAs

Leases (Lessee/Lessor)

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

Criteria

To determine whether 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:

1. The right to obtain the present service capacity from use of the underlying asset as specified in the contract

2. 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 shall be classified as a financed purchase or short-term lease.

The Leases standard does not apply to the following lease types:

- Intangible assets, including mineral rights, patents, software, etc.
- Biological assets
- Inventory
- Service concession arrangements as addressed in GASB Statement No. 94
- Assets financed with conduit debt
- Supply contracts such as power purchase agreements
- Financed purchase
- Short-term leases
- Financial assets as addressed in GASB Statement No. 72

Required by the ACO

For all new leases acquired on/after July 1, 2021, the present value of future lease payments must be entered into the Asset Management Module (only for leases where the County is the lessee). All County departments must ensure that form AM-9 (Leases/SBITAs) has been completed and submitted to the Auditor-Controller's Office along with copies of the following items:

- GASB 87 Lease Evaluation Tool
- Present Value Calculator
- Lease Contract

- Payment Schedules
- Purchase orders, Form 11
- Invoices
- Simpler or PeopleSoft Queries showing **all** payments made or received during the fiscal year (required at year-end)
- Schedule J at year-end (Lessee). Please use ACO template and input principal and interest.
- Schedule D at year-end (Lessor). Please use ACO template and input principal and interest.

<u>Financed Purchase</u>

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. Financed purchases were formerly known as capital leases. The transaction should be reported as a financed purchase of the underlying asset by the lessee, or sale of the asset by the lessor.

Required by the ACO

For all new financed purchases acquired on/after July 1, 2021, the present value of the minimum lease payments at the inception of the financed purchase must be recorded as an asset and a financed purchase (liability) in the Asset Management module. All County departments must ensure that form AM-5 (Capital Asset Form Acquisition, Betterment & Capital Leases) has been completed and submitted to the Auditor-Controller's Office along with copies of the following items:

- Lease Contract/Agreements
- Amortization Schedules
- Purchase orders
- Invoices
- Simpler or PeopleSoft Queries showing **all** payments made during the fiscal year (required at year-end)
- Schedule H at year-end. Please use ACO template and input principal and interest.

<u>Short-term Leases</u>

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. Leases that are month-to-month are considered short-term. Payments for short-term leases should be recognized as outflows of resources (expenditure/expense) or inflows of resources (revenues) by the lessee or lessor.

<u>Subscription-Based Information Technology Arrangements (SBITAs)</u>

SBITA is defined as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term is the period during which a government has a noncancelable right to use an underlying asset, plus the subsequent periods (if applicable).

Criteria

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

1. The right to obtain the present service capacity from use of the underlying IT assets as specified in the contract.

2. The right to determine the nature and manner of use of the underlying IT assets as specified in the contract.

SBITAs include contracts that, although not explicitly identified as a SBITA, meet the definition of a SBITA as defined above. That definition excludes contracts that solely provide IT support services but includes contracts that contain both a right-to-use IT asset component and an IT support services component.

The SBITAs standard does not apply to the following arrangements:

1. Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meet the definition of a lease in Statement No. 87, *Leases*, in which the cost of the software component is insignificant relative to the cost of the underlying tangible capital assets.

2. Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs.

3. Contracts that meet the definition of Public-Private and Public-Public Partnerships in GASB Statement No. 94.

4. Licensing arrangements that provide a perpetual license (subject to GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets.)

Required by the ACO

For all new SBITAs acquired on/after July 1, 2022, the present value of future SBITA payments must be entered into the Asset Management Module. All County departments must ensure that form AM-9 (Leases/SBITAs) has been completed and submitted to the Auditor-Controller's Office along with copies of the following items:

- GASB 96 SBITA Evaluation Tool
- Present Value Calculator
- SBITA Contract or Agreement
- Payment Schedules
- Purchase orders, Form 11
- Invoices

- Simpler or PeopleSoft Queries showing **all** payments made during the fiscal year (required at year-end)
- Schedule O at year-end. Please use ACO template and input principal and interest.

Short-term SBITAs

A short-term SBITA holds a maximum possible term of 12 months or less, including any options to extend, regardless of their probability of being exercised. For a SBITA that is cancellable by both the government or the SBITA vendor, the maximum possible term is the amount of time either party is required to notify the other party of the cancellation (notice period). The government should recognize short-term subscription payments as outflows of resources (expenditure/expense) based on the payment provisions of the SBITA contract.

Chapter 13 Contingent Liabilities

Definitions and Accounting Treatment

An existing condition or set of circumstances that **may** result in a liability (loss) depending on one or more future events that may occur or fail to occur is referred to as a **contingent liability**. Contingent liabilities include items such as guarantees, pending lawsuits, judgments under appeal, unsettled purchase orders, Federal audit disallowances for reimbursed expenditures and uncompleted contracts.

Factors contributing to whether the event is accrued, disclosed, or not disclosed are based on the likelihood of the outcome and the ability to estimate the amount involved. Guidelines are established in the Governmental Accounting Standards Board Statement No. 62 for the appropriate action:

1. If it is probable that an asset has been impaired or a liability has been incurred at fiscal year- end and the amount of loss is reasonably estimable, then a loss contingency should be accrued at fiscal year-end.

2. If the likelihood of the loss is probable, but not estimable or the loss is reasonably possible, then the event should be disclosed in the footnotes to the financial statements.

3. If the likelihood of loss is remote, then recognizing a loss contingency through accrual or disclosing such an event in the financial statement footnotes, is not required.

County Counsel should be consulted in determining the degree of likelihood that a loss will occur in the future.

For contingent liabilities falling under categories 1 or 2 above, Schedule R should be completed and submitted with the year-end closing schedules. County Counsel will be requested to assess the probability of loss in writing during the Countywide financial statement audit.

Instructions for Schedule R: Contingent Liabilities

List the following on the Schedule R:

1. Source of claim
2. Reason for claim
3. Estimated amount of the claim (if estimable)
4. Projected date of resolution
5. Department contact
6. Schedule R must be submitted with Schedule N, even if the department did not have any contingent liabilities.

Chapter 14 Revolving Funds

Definition

A Revolving Fund is an authorized amount of cash in the form of currency, a bank checking account or both. Revolving Funds are established for specific operational needs to facilitate certain expenditures and cash transactions throughout County departments.

Schedule W (Requirement)

California Government Code §29321.1 requires the Auditor-Controller to submit a written report to the Board of Supervisors at the end of each fiscal year identifying the revolving funds in existence during the fiscal year, the amount of such fund, and the officer using the fund.

Instructions for Schedule W

Submit a separate Schedule W for each Revolving Fund account.

1. Fill in Agency Name, Fund ID, Dept. ID, Contact Name and Contact Phone Number (In case we have questions).

2. Indicate Revolving Fund Number. This is the number issued by the Treasurer's department upon revolving fund establishment.

3. State if the revolving fund is a Lockbox and/or Checking Account. (Some departments will have only a lockbox, only checking account or a combination of both lockbox and checking account)

   - Lockbox only: Submit a schedule W and lockbox reconciliation as of June 30th.

   - Checking Account only: Submit a schedule W along with bank statement and bank reconciliation as of June 30th.

   - Lockbox and Checking Account: Submit a schedule W along with lockbox reconciliation, bank statement and bank reconciliation as of June 30th.

4. Amount of Revolving Fund - Enter the total authorized amount approved.

5. Location of Money - Indicate the location of where the money resides and provide us with the required information.

   a) Lockbox – List the amount and address of where the lockbox resides. If more than one lockbox, list them all. Provide ACO your lockbox reconciliation as of June 30th.

b) Checking Account - List the amount, bank name, account number, and address. If more than one banks, list them all. Provide ACO your bank statement and bank reconciliation as of June 30th.

c) Other - Explain any difference from above. Include a reconciliation as of June 30th.

Please Note: Total Lockbox, Checking Account, and Other should equal to the authorized amount of revolving fund on item 4.

6. Custodian Name- Enter the authorized custodian of the revolving fund (If the custodian is no longer with the department, it is the department's responsibility to submit a request to "Change Custodian" to the ACO by submitting an AR-1 form.)

7. Department Head Name and Department Head Title - Indicate department head name and title.

8. Prepared by and Phone Number - Enter the name and phone number of the person who prepared the schedule.

9. Department Approved by and Date - Schedule must be signed and dated by the Department Head or management level designee acknowledging the information reported on schedule W is accurately.

   Please Note: The person who prepared the schedule cannot be the same person who is approving the schedule.

Chapter 15 Pollution Remediation Obligations

Definitions and Accounting Treatment

A pollution remediation obligation refers to a government's responsibility to address the current or potential detrimental effects of existing pollution through activities such as environmental assessments or cleanups.

Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, provides guidance to governments regarding how and when to measure and report the costs and obligations associated with pollution cleanup efforts. For example, obligations to clean up spills of hazardous wastes or substances including removal of contamination such as asbestos are pollution remediation obligations. Pollution remediation activities include the following:

1. Pre-cleanup activities, such as performance of a site assessment, site investigation, corrective measures feasibility study, and the design of a remediation plan.

2. Cleanup activities, such as neutralization, containment, or removal and disposal of pollutants, and site restoration.

3. External government oversight and enforcement-related activities, such as work performed by an environmental regulatory authority dealing with the site and chargeable to the government.

4. Operation and maintenance of the remedy, including required monitoring of the remediation effort.

The County must estimate the expected liability for pollution remediation if it knows a site is polluted and any of the following **obligating events** occur:

1. Pollution poses an imminent danger to the public or environment and the County has little or no discretion to avoid fixing the problem.

2. The County has violated a pollution prevention-related permit or license, such as a Resource Conservation and Recovery Act (RCRA) permit or similar permit under state law.

3. A regulator has identified (or evidence indicates it will identify) the County as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the cleanup.

4. The County is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution.

5. The County begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the County is legally required to complete).

Exclusions

GASB 49 excludes the following:

1. Landfill closure and postclosure care obligations within the scope of GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs.*

2. Other future pollution remediation activities that are required upon retirement of an asset (such as nuclear power plant decommissioning).

3. Recognition of asset impairments or liability recognition of unpaid claims by insurance activities.

4. Pollution prevention or control obligations with respect to current operations, such as obligations to install smokestack scrubbers, treat effluent, or use environmentally-friendly products (i.e., low sodium road salts).

5. Accounting for non-exchange transactions, such as brownfield redevelopment grants.

Recognition and Measurement of Pollution Remediation Liabilities

1. **Estimating the Liability—Components and Benchmarks**

   If the County knows a site is polluted and one or more of the obligating events has occurred, then we must estimate the liability for remediation of the pollution. The total liability for pollution remediation will include several separable components. These components range from pre-cleanup stage through the operation and remedy itself, e.g., legal fees, testing the polluted site, feasibility study, plan operation, and monitoring after the cleanup. In some cases, the County may have sufficient information to arrive at a meaningful estimate of most or all of the components of the liability when an obligating event first occurs, or soon thereafter. In other cases, more time may be needed to arrive at a meaningful estimate of many or most of the components of the liability. The statement identifies benchmarks, or milestones, that are considered turning points for evaluating when a component of the liability becomes reasonably estimable.

   Benchmarks include the receipt of an administrative order, participation in site assessment or investigation, completion of a corrective action feasibility study, issuance of an authorization to proceed, and design and implementation of the remedy through post-remediation monitoring.

2. **Measurement Based on Expected Outlays**

   Pollution remediation liabilities should be measured based on the pollution remediation outlays expected to be incurred to settle those liabilities at each benchmark established. Pollution remediation outlays include all direct outlays attributed to the pollution remediation activities (payroll and benefits, equipment and facilities, material, and legal and professional services), and may include estimated indirect outlays (including overhead). The following outlays are not part of performing pollution remediation: fines, penalties, toxic torts, product and process (workplace) safety outlays, litigation support involved with potential recoveries, and outlays borne by society at large rather than by the County.

3. **Measurement at Current Value**

   Liabilities should be measured at their current value, based on reasonable and supportable assumptions about future events that may affect the eventual settlement of the liability.

4. **Measurement of the Expected Cash Flow**

   Liabilities should be measured using the expected cash flow technique, which measure the liability as the sum of probability based on the weighted average.

5. **Re-measurement**

   Pollution remediation liabilities should be adjusted when benchmarks are met or when new information indicates changes in estimated outlays.

6. **Accounting for Recoveries**

   Liability should include all work expected to be performed, including work expected to be performed for other responsible parties. Expected recoveries from other parties as well as insurance recoveries should also be used in the measurement by reducing the expense and liability.

Reporting

1. **Report in Government-wide and Proprietary Fund Financial Statements**

   Pollution remediation costs should be reported in the statement of activities and statement of revenues, expenses, and changes in fund net position (proprietary funds) as program or operating expenses in the fiscal year an obligating event occurred measured at the applicable benchmark.

2. **Capitalization of Pollution Remediation Outlays (if applicable)**

   Pollution remediation outlays should be capitalized in the government-wide and proprietary fund statements when goods and services are acquired for any of the following circumstances:

a) To prepare a property in anticipation of a sale.

b) To prepare a property for use when the property was acquired with known or suspected pollution that was expected to be remediated.

c) To restore pollution remediation that restores a pollution-caused decline in service utility that was recognized as asset impairment.

d) To acquire property, plant and equipment that has a future alternative use.

Disclosures

The government should disclose the following in the notes to the financial statements:

1. The nature and source of pollution remediation obligations (i.e., federal, state).
2. The amount of the estimated liability, the methods and assumptions used for the estimate, and the potential for changes (i.e., price increases, regulations).
3. Estimated recoveries reducing the liability, if any.

Illustration

Remediation Project

Facts: In 2023, the County purchased a vacant property for $80,000 after completing a site assessment which concluded the property could be cleaned for $100,000-$130,000. The County entered into an agreement with a buyer to sell the property for $175,000 after it has been cleaned up. In 2024, the County received bids to clean the property for $125,000.

Obligating Event: The County voluntarily obligated itself to commence remediation by purchasing a property with known pollution.

Measurement of Expected Outlays: The weighted average of the estimate for 2023 is $115,000 (100,000+130,000)/2).

Reporting FY 2023: The estimated liability is $20,000 as of FY 2023 and is calculated as follows:

Facts	Amount	Accounting Treatment
Purchase price of property	$ 80,000	Record as an asset
Expected outlays	115,000	Do not capitalize until incurred
Total cost of property	195,000	
Fair value	(175,000)	Sale price in 2023
Estimated liability FY 2023	$ 20,000	Record as an expense and liability at year-end

Based on the information provided, Schedule Y Questionnaire should be completed by all departments and signed by the Department Head and/or Fiscal Manager. Only one Questionnaire is required from each department. Please provide detail information to any “yes” answers. If applicable, provide estimated cost for each potential liability. After review of any “yes” answers, the ACO will contact the department to set up an accrual if necessary. No journal entry is required to be submitted with the Questionnaire.

Chapter 16 Public-Private and Public-Public Partnership and Availability Payment Arrangements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements is effective for fiscal year 2023. This standard provides definitions and accounting and financial reporting requirements for public-private/public-public partnerships (PPPs), and availability payment arrangements (APAs). The requirements are very similar to those for right-to-use lease agreements (GASB 87). The primary objective of this Statement is to improve financial reporting by addressing issues related to these arrangements. Establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions will provide more relevant and reliable information for financial statement users and create greater consistency in practice.

A **public-private and public-public partnership arrangements (PPP)** is an arrangement in which a government (the transferor) contracts with an operator (a governmental or non-governmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset of the government, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

A **service concession arrangement (SCA)** is a PPP in which:

a. The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of an underlying PPP asset in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.
b. The operator collects and is compensated by fees from third parties.
c. The transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and
d. The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

An **availability payment arrangement (APA)** is an arrangement in which a government procures a capital asset or service by compensating an operator for activities that may include designing, constructing, financing, maintaining, and operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. In contrast to a PPP, the other party to an APA is receiving compensation from the government based entirely on the asset's availability and not the actual performance of a public service.

Service Concession Arrangements

Entry required to record an SCA

Account Description	Dr	Cr
Asset (Asset account 19XXXX)	XXX	
Deferred inflows of resources (2601XX)		XXX

Reporting

Report in Government-wide and Proprietary Fund Financial Statements

SCAs should be reported in the Statement of Net Position as an asset and should have a corresponding deferred inflows of resources

Required by the ACO for SCAs

The department should provide the following information to the ACO to be disclosed in the notes to the basic financial statements:

1. A brief description of the contract for the SCA
2. Date the SCA was entered into
3. Term of the SCA
4. Expiration date of the SCA
5. Any revenue sharing agreement language
6. Any minimum rent payments
7. Capital asset value and corresponding deferred inflows of resources activity

Public-Public and Public-Private Partnership Arrangements

Required by the ACO for PPPs

For all PPPs, where the County is the Transferor, the department should recognize a receivable for installment payments, if any, to be received in relation to the PPP and a deferred inflow of resources. In addition, the department should recognize an asset for improvements, if any, made by the operator to an existing underlying PPP asset. If the County is the Operator in the PPP agreement, please reach out to the ACO for further guidance.

All County departments must ensure that the following is submitted to the Auditor-Controller's Office:

- Questionnaire for SCAs, PPPs, and APAs
- Present Value Calculator

- PPP Contract
- Payment Schedules
- Invoices
- Simpler or PeopleSoft Queries showing **all** payments received during the fiscal year (required at year-end)
- Schedule D at year-end (PPPs). Please use ACO template and input principal and interest.

<u>Availability Payment Arrangements</u>

Required by the ACO for APAs

Please contact the ACO if it is believed there is an APA agreement within your department. A Questionnaire for SCAs, PPPs, and APAs will be provided to complete and return to the ACO.

All County departments must ensure that the following is submitted to the Auditor-Controller's Office:

- Questionnaire for SCAs, PPPs, and APAs
- APA Contract

Additional information

If it is believed there is an SCA, PPP, or an APA agreement within your department, please contact the ACO for assistance. A GASB 94 Questionnaire will be provided to complete and return to the ACO.

APPENDIX A: YEAR-END ACCRUAL SCHEDULES

Use Schedule:	To Record........
A	Due From Other Funds/Due To Other Funds
B	Due from Other Governments
C	Operating Accounts Receivable
D - Lessor	GASB 87 Lease Revenue Payments By Fiscal Year - *Lessor*
D - PPP	PPPs Installment Payments By Fiscal Year
E	Inventory Materials and Supplies
G	Due to Other Governments
H	Financed Purchase Payments By Fiscal Year
I	Accounts Payable Other
J	GASB 87 Lease Payments By Fiscal Year - *Lessee*
K-1	Request for Encumbrances
L-1 (Deferred Inflows of Resources)	Deferred Inflow of Resources: Revenue Received in Advance Of Earning/Entitlement Process
L-2 (Unavailable)	Deferred Inflow of Resources Governmental Funds Only Revenue Unavailable to Expend Against Current Liabilities
L-3 (Advances-Other)	Advances from Grantors and Third Parties
M	Prepaid Expense
N	Transmittal Letter
O	GASB 96 SBITA Payments By Fiscal Year
P	Bank Accounts Controlled by Agency or Department
Q	Construction in Progress (CIP)
R	Contingent Liabilities
S-12 (L-1/L-2 Deferred Inflows of Resources)	Deferred Inflow of Resources Account Analysis
S-12 (L-3 Advances-Other)	Advances from Grantors and Third Parties Account Analysis
T-12	Due From Other Governments Analysis
V-12	Due To Other Governments Analysis
W	Revolving Fund
Y	Pollution Remediation Questionnaire

APPENDIX B:

A/P INVOICE DATE DETERMINATION DIAGRAM