

## Financial Management Meeting (04/28/14)

### Fiscal Year-End Financial Reports

#### 1. Newsletter article sent out Friday, April 18, 2014:

- *Recording Revenue and Expenses in Correct Fiscal Year*

With the 2014 fiscal year end rapidly approaching we ask that you take precautions to make sure that revenue collected and expenses incurred are recorded in the correct fiscal year in which the activity occurs. For example, if you collect revenue or incur expenses for an activity that will occur in September 2014 make sure to code the revenue and expenses to fiscal year 2015. Proper recording of revenue and expenses in the correct fiscal year is essential to assure the accuracy and integrity of UW-Madison financial reports. Consistent with fiscal year-end closing procedures, you will be asked to complete reports identifying revenue and expenses for which the activity occurred in fiscal year 2015 but the revenue or expenses were recorded to fiscal year 2014 on the SFS Accounting System. These reports will be sent out by Accounting Services on June 19, 2014 to your Dean's Office. If you have questions, please contact your Dean's Office or Jose A. Carus, Jr.

#### 2. Reports Request will be sent out on June 19, 2014 for the following reports:

Accounts Receivable	Deferred Revenue
Deferred Expenses	Supplies

**Note:** Instructions and samples attached.

#### 3. Presentations on Basics of FY End Reports:

a) June 18, 2014 from 10:00-11:30 A.M. Will take an hour or less.

- Host: Mehdi Rezai from L&S Dean's Office
- Location: Birge Hall lecture room. Pending confirmation of Room
- Notice: Will send out confirmation once room is finalized
- Registration: Training Officer Dawn Rekoske will post on OHRD web site for registration

b) May 22, 2014 from 1:00 P.M. Will take an hour or less.

- Host: Darlene Wood from Medical School Dean's Office
- Location: TBD
- Notice: Will send out confirmation once logistics are finalized
- Registration: Training Officer Dawn Rekoske will post on OHRD web site for registration

## Accounts Receivable - Instructions

### General Information

The Accounts Receivable submission helps satisfy the State-mandated GAAP reporting requirement for the reporting of revenues in the period "earned" regardless of when cash is received. An allowance for doubtful accounts should be separately reported as an offset to each fund (*except loan funds*) that had receivables.

### Information to be reported by institutions:

[ refer to "XXX - Template" tab where XXX is the institution abbreviation ]

The ending balance must be aged, except for gift, grant and loan funds. The report contains a separate column for each fund which showed a receivable in the prior year. If your institution has a receivable in a new fund, or wishes to split a fund, simply insert a new column.

Institutions should report receivables by fund (loan funds require principal and interest to be reported separately). Institutions may split funds where two or more accounts receivable systems are used for one fund. An example: fund 128 could show a column for fee receivables and a column for non-fee receivables. A submission is not required for funds 145, 146, 148 or 149 – System Administration will complete these.

A file will be provided containing beginning balances. The amounts entered in the spreadsheet should be prepared under the following special instructions:

1. Receivables should be reported for revenues earned but not received per the System accounting records as of the end of June, rather than post-closing receivables. According to the State's GAAP manual, accounts receivable should include unbilled receivables if significant and measurable. Unbilled receivables represent amounts for services provided or goods furnished prior to June 30<sup>th</sup>, but for which the billings have not yet been processed.
2. Receivables need not be reported on GPO state appropriations.
3. Fee Remissions and Compacts should NOT be included in the Accounts Receivable Report.
4. **Fund 133 and 144** Accounts Receivable consist of negative cash balances of individual grants and contracts (do not include gift accounts) as of the end of June. Positive cash balances represent Deferred Revenue. Accounts Receivable should be calculated as the sum of the negative account balances with offsetting adjustments for the holding, parent, administrative and overhead accounts. For grants funded by letter-of-credit, individual grant balances need not be examined; only if the net letter-of-credit balance is negative should accounts receivable be reported. (*Your accounts receivable balance should be reduced by cash received as of June 30<sup>th</sup> – even though the revenue may not be posted until period 13. See item #8.*)
5. Separate columns should be completed for each fund which had uncollected balances at the beginning and/or end of the year. Uncollected balances as of June 30<sup>th</sup> in the previous reporting year must be the same as the July 1<sup>st</sup> balances reported on the current year's submission. Detail of receivables must be maintained by each institution and should be available in the event it is requested by the Legislative Audit Bureau.
6. Do not include accounts receivable from other UW System departments.

## Accounts Receivable - Instructions

7. *Loan Funds - Notes Receivable as of June 30<sup>th</sup>* - Institutions will report the notes receivable on loan appropriations 134, 140, 141, 147, 151 and 152. *Direct Student Loans - Fund 149* - will not require any reporting on this form since the collection of these notes is the responsibility of the Federal Government. Receipt of funds and disbursements is available through SFS.

Do not include notes assigned to the Department of Education in the notes receivable balance.

*Loan Funds - Interest Receivable as of June 30<sup>th</sup>* - Institutions should include both current and delinquent interest receivable.

*Assignment/Cancellation/Write-off* - The auditors have noted that some campuses include amounts that have been assigned or canceled. These amounts should not be included in year-end receivable balances. Amounts assigned or canceled during the year should be reported where the information is required to account for the change in receivable balances. The loan funds accounts receivable form has been expanded to include a breakout of notes assigned, canceled, written-off and miscellaneous adjustments.

8. The uncollected (ending) balance as of June 30<sup>th</sup> should not reflect any receipts posted in period 13 of FY 2012 (i.e., the ending accounts receivable balance should NOT be reduced by the receipts posted to period 13 of FY 2012 – *unless the cash was on hand as of June 30<sup>th</sup> - should correlate with your campus' "Cash vs. Receivables – July Revenues" report*). UW System will reduce cash and increase accounts receivable by the amount of period 13 receipts whose cash was not received as of June 30<sup>th</sup>.
9. Identify any receivables due from State of Wisconsin agencies and due from other governments (federal, local, other states, etc.). This is necessary for reporting the proper classification of receivables to DOA for the State's combined balance sheet. **Please be sure to indicate 0 (or none) if there are no receivables due from state agencies or other governments.** (*With the exception of pass-through grants and contracts, federal receivables are considered to be 'due from other governments'.*) **Please enter this information in the yellow highlighted lines, verifying that the amount reported does not exceed the fund's total receivable.**
10. An estimate of uncollectible accounts must be submitted for every fund, except funds 134, 140, 141, 147, 151 and 152, even if your institutional policy suggests that all receivables are deemed perpetually collectible. Not all receivables will be collected regardless of how long they are maintained in the records. The estimate of the amount deemed to be uncollectible for each fund should be based on an analysis of each institution's experience in collecting the various types of receivables. **Please enter this information in the blue highlighted lines.** The auditors would like to see documentation as to how your estimates of uncollectible amounts were calculated. Please provide hardcopy of this analysis when submitting the accounts receivable reports.

### System Administration use of data:

System Administration will report all receivables on the UW System balance sheet and will make an entry to the FIN\_RPT ledger for financial reporting purposes. No changes will be made to the ACTUALS ledger.

UW-Madison

Fund:

Summary of Accounts Receivable

June 30, 2014

(Excluding Receivables from other University Departments)

	Uncollected Balances July 1, 2013 A	2013/2014 Charges B	Collections in 2013/2014 C	Write-offs & Adjustments D	Uncollected Balances June 30, 2014 A+B-C-D = E
Prior to 09-010	\$0.00				\$0.00
09-010	\$0.00				\$0.00
010-011	\$0.00				\$0.00
011-012	\$0.00				\$0.00
012-013	\$0.00				\$0.00
013-14					\$0.00
TOTAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

\*

1. Estimate of uncollectible amount: \$ (this represents the amount of \* which you never expect to collect.)

2. Amount in \* to be collected in July 2014 and credited to 2013/2014: \$

3. Amount in \* due from State Agencies: \$

4. Amount in \* due from Other Govts.: \$

(Federal, local, other states, etc.)

Signed

Contact

Phone

5. Notations:

EXTERNAL Accounts Receivable should include invoiced/billed receivables from non-university entities as of June 30, 2014. You should also include external unbilled receivables if they are significant and measurable. Unbilled receivables represent amounts for services provided or goods furnished prior to June 30, but for which the invoices/billings have not yet been processed. All totals MUST BE as of June 30, not as of the July thirteenth month closing. DO NOT INCLUDE ANY JULY FY015 TRANSACTIONS IN THE TOTALS.

Form Completion Steps:

- 1) Verify your fund number and title are correct at the top right of the page.
- 2) Review Column A 'Uncollected Balances on July 1, 2013'. These amounts are the accounts receivable amounts you reported as of June 30, 2013 on last year's submission. If you see errors, make a notation in item 5. "Notations" listing the wrong amount and what it should be.
- 3) Enter the total invoiced/billed items for 2013/2014 in column B 'Charges' on row 013-14. (entry cell is underlined in green)
- 4) Enter the amount collected in column C. 'Collections' on the row which matches the year it was reported as billed/invoiced. For FY 013/14 list the collections received as of June 30, 2014 of the amount billed/invoiced in column B. (entry cells are underlined in green).
- 5) Enter write-offs, cancellations or other adjustments in column D "Write-offs & Adjustments". (entry cells are underlined in red). Note special requirements exist for managing collection efforts, write-offs and adjustments. Please refer to Financial Policy #39 and website [www.bussvc.wisc.edu/acct/colloc.html](http://www.bussvc.wisc.edu/acct/colloc.html) for more information. For example, adjustments may include cancellations whereby the institution is not entitled to collect the money. On the other hand a write-off is an invoice/bill which has been put through several collection steps and has been determined by someone other than your department to be written-off as uncollectible.

6) Column E represents your uncollected amounts as of June 30. In item #1, enter your estimate of the total in the column E \* which you never expect to collect. (see red box) Analyze each type of receivable because your estimate of uncollectible may differ for each type and for the amount of time. For example, receivables 3, 4, or 5 years old may be more difficult to collect than 1 year old receivables thus changing your uncollectible percentage for that group. One method for estimating uncollectible amounts is:

Accounts Receivable/Uncollected Balance in *	equals	\$119,700	break this total down into types/ages:
Current collectibles (less than 30 days old)		100,000	
1-30 days old		10,000	1% uncollectible
31-60 days old		8,000	5% uncollectible
61-90 days old		1,000	10% uncollectible
91-180 days old		400	20% uncollectible
181 days - 1 year old		200	35% uncollectible
over 1 year old		100	50% uncollectible
			Total estimated uncollectible entry in item #1. →
			\$800

- 7) Complete #2., #3., and #4. with information as indicated. (Underlined in green) Put any special notations in #5.
- 8) Review the signature area correcting any information and signing or typing your name on the blue line.
- 9) Special Handling: For loan funds campus must separate student loan interest receivable from notes receivable. Prepare a separate Accounts Receivable Summary for each loan fund, one for interest receivable and one for notes receivable. The amounts reported on the loan receivable report should agree with the outstanding receivables shown on the Statement of Loan Funds. Use the institutions loan default rate for estimating the uncollectible amount.
- 10) If you have additional operations with accounts receivable, report them on separate schedules. Use a blank Form A and complete it for the new operation. If you have no receivables enter zeros, sign and submit the Form A.

## Deferred Revenue

### General Information

Revenue received and coded to the current fiscal year, but not yet "earned" as of June 30<sup>th</sup>, should be reported as unearned.

### Information to be reported by institutions:

- Cash that has been received but not earned as of June 30<sup>th</sup> **AND** has not been recorded in account 7400 or 7401.
  - This includes but is not limited to unearned grant income, advance room deposits, and advance ticket sales.
  - **Funds 133 and 144:** Grant revenue is earned by spending the revenue for grant-related purposes
    - A positive cash balance for a grant award represents unearned revenue and a negative cash balance represents an account receivable.
    - Unearned revenue should be calculated as the sum of the positive cash balances; positive and negative balances should not be netted against each other in determining the amount of unearned revenue and accounts receivable to be reported.
    - For grants funded by letter-of-credit, it is impractical to review individual account balances and only if the net letter-of-credit balance is positive should unearned revenue be reported.

[ refer to "Unearned Revenue - Template" tab ]

### Information to be excluded by institutions:

- Intra- and inter-institutional amounts that are included in the account 7400 balance should be eliminated.
- Summer session revenues will be obtained directly from the accounting system by System Administration and split pro-rata based on the (Summer Session -Prorated submission) number of days in the session that occurred before July 1<sup>st</sup>.

### System Administration use of data:

System Administration will make an entry to the FIN\_RPT ledger that will adjust the current year's recorded revenue totals and report amounts received but not yet earned as unearned revenue on the UW System balance sheet. No changes will be made to the ACTUALS ledger.

UW -

DEFERRED REVENUE

June 30, 2014

Unearned receipts as of 06-30-2014

[A] balance in SFS accounts 7400 and 7401

[B] add unearned receipts not included in SFS accounts 7400 and 7401

[A]	[B]	[A] + [B]
FY 2014 SFS Accounts 7400 and 7401	Additional Def Revenue not in SFS Accts 7400 and 7401	Total FY 2014 Def Revenue
<u>Revenue Source/Type</u>	<u>Program Code (*)</u>	<u>Account Code</u>
<u>Fund</u>	<u>Code (*)</u>	<u>Code (*)</u>
	<u>Amount</u>	<u>Amount</u>
1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____
6	_____	_____
7	_____	_____
8	_____	_____
9	_____	_____
10	_____	_____
	_____	_____
	_____	_____

(\*) Program code required for fund 128 only.  
Financial Reporting will deduct from the 'Total FY 2013-2014 Def Revenue' the amount of summer session revenue earned prior to June 30th - (Financial Reporting will calculate).

Contact Person:  
Name:  
Phone No.:  
Email:

## Deferred Expenses

### General Information

Expense recognition should be deferred for charges associated with producing revenue that is not yet earned. (Similar to prepaid items, the expenditure is capitalized and reported as an asset.)

### Information to be reported by institutions:

Report expenses associated with producing revenue where:

- the revenue will not be earned until a future period; and
- the expenses are not already included in account 7105.

[ refer to "Deferred Charges - Template" tab ]

### Information to be excluded by institutions:

- Summer session expenses will be obtained directly from the accounting system by System Administration and split pro-rata based on the (Summer Session - Prorated submission) number of days in the session that occurred before July 1<sup>st</sup>.

### System Administration use of data:

Submissions from the institutions will be used to reported the costs as deferred charges. This will be accomplished by an entry to the FIN\_RPT ledger. No changes will be made to the ACTUALS ledger.



DEFERRED EXPENSES

Costs charged to FY 2014 that were associated with producing revenue that was not earned until FY 2015  
 [A] balance in SFS account 7105  
 [B] remove summer session expenses incurred prior to July 1, 2014 that were included in SFS account 7105  
 [C] add deferred expenses not included in SFS account 7105

[A]	[B]	[C]	Total FY 2014		
SFS Account 7105	Summer Session Expenses incurred prior to July 1, 2014 that were included in SFS account 7105	Add'l Deferred Expenses (in add'n to SFS account 7105)	Def Expenses		
Fund	Amount	Fund	Account Code	Program Code	Amount
1	0				0
2					0
3					0
4					0
5					0
6					0
7					0
8					0
9					0
10					0
11					0
12					0
	<u>0</u>				<u>0</u>

Contact Person:  
 Name:  
 Phone No.:  
 Email:

## Supplies Inventory - Instructions

### General Information

Supplies means consumable supplies either used in operations or held for resale. Typically, these items will be used or re-sold within one year.

For financial reporting purposes, supplies inventory and expense should be reported on an accrual basis. This means that the supplies inventory at the balance sheet date should be reported at cost. Supplies expense should be reported when supplies are used, not when supplies are purchased.

An inventory should be taken to determine the quantities held on June 30<sup>th</sup>.

Items held by central stores should be valued using weighted average cost. Other supplies should be valued using the cost flow assumption most appropriate to each supply type and operation. The same cost flow assumption must be used each year. The reporting format includes disclosure of the cost flow assumption used.

### Information to be reported by institutions:

- Items held by central stores, regardless of value.
- Postage, including stamps and meters, regardless of value.
- Any other consumable supplies held by individual institutional cost centers (e.g., physical plant operations and bookstores) that have a value in excess of \$100,000. *Once a cost center has been identified for this report, that cost center should continue to be reported even if the inventory value falls below the \$100,000 threshold.*

### Do not include:

- a) materials held by textbook rental libraries
- b) coal and fuel inventories, as these are being reported by System Capital Budget

[ refer to "Supplies Inventory - Template" tab ]

### System Administration use of data:

Financial Reporting will make an entry in the FIN\_RPT ledger to report supplies inventories on the balance sheet, and adjust the current year's expenditure totals in order to report supplies expense on a consumption basis. No changes will be made to the ACTUALS ledger.

UW - MADISON  
UDDS/DEPARTMENT NAME:

SUPPLIES INVENTORY  
June 30, 2014

	<u>Description</u>	<u>Fund</u>	<u>Account Code</u>	<u>Program Code</u>	<u>Amount</u>	<u>Cost Flow Assumption</u>
1	Stores					
2	Postage					
	Other (List)					
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
					0	

Contact Person:

Name:

Phone No.:

Email: