

Isla Vista Community Services District

YEAR-END POLICIES AND PROCEDURES

GENERAL

1. Authority:

State of California Accounting Standards and Procedures for Special Districts **applied to the Isla Vista Community Services District.** Where this policy refers to financial statements it is being applied to the fund based and budgetary financial statements. GASB 34 financial statements using full accrual accounting and including the value of capital assets, pensions obligations and OBEP obligations are only prepared for the audited financial statements and are not addressed in this policy document.

2. Purpose:

Revenues and expenditures are accrued for the following reasons:

- a) To comply with *Generally Accepted Accounting Principles (GAAP)*.
- b) To more closely match revenues and expenditures in the same fiscal period.
- c) To more accurately reflect the District's financial position on its Balance Sheet.
- d) To more accurately reflect on the Operating Statement an accounting of the results of operations applicable to the fiscal year.
- e) To more accurately compare the District Budgeted appropriations (prepared on a GAAP basis) to actual results of operations on a GAAP basis.

3. Definitions:

Accrual Basis - Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and federal /state reimbursements are recognized as revenue as soon as all eligibility or claim requirements have been met.

Modified Accrual Basis - Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the District considers available if they are collected within 60 days after year-end. Grants and State/Federal government reimbursements are recognized as revenue as soon as all eligibility or claim requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

4. Policy:

The District uses the modified accrual method for its budget basis for governmental fund types. Accruals in general will only be posted at year-end. Items may be accrued throughout the fiscal cycle in order to provide management with better budgetary financial reports (For instance major event reimbursements from federal and state sources may be accrued when a claim is completed).

Judgment must be exercised in recording accruals. Revenues, which usually can and will be recorded, include property and other taxes, the District Utility User taxes, regularly billed charges, grants, and federal/state reimbursements. Minor miscellaneous type revenues like certain fees and donations revenue may be best recognized when cash is received.

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Expenditures that usually are recorded as accruals include the cost of goods and services received, but for which payment has not been made. These expenditures are charged to proper expenditure accounts and a liability recorded. The accrual of every obligation is unnecessary; minor regular monthly costs showing little variation in amount, need not be accrued such as utility bills. The County of Santa Barbara and Isla Vista Community Services District us an arbitrary dollar limit of \$5,000 below which revenues or expenditure obligations do not require an accrual.

PROCESSING DEADLINES

1. Claims (all types)

Invoices and claims for services rendered through June 30 of the closing fiscal year must be received by the Auditor-Controller by the announced deadline. Early submission of Claims is encouraged. Those not processed by June 30 and greater than \$5,000 should be accrued.

2. Journal Entries

All Journal Entries must be received by the Auditor-Controller's Office by the applicable deadline (based on the JE type; cash, non-cash, fund balance related).

3. Replenishment of revolving and imprest (petty) cash funds

Submit *Claims for Petty Cash* and *Revolving Fund Reimbursements* by the announced deadline. You are required to replenish all revolving and petty cash funds at year-end so that the expenditures incurred are charged against the correct fiscal year.

4. Deposits

Deposits for June 30th cash receipts must be in the Treasurer's Office by the announced deadline (be sure to clear armored car deposits through June 30). Please contact the Treasurer's Office (extension 2495) if you have any questions about deposits at year-end.

5. Accruals (revenue and expenditure)

All Accruals with adequate backup documentation attached, must be submitted to the Auditor-Controller's Office by the announced deadline. Early submission of Accruals is encouraged.

6. Residual Fund Balance

The District will follow its fund balance policy to set-up it's reserves for restricted and committed fund balance. This policy provides the District general manager with the authority to set-up certain assigned fund balances in order to carryover and reserve funds for UCSB contributions not expended, unexpended grants or donations.

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REVENUE ACCRUAL GUIDELINES

1. Revenue Accrual Criteria

Typically, the revenues of the District are collected under the following legal authority:

- a) *State of California Code*
- b) *District Code, District Law, District Ordinances and Resolutions*
- c) *Federal and State Regulations*

Under the *State Controller's Accounting Standards*, revenues under the modified accrual basis of accounting may be recognized in the period that they are "measurable and available". "Measurable" means they can be reasonably estimated and "available" means collectible within a short time (60 to 180 days).

2. Categories

The categories of collection fall into the following general categories (object levels):

- a) Taxes (Includes Utility User Taxes)
- b) Licenses, Permits and Franchises
- c) Fines, Forfeitures and Penalties
- d) Revenue from Use of Money and Property (Property Rental Income and Interest Income)
- e) Intergovernmental Revenues (State and Federal Grants and Reimbursements including UCSB)
- f) Charges for Services
- g) Miscellaneous Revenues

3. Revenue Reimbursement for Costs Incurred

Generally, revenues for reimbursement of costs may be received or accrued in the month or quarter following the period when they were incurred. This allows for the actual computation of costs and timely submission of claims and tracking of reimbursements receivable on the general ledger. This also provides for a timely recording of revenue related to the time period for when the costs were incurred. Under *Generally Accepted Accounting Principles* and the *State Controller's Accounting Standards*, these revenues may be accrued if they can be reasonably estimated. This means they should be counted as revenue in the same year the costs were incurred.

4. Policy

Revenues below \$5,000 do not require an accrual. Revenues must be accrued if, on June 30th, they are earned, measurable, and generally will be received by Dec 31 under the modified accrual basis of accounting. Revenue accruals under the modified basis will be posted in FIN. Revenues under the full accrual method (i.e. pension obligations or OPEB obligations) will be recognized in the District's financial statements, but not posted in FIN.

The Auditor-Controller will prepare accrual estimates for all Property Taxes, revenue from interest earnings, changes in Investment Fair Market Values or changes in Property Tax Impound Accounts.

All other District revenues will be accrued by the District by completing the *Revenue Accrual (RAC)* form in FIN Web with supporting documentation attached. Estimates may be used and judgment should be exercised. The District is expected to have a significant accrual for its Utility User Tax do to the various methods of levy by the utility companies. The Auditor-Controller announces the accrual deadline; however, early submission is encouraged.

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EXPENDITURE ACCRUAL GUIDELINES

1. Expenditure Accrual Categories

Typically, expenditures of the County/District are recorded under the following categories (object levels):

- a) Salaries and Benefits
- b) Services and Supplies
- c) Capital Assets
- d) Other Financing Uses
- e) Intrafund Transfers

Under the *State Controller's Accounting Standards* expenditures are recorded as accruals when the cost of goods or services are received, but for which the payment has not been made.

2. Policy

Expenditure obligations below \$5,000 are not required to be accrued; obligations of \$5,000 or greater must be accrued. Obligations under \$100 cannot be accrued and all amounts should be rounded to whole dollars.

Salary and Benefit accruals for the District should be posted to FIN at year end. Salary and Benefit accruals for the Isla Vista Community Services District to be posted by the District typically represent June payroll paid after June 30..

All supplies or services received through June 30 for which a payment document cannot be submitted to the Auditor-Controller must be accrued if \$5,000 or greater.

All contractual services, professional services, and legal services incurred through June 30 where the cost of these services are not generally billed until the following period and are \$5,000 or greater must be accrued (good estimates are acceptable).

No accruals shall be made in intrafund or interfund transfer accounts. They must be reconciled and any cash transfers completed by July 1.

All District expenditure accruals will generally be made by completing the *Expenditure Accrual (EAC)* eForm in FIN Web. The EAC can be either self-posted or forwarded to FACS for posting (FACS YE Expenditure Accruals inbox) with supporting documentation attached. The Auditor-Controller announces the accrual deadline; however, early submission is encouraged.

EXPENDITURE ACCRUAL GUIDELINES CAPITAL ASSET

Capital Assets which have been received, constructed or has construction in progress through June 30 for which no payment document has been submitted and which are \$5,000 or greater must be accrued.