

## Fund Accounting Class I



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## The Accounting Equation and Key Terms to Know

$$\text{Assets} = \text{Liabilities} + \text{Fund Equity}$$

### Assets

According to FASB Concepts Statement No. 6... "Assets are probable future economic benefits obtained or controlled by the particular entity as a result of past transactions or events."

Simply put... anything that you own or have that will provide benefit without having to pay for it again.

#### Examples...

- o Cash
- o Cash Equivalents
- o Receivables
- o Inventories
- o Prepaid expenses
- o Capital Assets

### Liabilities

According to FASB Concepts Statement No. 6... "Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events."

Simply put... money that you owe. It may not be in the form of Cash, but in the form of a service (deferred revenue).

#### Examples...

- o Accounts Payable
- o Payroll Withholding Payable
- o Debt Payable

### Fund Equity

Fund Equity is the difference between the Fund's Total Assets and its Total Liabilities. Another way to look at it is the accumulated earnings (losses) or accumulated revenues over (under) expenditures.

#### Examples...

- o Fund Balance
- o Retained Earnings
- o Investment in Fixed Assets

## Revenues

According to FASB Concepts Statement No. 6... "Revenues are inflows or other enhancements of assets of an entity or settlement of its liabilities (or a combination of both) during a period from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations."

Simply put... inflow of assets.

### Examples...

- o Property taxes
- o Interest
- o Charges for services

## Expenses/Expenditures

According to FASB Concepts Statement No. 6... "Expenses are outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, 42 rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations."

Simply put... payment, either in Cash by assuming a liability, or by surrendering an asset.

### Examples...

- o Salaries
- o Fringe benefits
- o Supplies

## Debit (DR)

An accounting entry that either **increases an Asset**, or **decreases a Liability or Fund Equity**.

## Credit (CR)

An accounting entry that either **decreases an Asset**, or **increases a Liability or Fund Equity**.

## Examples

Notice how Debits and Credits have an opposite effect depending on the account type. It depends on which side of the accounting equation the account is.

<b>Account Type</b>	<b>Normal Balance</b>	<b>Effect on Balance</b>	
		<b>Increase</b>	<b>Decrease</b>
Assets	Debit	Debit	Credit
Expenses/Expenditures	Debit	Debit	Credit
Liabilities	Credit	Credit	Debit
Fund Equity	Credit	Credit	Debit
Revenues	Credit	Credit	Debit

Let's look at these using T-accounts. The left side of a T-account is always the "Debit" side, and the right side is always the "Credit" side.

<b>Asset Accounts</b>		<b>Liability or Equity Accounts</b>	
Increase	Decrease	Decrease	Increase
<b>Debit</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>

In order for the accounting equation to remain in balance, Debits must equal Credits. Thus, for every transaction, Debits and Credits must equal not only in total but also for each Fund since each Fund is a set of self-balancing accounts.

Based on this information, let's use some T-accounts to demonstrate the following transaction:

*Record bank interest earned on the checking account in the amount of \$100...*

1. Determine which accounts will be used in the transaction. Based on the definition of the account types previously discussed, we'll be using an Asset account and a Revenue account.
2. Cash, an Asset account, has a normal balance of Debit and is therefore increased by a Debit.
3. Interest Revenue, a Revenue account, has a normal balance of Credit and is therefore increased by a Credit.
4. Using the T-accounts for both Cash and Interest Revenue, here is how the transaction would look. Remember that for every Debit there is an equal Credit.

<b>Cash</b>		<b>Interest Revenue</b>	
Debit	Credit	Debit	Credit
\$100			\$100



## Why Use Fund Accounting, and What Is It?

GASB Cod. sec. 1300.101 gives the rationale for using fund accounting. It explains that...

*"... the diversity of activities reported by governments and the need to show legal compliance makes it necessary for most governments to use several (and often many) separate funds, each reporting their own assets, liabilities, and equity. For this reason, from an accounting and reporting standpoint, each government is a combination of a broad variety of funds, each having a separate set of accounts and functioning independently of other funds."*

Segments of a typical General Ledger Number:

**FFF-DDD-AAA**

## Fund, Department, and Account Definitions

### Definition of a Fund (FFF)

GASB Cod. sec. 1100.102 defines a fund as follows:

*"...a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations."*

#### Examples...

- o General
- o Major
- o Water
- o Current Tax

### Definition of a Department/Activity (DDD)

A Department/Activity is an office or department to which specific revenues/expenditures are to be allocated. A group of related activities intended to accomplish a major service or regulatory program is a Function, and is covered in Class II.

#### Examples...

- o Clerk
- o Treasurer
- o DPW

### Definition of an Account (AAA)

An Account provides a consistent method of identifying the account in which a transaction is to be recorded.

#### Examples...

- o Cash
- o Interest Revenue
- o Salary Expense

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## Types of Funds

### Governmental Fund Category

Most activity for a government is financed and accounted for using this category.

- o **General Fund** "...account[s] for all financial resources except those required to be accounted for in another fund."

Usually this is the main operating fund for the entity. GASB Cod. sec. 1300.116 limits governments to one general fund.

- o **Special Revenue Funds** "...account for the proceeds of specific revenue sources, other than trusts for individuals, private organizations, or other governments or for major capital projects, that are legally restricted to expenditure for specified purposes."

Special revenue funds may be used to report a government's restricted own-source revenues, such as a hotel room tax, or other restricted revenues, such as grants. Use of special revenue funds is not required unless legally mandated, with one exception: the general fund of a blended component unit must be reported as a special revenue fund.

**Examples:** Major Street; Local Street; CDBG Grant

- o **Capital Projects Funds** "...account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments)."

Capital outlays that are financed by general obligation debt should always be reported in capital projects funds. Use of a capital projects fund is also generally necessary when construction of capital assets is financed with restricted resources, such as intergovernmental grants. However, capital projects funds may also be used to provide accounting control over a capital project's expenditures, even if restricted resources or long-term debt does not finance the project. The acquisition or construction of capital assets financed by, or for the benefit of, proprietary funds is accounted for in the proprietary fund, not in a capital projects fund. Upon completion of the project the Capital Project is closed.

**Examples:** City Hall Construction; General Capital Projects

- o **Debt Service Funds** "...account for the accumulation of resources for, and the payment of, general long-term debt principal and interest."

Debt service funds are required if legally mandated or if financial resources are being accumulated for principal and interest payments maturing in future years. Debt service funds are used to report current financial resources, not long-term debt. They accumulate resources from taxes (earmarked for particular debt service), transfers from other funds (particularly the General Fund) and from interest earned on the temporary investments used to accumulate the resources to service the debt.

**Examples:** 1994 G.O. Bond; City Hall Bond

- o **Permanent Funds.** Used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

**Example:** Library Endowment Fund

## Proprietary Fund Category

Accounts for a government's ongoing organizations and activities that are similar to those often found in the private sector, such as a water and sewer utility or a municipal parking lot.

- o **Enterprise Funds.** Used to report activities that a government operates more like a business (i.e., charge fees to the public for services; the fees are designed to recover the cost including capital costs, such as depreciation).

**Examples:** Water Fund; Sewer Fund; Building Inspection Fund

- o **Internal Service Funds.** Used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

**Example:** Equipment Fund

## Fiduciary Fund Category

Used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

- o **Pension and other Employee Benefit Trust Funds.** Used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans.

**Examples:** Retirement System Fund; Employees Vacation Pay Fund

- o **Investment Trust Funds.** Governments that sponsor an investment pool in which some participants are outside (external to) the sponsoring government's reporting entity should use investment trust funds to report the assets of those outside participants (and not those of the sponsoring government).

**Example:** Local Unit Investment Trust Fund

- o **Private-purpose Trust Funds.** Used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. In essence, it is the default fund type for assets held in trust for someone outside the reporting government.

**Examples:** Inmate Trust Fund; Trial Court Trust Fund

- o **Agency Funds.** Used to report resources held in a purely custodial capacity for individuals or organizations outside the reporting government. The reporting government's only responsibility is custodial—to hold the assets and remit them to individuals or organizations that own them.

**Examples:** Current Tax Collection Fund; Imprest Payroll Fund

## Uniform Chart of Accounts

All Counties and Local Units of government in Michigan must use the Uniform Chart of Accounts set forth by the Michigan Department of Treasury. To obtain a copy of the most recent version (revised April 2002) visit the following link:

[http://www.michigan.gov/documents/uniformchart\\_24524\\_7.PDF](http://www.michigan.gov/documents/uniformchart_24524_7.PDF)

### What Does a Uniform Chart of Accounts Mean?

- o Account number descriptions are consistent for all general ledger numbers containing that account number.

For example, account number 726 (the AAA) has the description of "supplies expense" in each and every fund and department that it is assigned to; it is "uniform". It is not "supplies expense" in the clerk's department (101-215-726) and "retirement expense" in the treasurer's department (101-253-726).

- o Balance sheet accounts are consistent from fund to fund.

For example, in the Major Street Fund the *due from the general fund* is 101-000-084, and in the Local Street Fund, the *due from the general fund* is not 101-000-067.

- o The account number and descriptions are in accordance with those set forth in the Uniform Chart of Accounts. According to the Uniform Chart of Accounts, account number 084 is to be used as "Due From Other Funds". Therefore, a unit should not be using account 084 as "Utility Bills Receivable".
- o The number assigned to each department (the DDD) should be in accordance with that set forth in the Uniform Chart of Accounts.

For example, Department 191 is the "accounting department"; it is not "elections".

### Advantages to Being in Compliance with the Uniform Chart of Accounts

- o BS&A's GL/Budgeting application has a utility to set the F-65 line numbers on Departments and Accounts enmasse. This utility assumes you comply with the Uniform Chart of Accounts. Since we are setting the line numbers based on the F-65 instructions, if you do not comply with the Uniform Chart of Accounts you may be forced to assign the F-65 line number to each individual GL number one-by-one, drastically slowing down the process.
- o Financial statement analysis can be done without having to take into consideration any discrepancies in the account description from department to department.

For example, if you wanted to know the total FICA expense for the General Fund you could run the Trial Balance by Account report to obtain this. However, if the FICA expense account number is not consistent from department to department, this report would not be useful in obtaining this information.

### How BS&A Can Help You Modify your COA to Comply with the Uniform COA

Our BS&A GL/Budgeting application contains utilities that...

- o Change a Fund number (i.e., change Cemetery Trust fund number from 711 to 150)
- o Change a Department number (i.e., change Elections department number from 191 to 262)
- o Change an Account number (i.e., change Due from Other Funds account number from 067 to 084)
- o Change a General Ledger number (i.e., change 101-000-067 to 101-000-084)

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## Types of Interfund Activity and Sample Entries

### Reimbursements

Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

For instance, expenditures for supplies properly chargeable to several special revenue funds may have been paid by the general fund. Repayments made by the special revenue funds would be reported as expenditures in those funds and as reductions of expenditures in the general fund.

Example: The General Fund wrote a check to Office Supply Company in the amount of \$900, of which \$450 was supposed to be charged to the Water Fund but was charged entirely to the Clerk's department 101-215-726. The method of reimbursement depends on whether or not the General Fund and the Water Fund use the same bank account (see page 15).

- o **Entry 1.** Original entry to record General Fund check to Office Supply Company in the amount of \$900 for office supplies.

GL Number	Account Desc	Debit	Credit
101-215-726	Office Supplies	\$900	
101-000-001	Cash		\$900

- o **Entry 2a (Pooled Cash).** To reimburse the General Fund for the Water Fund's portion of supplies (\$450). Since both funds use the same bank account, it is not necessary to use Due To/Due From.

GL Number	Account Desc	Debit	Credit
101-000-001	Cash	\$450	
101-215-726	Office Supplies		\$450
591-536-726	Office Supplies	\$450	
591-000-001	Cash		\$450

- o **Entry 2b (Non-Pooled Cash).** To reimburse the General Fund for the Water Fund's portion of supplies (\$450). Since the funds use separate bank accounts, it is necessary to use Due To/Due From.

GL Number	Account Desc	Debit	Credit
101-000-084	Due from other funds	\$450	
101-215-726	Office Supplies		\$450
591-536-726	Office Supplies	\$450	
591-000-214	Due to other funds		\$450



## Transfers

Flows of assets (such as cash or goods) without equivalent flows of assets in return, and without a requirement for repayment.

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

In proprietary funds, transfers should be reported after nonoperating revenues and expenses.

Example: The Board has voted to transfer \$2,000 from the General Fund to the Parks and Recreation Fund to cover the additional cost of new picnic tables for the City Park. The Parks and Recreation Fund will not be required to pay the General Fund back. These Funds have separate checking accounts.

- o **Entry 1.** Record General Fund check written to Parks and Recreation Fund in the amount of \$2,000 to cover the additional cost of the picnic tables.

<b>GL Number</b>	<b>Account Desc</b>	<b>Debit</b>	<b>Credit</b>
101-966-999	Transfers out	\$2,000	
101-000-001	Cash		\$2,000

- o **Entry 2.** Record Park and Rec's receipt of the General Fund check.

<b>GL Number</b>	<b>Account Desc</b>	<b>Debit</b>	<b>Credit</b>
208-000-001	Cash	\$2,000	
208-931-699	Transfers in		\$2,000

## Interfund Loans

Amounts provided with a requirement for repayment. Interfund loans should be reported as interfund receivables in the balance sheets/statements of net assets of the lender funds and interfund payables in borrower funds.

There are two types of interfund loans:

- o **Due To/Due From Balances** - interfund balances that are currently payable or receivable within the year or a reasonable time after that (short term). Many governments use their availability period to define a reasonable time after year-end.

Example: The Board has voted to transfer \$2,000 from the General Fund to the Parks and Recreation Fund to cover the additional cost of new picnic tables for the City Park. The Parks and Recreation Fund will be required to pay the General Fund back before the end of the fiscal year. These Funds have separate checking accounts.

- **Entry 1.** Record General Fund check written to Parks and Recreation Fund in the amount of \$2,000 to cover the additional cost of the picnic tables.

GL Number	Account Desc	Debit	Credit
101-000-084	Due from other funds	\$2,000	
101-000-001	Cash		\$2,000

- **Entry 2.** Record Park and Rec's receipt of the General Fund check.

GL Number	Account Desc	Debit	Credit
208-000-001	Cash	\$2,000	
208-000-214	Due to other funds		\$2,000

- o **Advances To/From** - long-term loans (greater than one year). Any governmental fund that reports an advance to another fund should also report a corresponding reservation of governmental fund balances to indicate that the resources loaned are not currently available for expenditure. These are not all that common.

Example: The Board has voted to transfer \$2,000 from the General Fund to the Parks and Recreation Fund to cover the additional cost of new picnic tables for the City Park. The Parks and Recreation Fund will be required to pay the General Fund back within two years. These Funds have separate checking accounts.

- **Entry 1.** Record General Fund check written to Parks and Recreation Fund in the amount of \$2,000 to cover the additional cost of the picnic tables.

GL Number	Account Desc	Debit	Credit
101-000-129	Advance to other funds	\$2,000	
101-000-001	Cash		\$2,000

- **Entry 2.** Record Park and Rec's receipt of the General Fund check.

GL Number	Account Desc	Debit	Credit
208-000-001	Cash	\$2,000	
208-000-314	Advance from other funds		\$2,000

## Pooled Cash vs. Non-Pooled Cash

**Pooled Cash** - One physical bank account shared by multiple funds

**Non-Pooled Cash** - Each fund has its own physical bank account

Advantages of Pooled Cash...

- o Greatly reduces the need to use due to/from accounts.

Currently, if you do not use pooled cash and need to write a check that pays for expenditures in the General Fund and in the Major Street Fund, you either have to write two separate checks or periodically write a check to clear out the due to/from accounts. With pooled cash neither of these is necessary since both funds would use the same physical bank account: at the time the check is created, each fund's cash account would be reduced by the appropriate amount.

- o Reduces the number of different pieces of check stock you need to order and maintain.
- o Reversal of payments as a result of NSF checks does not require you to physically transfer money between accounts.

For example, if a taxpayer pays for both copies (which may be recorded in the General Fund) and for their water bill (which is recorded in the Water Fund) with the same check at the time the deposit is made, a decision is made as to which bank account the check will be deposited into. Let's say that you deposit the check into the Water Fund Bank account and are later notified it has been returned for NSF. The bank is going to reduce the Water Fund cash account for the full amount of the check. However, the original posting of the payment to GL would have been split between the two funds, making it necessary for you to physically transfer the General Fund's portion to the Water fund to properly account for the NSF check. With pooled cash it will not be necessary to physically transfer the money, but just to record the NSF.

- o Requires fewer bank reconciliations to be performed.

Fewer bank statements mean less bank reconciliation.

- o Interfund activity (i.e. transfers) does not require checks/deposits to be done to move the money.

With pooled cash all that needs to be done to record this type of transaction is to create the necessary journal entry.

## The Internal Control Framework

An accounting system, whether manual or computerized, is used to assemble, analyze, classify, record and report financial data. An accounting system must also maintain adequate control over a government's assets. As with any information system the end result (financial statements) is only as good as the data entered into the system. Therefore, the internal control framework should be designed to assure that the accounting system and its underlying data are reliable.

Following are key elements to a comprehensive internal control framework...

- o **Favorable Control Environment.** The key element here is management's attitudes, which are demonstrated through their actions. Management must lead by example.
- o **Risk Assessment.** Governments are operating in an ever-changing environment and with these changes a certain degree of risk is created. Therefore, with each of these changes the risk needs to be reassessed.
- o **Effective Control Policies and Procedures.** In order for internal control framework to be comprehensive it is important to consider the design, implementation, and maintenance of specific control-related policies and procedures. The following are key elements of effective control policies and procedures.
  - i. *Authorization.* Only specific individuals should be able to initiate a transaction, such as a purchase order or authorization to pay an invoice, or to be an authorized check signer.
  - ii. *Properly Designed Records.* Accounting records must be properly designed. For example, documents (check stock, receipts, etc) should be sequentially numbered to ensure that all documents are accounted for.
  - iii. *Security of Assets and Records.* Security over the government's assets and records must be maintained to minimize loss or misuse. Only those individuals whose position requires them to have access to these records should be given it. For example, blank check stock should be locked up and only accessed by the person responsible for issuing checks.
  - iv. *Segregation of Incompatible Duties.* An incompatible duty is one in which an individual can create an irregularity and then conceal it through another function of their position. Ideally, one person should not have the ability to 1) authorize a transaction, 2) record the transaction, and 3) maintain custody of the asset resulting from the transaction. In other words, one individual should not have the ability to authorize a payment, process the check, sign the check, and perform the bank reconciliation.
  - v. *Periodic Reconciliations.* Related accounting records should be reconciled periodically. For example, the amount of cash per the bank statement should be reconciled to the amount of cash per the general ledger system (whether manual or computerized). When possible, reconciliation should be performed by an individual that is not involved in the original processing of the transactions to be reconciled (segregation of duties).
  - vi. *Periodic Verifications.* Accounting records are only as good as the underlying facts used to create them. Therefore, management should periodically compare actual source documents to the accounting records. For example, amounts reflected as receivables should be occasionally confirmed with the person responsible for the payment.
  - vii. *Analytical Review.* Analytical review is the process of attempting to verify what is reported with what might be expected due to the circumstances. For example, if the unit has reduced its purchase of supplies due to budget cuts, then the amount of supply expense recorded in the general ledger system should be less than the year before.
- o **Communication.** In order for internal controls to function as designed it is important that clear lines of communication exist throughout the unit, whether the information flows from the top down or from the bottom up. It is recommended that the accounting procedures and policies be in the form of a written document that can be used as a reference guide for all employees. It may also be a good idea to communicate some of the policies/controls with outside parties. For example, if every purchase of \$500 requires a purchase order then you may want to pass this information on to your vendors to make them aware of the need to have a purchase order before shipping the product.
- o **Monitoring.** It is important that management continually monitor the internal control process to assure that the policies and procedures are being followed and also to determine any possible weaknesses. The independent auditor reviews the internal controls during the audit process and management is responsible for correcting any weakness identified as a result. Any weakness/violations of the policies and procedures discovered by management and corrected prior to the audit process reduces the likelihood of an audit finding being reported in the financial statements.

## Budgeting

According to Michigan Public Act 621 of 1978 (the Budget Act), an amendment to Public Act 2 of 1968, all local units of government in Michigan must adopt balanced budgets.

The definition of a budget based on this act is "A plan of financial operation for a given period of time, including an estimate of all proposed expenditures from the funds of a local unit and the proposed means of financing the expenditures."

A Budget does not require (but it's good practice to do so anyway) any of the following: a) A fund for which the local unit acts as a trustee or agent, b) an internal service fund, c) an enterprise fund, d) a capital project fund, or e) a debt service fund.

### Key Points...

- o It is necessary for the unit's legislative body to pass a general appropriations act as a formal budget for the General Fund and each special revenue fund.
- o The Budget Act requires an adopted budget prior to the beginning of a fiscal year.
- o The Budget Act requires budget amendments before any expenditures exceed the budget. These budget amendments must be approved by the legislative body. There is no authority in the Act to amend the budget after year-end.
- o The unit's legislative body must amend the budget as soon as a deviation is apparent. Therefore, it is important to monitor the budget frequently (at least monthly).
- o A balanced budget is not one where expected revenues equal or exceed expected expenditures. Rather, a balanced budget means the beginning surplus equals or exceeds any expected deficit.

For example, expected revenue is \$3,000,000 and expected expenditure is \$3,500,000. As long as your beginning surplus exceeds that \$500,000 deficit, your budget is considered balanced.

### What must be included in the adopted budget?

- o Estimate of expected beginning surplus or deficit (Fund Balance)
- o Estimate of required expenditures
- o Estimate of revenues (by revenue source)
- o Estimate of amounts needed for deficiency
- o Estimate for contingent or emergency purposes
- o Estimate of expected ending surplus or deficit (Fund Balance)

The budgeted expenditures, including an accrued deficit, shall not exceed budgeted revenues, including available surplus and the proceeds from bonds or other obligations issued under the Fiscal Stabilization Act.

The Michigan Department of Treasury recommends the line items be used when developing a budget, but not adopted at this level as it will require excessive budget amendments. The adopted budget must be at the revenue by source and the expenditures by activity. Budgeting by total revenue and total expenditures is NOT acceptable.

## Getting Audited

Common things your auditor may ask of you during the audit...

- o Provide "balanced" trial balances - these may either be in file or hard copy format, depending on your auditor
- o Update them on any changes in accounting policies or procedures
- o Provide a copy of the Board-adopted budget
- o Provide Board minutes for them to read
- o Provide copies of your bank reconciliations
- o Provide answers to why certain account balances increased or decreased from previous years
- o Provide detail for a particular general ledger number

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## Account Reconciliation

Account reconciliation is used to verify that the balances in the general ledger are indeed correct. Examples of accounts that should be reconciled on a monthly basis are:

- o Cash
- o Accounts Receivable
- o Accounts Payable
- o Interfund Activity (Due to/from, Transfers in/out, Advances to/from)

Based on the Internal Control Framework discussed earlier, periodic reconciliations increase internal controls.

### Common Steps in Performing a Bank Reconciliation

1. Determine outstanding checks
  - o Determine which checks from the previous period's reconciliation are still outstanding
  - o Determine which checks, written for the current period, are outstanding (i.e., not listed on the bank statement)
2. Determine deposit in transit amount, if any
  - o Posting to general ledger for payments received that are not listed on the bank statement (i.e., receipts entered on the 30th of the month, but not deposited with the bank until the 3rd of the next month)
3. Record any interest earned per the bank statement for the period
  - o Be sure the transaction to post this interest is dated with the date listed on the bank statement (i.e., interest earned on March's bank statement needs to be posted to March's activity)
4. Record any bank service charges reflected on the bank statement
  - o NSF fees
  - o Monthly service charge fees
5. Update general ledger balance for any NSF checks



## Things to Look for if Unable to Reconcile the Current Period's Balance

1. Does the beginning general ledger balance for the period you are trying to reconcile agree with the previous period's ending reconciled balance? If not, more than likely an entry was posted to the previous period and if you were to re-run the reconciliation report you would have an un-reconciled difference.
2. Is the interest earned during the current period posted to the correct month's general ledger balance?
3. If an NSF check is listed on the bank statement, was the appropriate adjustment made? For instance, if it was for a utility billing payment, has the payment been reversed in UB? If so, was a separate manual journal entry also incorrectly entered into general ledger?
4. Do the check amounts that are listed on the bank statement agree with the amounts listed on the check register? For example, a bank error where a check amount listed on the bank statement is a different amount than the actual check amount, based on the check register or the cancelled check.
5. Are all transactions for the period you are trying to reconcile posted? Pay special attention to any voided checks and the posting date of these.
6. Journal entries created to move pooled cash between general ledger accounts actually increase or decrease the total cash balance when the net change should be zero.
7. Deposits in transit actually exist but are not taken into consideration on the reconciliation.

## Useful Websites

Uniform Chart of Accounts:

[http://www.michigan.gov/documents/uniformchart\\_24524\\_7.PDF](http://www.michigan.gov/documents/uniformchart_24524_7.PDF)

Uniform Budget Manual

[http://www.michigan.gov/documents/UniformBudgetManual\\_16634\\_7.pdf](http://www.michigan.gov/documents/UniformBudgetManual_16634_7.pdf)

Annual Auditing Procedures:

[http://www.michigan.gov/documents/496\\_2996\\_7.pdf](http://www.michigan.gov/documents/496_2996_7.pdf)

Auditing Procedures Report Instructions:

[http://www.michigan.gov/documents/treasury/496i\\_236689\\_7.pdf](http://www.michigan.gov/documents/treasury/496i_236689_7.pdf)

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## Contacting Us

Support staff are available between 8:30 a.m. and 5 p.m. EST, Monday – Friday, with the exception of the holidays listed. Specific holiday dates appear in quarterly newsletters, sent to all registered users and available on our website.

New Years Day  
Good Friday (open from 8:30 to noon)  
Memorial Day  
Independence Day  
Labor Day  
Thanksgiving Day and that Friday  
Christmas Eve  
Christmas Day  
New Years Eve (open from 8:30 to noon)

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Click the Program Support tab and select the application.