## GENERAL REVIEW

**Review the Annual Trial Balance of all Funds for negative balances.** Investigate and correct if appropriate. The following account types should generally not have the following balances:

- **Note:** There may be valid reasons for some negative balances.
  - Asset accounts with credit balances (Contra-asset accounts such as accumulated depreciation and allowance for doubtful accounts will have a credit balance.)
  - Deferred Outflows of Resources accounts with credit balances
  - Liability accounts with debit balances
  - Deferred Inflows of Resources accounts with debit balances
  - Revenue accounts with debit balances (Investment earnings account may have a debit balance if there are significant decreases in fair value during reporting period.)
  - Expenditure/Expense accounts with credit balances

**Review Agency Funds**

- Ensure that no agency fund has a “fund balance”. (i.e., total assets should equal total liabilities)
- If your accounting system utilizes clearing funds (claims clearing = #7910 and payroll clearing = #7930), reconcile warrants payable in funds #7910 & #7930 to outstanding claims/payroll checks listings as of 6/30

**Prior Year Audit Findings**

- Review prior year audit findings, to determine if the cause of any findings should be addressed during the preparation of the current annual financial report.

## CASH

**Fair Value Adjustments**

- Compare investment account(s) ending statement balances and agree to investment account(s) amount on accounting system. If differences result from unrealized gains and losses in fair value, use Account #1060xx, “Valuation of Investments to Fair Value” and Account #371020 “Gain (Loss) in Fair Value of Investments” to adjust your investment values accordingly. (Note: If there is a decrease in value, you will debit #371020 and credit #1060xx)
- Determine GASBS 72- *Fair Value Measurement and Application* reporting requirements for all investment accounts and start gathering information from custodial banks or other financial institutions

**Balancing Cash**

- Check that bank reconciliation as of 6/30 agrees to total cash per accounting system.

## Pledged Securities

- **Note:** Refer to MCA Sections 7-6-201(3) & 7-6-207 on pledged securities.
  - Review depository balances in financial institutions, and determine any amounts not covered by FDIC or other depository insurance.
  - Review pledged securities from financial institutions to determine if sufficient.
  - If not sufficient, contact financial institution to obtain sufficient pledged securities. The securities should be pledged as of June 30th.

## Trust Accounts

- Obtain copies of all 6/30 trust account reconciliations. (JP Court, Clerk of Court, City Attorney).

## Negative Cash Balance in fund(s)

- Review for negative cash balance in any fund. If found, determine lending fund and make adjustment to eliminate negative cash in fund.
**RECEIVABLES & OTHER ASSET ACCOUNTS**

**Governmental Funds** (BARS Fund Nos. 1000 TO 4999 & 8000 TO 8999)

**Taxes Receivable/Deferred Inflows of Resources related to Tax Revenue**

(Training Video available on LGSB website!!)

- Tax receivable accounts should have a debit balance. Deferred inflow of resources related to tax revenue should have a credit balance. Identify and correct credit balances in tax receivable accounts (other than contra accounts such as allowance for uncollectible), and correct debit balances in deferred inflow of resources accounts related to tax revenue.
- Be sure total taxes receivable, all funds, per accounting system agree to total taxes receivable per County Trial Balance report(s). If there are differences, investigate cause of differences and adjust as necessary. You may need to contact the county treasurer to determine reasons for differences.
- Compare taxes receivable and related “deferred inflow of resources - deferred taxes” by fund, to make sure that they agree. (There may be deferred inflows of resources that are not associated with taxes receivable. In this case total deferred inflows of resources will not equal taxes/assessments receivable in governmental funds.)

**Special Assessments Receivable/Deferred Special Assessment Receivable/Deferred inflows of Resources**

- Be sure total special assessments receivable, all funds, per accounting system agree to total special assessments receivable per County Trial Balance report(s). If there are differences, investigate cause of differences and adjust as necessary. You may need to contact the county treasurer to determine reasons for differences.
- Agree *deferred* special assessments receivable balance in fund as of 6/30 to total *unbilled* amount as of 6/30 per amortization schedules of all assessment payers.
- Compare special assessments & deferred special assessments receivable balances to related “deferred inflows of resources-deferred special assessments” by fund, to make sure that they agree.

**Due From Other Governments**

- All "due from other governments" must be supported by documentation such as grant reimbursement reports.
- Review any funds with negative fund balances for potential revenue accrual (See IDENTIFYING REVENUE ACCRUALS below)

**Accounts receivable**

- Agree ending account receivable balances in fund(s) to total balances owing as of 6/30 per receivable reports/subsidiary ledgers.

**Prepaid Expense**

- Review supporting documentation (usually an invoice that was paid, showing dates of coverage). Adjust to expense if necessary.

**Prepaid Receivables**

- Review reports showing total prepaid account amounts. Determine if total prepaid amounts are material. Adjust total prepaid amounts if necessary. (Material prepaid account balances must be reported as liabilities rather than a reduction to the accounts receivable balance)

**RECEIVABLES & OTHER ASSET ACCOUNTS**

**Proprietary Funds** (BARS Fund Nos. 5000 TO 6999)

**Accounts receivable**

- Agree ending account receivable balances in fund(s) to utility billing report of total of balances owing as of 6/30.
- Review total delinquent account balances in excess of 180 days. Determine if adjustment to allowance for uncollectible is necessary.

**Prepaid Receivables**

- Review reports showing total prepaid account amounts. Determine if total prepaid amounts are material. Adjust total prepaid amounts if necessary. (Material prepaid account balances must be reported as liabilities rather than a reduction to the accounts receivable balance)
**RECEIVABLES & OTHER ASSET ACCOUNTS (cont.)**  
**Proprietary Funds (BARS Fund Nos. 5000 TO 6999) (cont.)**

<table>
<thead>
<tr>
<th><strong>Assessments Receivable</strong></th>
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</thead>
<tbody>
<tr>
<td>• Agree total assessments receivable in proprietary fund to County Trial Balance report(s). If there are differences, investigate cause of differences and adjust as necessary. You may need to contact the county treasurer to determine reasons for differences.</td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th><strong>Due From Other Governments</strong></th>
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<tr>
<td>• All &quot;due from other governments&quot; should be supported by documentation such as grant reimbursement reports.</td>
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<tr>
<td>• Review any funds with negative fund balances for potential revenue accrual (See IDENTIFYING REVENUE ACCRUALS below)</td>
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<tr>
<th><strong>Prepaid Expense</strong></th>
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<td>• Review supporting documentation (usually an invoice that was paid, showing dates of coverage). Adjust to expense if necessary.</td>
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<thead>
<tr>
<th><strong>INVENTORY</strong></th>
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<tbody>
<tr>
<td>• Obtain listing and value of inventory at year-end (i.e., take physical inventory). Adjust inventory balance in fund as of 6/30 to agree to year-end balances per listing.</td>
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<thead>
<tr>
<th><strong>CAPITAL ASSETS</strong></th>
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<tbody>
<tr>
<td><strong>(Training Video available on LGSB website!!!)</strong></td>
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<tr>
<td>• Review copy of capitalization policy, and verify that all assets listed on the capital assets depreciation schedule meet the policy criteria. (Remember to consider the total historic cost of the asset, if the asset value is allocated between multiple funds.). If your governing body has not adopted a capitalization policy, consider related discussion at the next meeting of the governing body.</td>
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<thead>
<tr>
<th><strong>Update Depreciation Schedule(s)</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Governmental Funds – One Depreciation Schedule for All Governmental Funds</strong></td>
<td></td>
</tr>
<tr>
<td>• Generate a prior year trial balance report for the General Capital Asset Account Group, Fund 9000 (GCAAG). Agree capital asset and related accumulated depreciation balances per prior year depreciation schedule to ending balances on prior year trial balance report.</td>
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</tr>
<tr>
<td>• Agree prior year ending balances in GCAAG (BARS fund 9000) to amounts reported in prior year audit report/AFR on Statement of Net Position.</td>
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<tr>
<td>• Research reason for any differences and make proper adjusting entries to correct, if necessary.</td>
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</tr>
<tr>
<td>• Generate a report from accounting system that shows all expenditures for the fiscal year with a 900 through 999 object code in all governmental funds (funds 1000 through 4999 and funds 8000 to 8999).</td>
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</tr>
<tr>
<td>• Using a journal voucher, recode those expenditures that do not meet the capitalization policy, using the appropriate object code other than 9XX in governmental funds.</td>
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<tr>
<td>• Review listing of expenditures in excess of the capitalization policy amount coded to object codes other than 9XX (usually are coded to 2XX &amp; 3XX). Using a journal voucher, correct the object code to a 9XX if appropriate. (Accounting systems are sometimes capable of generating a report of all expenditures/expenses coded to object codes 200 to 399 above a certain dollar amount)</td>
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</tr>
<tr>
<td>• After recoding object codes per above, ensure that all capital assets (i.e., expenditures correctly coded as 9XX) are added to the depreciation schedule.</td>
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<tr>
<td>• Add donated capital assets (acquisition value at time of donation) to the depreciation schedule if acquisition meets capitalization policy. Make a note that the asset was donated.</td>
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</table>

| **Update Depreciation Schedule(s) (cont.)** |  |
Governmental Funds – One Depreciation Schedule for All Governmental Funds (cont.)

- Generate a report or manually compile a report of all capital asset deletions in the fiscal year. The report should indicate whether the capital asset was (1) junked, (2) sold, noting amount received, or (3) traded in, noting the trade-in value, identification of the new asset to which the trade in was applied, and accumulated depreciation at time of deletion.
- Generate a report from the accounting system showing all amounts recorded to accounts #382000 to #382010 – “proceeds from sale of capital assets” - recorded in governmental funds per BARS. Ensure that all capital assets sold are on the current year deletions report, noting the proceeds received for each capital asset.
- Update depreciation schedule to show current year disposals of capital asset cost and related accumulated depreciation.
- Adjust balances in GCAAG (BARS fund 9000), by journal voucher, to agree ending balances for all capital asset classifications and the related accumulated depreciation to the depreciation schedule.

Proprietary Funds – One Depreciation Schedule for Each Proprietary Fund

- Generate a prior year trial balance report for each proprietary fund. Agree capital asset and related accumulated depreciation balances per prior year depreciation schedule to ending balances on prior year trial balance report.
- Agree ending balances per prior year trial balance report to amounts reported in prior year audit report/AFR on Statement of Net Position, Proprietary Funds.
- Research reason for any differences and make proper adjusting entries to correct, if necessary.

- If you Record Capital Outlay Expenses in Proprietary Funds at Time of Purchase Using A 9xx Object Code
  - Note: If you record the acquisition of new capital assets as an increase to the Capital Asset classification in the proprietary fund at time of purchase – there should be no capital outlay expense amounts coded to a 9XX object code on the report - in this case, there is no need to make year-end adjustments.

- Generate a report from accounting system that shows all expenses for the fiscal year with a 900 through 999 object code in all proprietary funds (funds 5000 through 6999).
- Using a journal voucher, recode those expenses that do not meet the capitalization policy, using the appropriate object code other than 9XX in proprietary funds.
- Look for expenses that meet the capitalization policy but were not coded to a 9XX object code. Using a journal voucher, correct the object code to a 9XX, if appropriate.
- After recoding object codes per above, prepare a journal voucher to recode all expenses in proprietary fund with an object code of 9XX to the proper capital asset classification on the balance sheet. (credit the expense and debit the capital asset classification)
- Ensure that all capital assets are added to the fund’s depreciation schedule.
- Add donated capital assets (acquisition value at time of donation) to the depreciation schedule if acquisition meets capitalization policy. Make a note that the asset was donated.
- Create and record a journal voucher to post current year depreciation expense as noted on the depreciation schedule. (debit depreciation expense and credit accumulated depreciation)
- Agree ending balances for all capital asset classifications and the related accumulated depreciation amounts recorded in each proprietary fund to the depreciation schedule.

IDENTIFYING EXPENDITURE/EXPENSE ACCRUALS/SHORT-TERM PAYABLES
• **Note:** Budget to actual reports should be reviewed after recording expenditure accruals to assure a budget amendment is not necessary in governmental funds.

**Accounts Payable**

• Look at all bills received and/or paid in July and August of the new fiscal year. Determine if the expenditure/expense should be recorded in the fiscal year you are closing. Make appropriate adjusting entry to accrue expenditure/expense if necessary.

**Accrued Payroll Payable**

• Look at the first gross payroll amount in July of the new fiscal year. Determine amount/percentage of wages applicable to hours/days worked in June for the pay period. Add amount/percentage for employer contributions and determine if the total amount of accrued payroll payable is **significant**. If yes, record the adjustment by journal voucher to accrue the amount.
  
  ➢ **Note:** Make sure to reverse the accrued payroll payable entry made in fiscal year you are closing by July 1st in the next fiscal year.

**Accrued Interest Payable**

• Determine and post any **significant** accrued interest payable amounts.

**IDENTIFYING REVENUE ACCRUALS/DUE FROM OTHER GOVERNMENTS**

• **Note:** If an expenditure/expense has been accrued or paid in the fiscal year you are closing and the reimbursing grant revenues have not been received by the end of the fiscal year, it is necessary to accrue the grant revenue in the same fiscal year that the expenditure/expense is recognized. Make sure all reimbursement reports are completed and mailed on a timely basis.

• Obtain copies of all outstanding grant reimbursement reports and record, by journal voucher, the accrual of grant revenue in the same fund that the expenditures/expenses are recognized. (Debit “due from other government” and credit the grant revenue.)

**LONG-TERM LIABILITIES (Training Video available on LGSB website!!!)**

**Compensated Absences Payable**

• Run/prepare a Compensated Absences report, by fund, as of 6/30. If completing manually and need assistance, call the Local Government Services Bureau accountant covering your area.

• Proprietary funds – create and record a journal voucher, in the last month of the fiscal year, to adjust compensated absences payable in each proprietary fund to agree with the ending balance on the report.

**Debt Payable - Notes, Loans, SID Bonds, Revenue Bonds, General Obligation (GO) Bonds, Capital Leases, Advances to/from other funds**

• Gather amortization schedules on each debt payable. You may also choose to obtain verification of the principal balance owing as of 6/30 from the lender.

• Create one list of all long-term debt payable expected to be repaid from all governmental funds, and create separate lists for each proprietary fund. The lists should contain the following information;
  
  • Original amount of debt obligation
  • Purpose of the debt obligation
  • Date debt obligation was funded
  • Interest rate
  • Terms of repayment (i.e. payments made monthly over 5 years or payments made twice a year over 20 years, etc.)
  • Fund name and number that is repaying the debt obligation.
  • Outstanding principal balance of debt payable as of the end of the prior fiscal year per accounting system.

**LONG-TERM LIABILITIES (cont.)**
Debt Payable - Notes, Loans, SID Bonds, Revenue Bonds, General Obligation (GO) Bonds, Capital Leases, Advances to/from other funds (cont.)

- Total principal payments made on the debt payable during the fiscal year per accounting system.
- Total interest & agent fee payments made on the debt payable during the fiscal year per accounting system.
- Calculated outstanding principal balance of debt payable at end of fiscal year (The calculated outstanding principal balance per the listing should agree to amortization schedule or lender's statement.)
- Amount of principal payments expected to be made on debt payable in the next fiscal year.

- Agree prior year ending balances on lists to balances reported in the prior fiscal year audit report/AFR, and prior year ending balances in GLTDAG (fund 9500) for all governmental funds, and each proprietary fund.
- Research reason for any differences and make proper adjusting entries in the governmental fund, General Long-term Debt Account Group, or the proprietary fund, as necessary to proprietary funds to correct.
- Determine restricted cash amounts that are required by bond/loan covenants at fiscal year-end. Adjust cash categories (restricted/unrestricted), if necessary.

Governmental Funds – Debt Payable

- **Note:** Per BARS, all expenditures relating to:
  - Principal amounts paid on long-term debt should be coded to a 610 object code,
  - Interest amounts paid on long-term debt should be coded to a 620 object code, and
  - Agent fee amounts paid on long-term debt should be coded to a 630 object code.

- Generate a report from the accounting system that shows all expenditures for the fiscal year with a 600 through 699 object code in all governmental funds (funds 1000 through 4999 and 8000 to 8999).
- Compare expenditure amounts coded to a 610 object code, by fund and each debt, to the amount of principal payments to amortization schedules and the Long-Term Debt Payable listing. They should be equal.
- Compare expenditure amounts coded to 620 & 630 object codes, by fund and each debt, to the amount of interest & agent fee payments to amortization schedules and the listing. They should be equal.
- Research reason for any differences and make proper adjusting entries, by journal voucher, to correct.

LONG-TERM LIABILITIES (cont.)

Proprietary Funds – Debt Payable
- If you record the principal portion of debt service payments to long-term debt as expenses using object code 610 in proprietary funds.
  - **Note:** If you instead record the principal portion as a decrease to the debt payable, the long-term liability account – there should be no expense amounts coded to object code 610 on the report - in this case, there is no need to make the year-end adjustment(s) to recode debt service principal payments.

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<td>Compare expenditure amounts coded to 620 &amp; 630 object codes, by fund and each debt, to the amount of interest &amp; agent fee payments to amortization schedules and the listing. They should be equal.</td>
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<td>Research reason for any differences and make proper adjusting entries, by journal voucher, to correct.</td>
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<td>•</td>
<td>Create and record, in the last month of the fiscal year, a journal voucher to recode the debt service principal payments, amounts recorded to object code 610, and post the amount to reduce the debt payable, the long-term liability account. (credit the expense and debit the long-term liability)</td>
</tr>
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<td>•</td>
<td>Adjust restricted cash accounts, by journal voucher, to assure bond/loan covenants are met.</td>
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<tr>
<td>•</td>
<td>Adjust restricted net position, by journal voucher, to assure amount of restricted asset for bond/loan covenants agrees with the proper restricted net position account.</td>
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</table>

**Advances To/From**

- Confirm that 'advances from' balances for all funds equal 'advances to' balances for all funds.

**Other Post-Employment Benefits (OPEB) (See OPEB Frequently Asked Questions on LGSB website!!!)**

- If the local government offers Other Post-Employment Benefits (OPEB) other than pensions, such as group health benefits or payments in lieu of group health benefits, calculate the annual required contribution (ARC) at fiscal year-end. Record adjustments to the proprietary fund(s) for the change in their proportionate share of OPEB liability. Remember that an “implicit rate subsidy” is considered to be OPEB.
- Record adjustment for the change in the proportionate share of OPEB liability belonging to Governmental Activities in the General Long-term Debt Account Group (BARS fund 9500).

**Pension Liability (GASB 68-Pension Reporting worksheet and instructions available on LGSB website!!!)**

- If the local government participates in a defined benefit pension plan (PERS, MPORS, FURS, SRS, TRS), calculate your pension liability and related transactions.

**TRANSFERS IN/OUT AND DUE TO/FROM OTHER FUNDS**

- Ensure 'transfers in' balances for all funds equal 'transfers out' balances for all funds.
- Ensure 'due to other funds' balances for all funds equal 'due from other fund' balances for all funds.

**REVENUES**
- Review federal/state shared revenue account codes to assure the number of payments received is correct (i.e., State entitlement is paid quarterly, therefore any fund receiving State entitlement revenue should show 4 entries per year.)
- Ensure that all grant revenue has been properly recorded to indicate whether it came from federal sources or state sources. (Federal sources are coded from #331000 to #333999; State sources are coded #334000 to #336999.
  - **Note:** Grant revenue received from State agencies may be, in whole or in part, from Federal sources. You may be required to code the Federal portion of grant revenue passed through the State agency as Federal grant revenue on your accounting system. If you are not sure, it is important to check with the State agency.

### FUND BALANCE/NET POSITION

- Agree all beginning fund balances/net positions as of July 1st of the fiscal year per the accounting system to the ending fund balances/net positions reported in the prior year audit report. If not audited, reconcile to the prior year annual financial report’s ending balances.
- Investigate and correct, if necessary, any differences. Differences may be appropriately reported as fund balance or net position restatements/prior period adjustments.
- Determine classification of ending fund balances in **governmental funds** per GASBS 54 – see the LGSB website, under “Other Presentations”, for several presentations and related forms to assist in determining the classification of ending fund balances (i.e., nonspendable, restricted, committed, assigned and unassigned).

### DETERMINE IF A FEDERAL AUDIT IS REQUIRED

- If the local government **expended $750,000 Or More In Federal Funds** in the fiscal year, you will need to ensure that your audit is performed in accordance with the Uniform Grant Guidance.
  - **Note:** The threshold was formerly $500,000, and the federal audit was performed in compliance with OMB Circular A-133. The threshold and terms changed effective for FY2016 audits.
  - If the local government needs a federal audit, make sure that your audit contract reflects a "Single Audit".
  - Prepare a Schedule of Expenditures of Federal Awards (SEFA)
  - Determine total expenditures made in the fiscal year from federal sources. (Reimbursement of expenditures from loans that come from federal sources are included unless the loan proceeds from federal sources were used to pay off debt payable from interim financing)
  - If audited in the prior year and the audit was federal, review prior year Schedule of Expenditures of Federal Awards.
  - Obtain copies of all active grant award letters and reimbursement reports whose inflows came from federal sources.
  - A Catalog of Federal Domestic Assistance (CFDA) number should be identified from grant documents, to be used in the Schedule. A CFDA number is always in the format of xx.xxx. For example, the CFDA # for a CDBG block grant is 14.228, where the “14” represents the Department of HUD, and the “228” is the identifier for the particular assistance provided.

### BUDGETS

- Review budgeted to actual total expenditures by fund (governmental funds). If necessary (i.e., if total fund expenditures exceed the total fund appropriations), prepare a budget amendment.
- Ensure that the amendment is passed by the Council/Commission and input into the accounting system.
- Review significant revenue/expenditure/expense variances between budget and actual. Differences may be due to improper coding of revenue/expenditure/expense.

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Revised 9/12/2016