NEMRC FUND ACCOUNTING CLOSING THE FISCAL YEAR

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What is a fiscal year?

Definition: A fiscal year is a 12-month accounting period that a business uses for financial and tax reporting purposes. The two most common fiscal year cycles for our clients are January-December (we refer to this as being on Calendar Year) and July-June (we refer to this as being on a fiscal year)

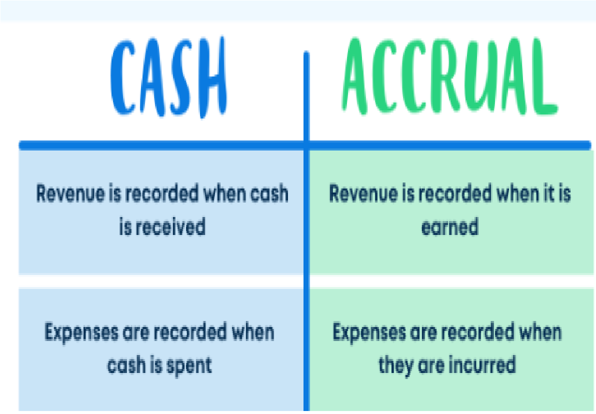
Things to Consider

- Calendar: What is your schedule? Make a plan!!
- Dates: What is your last payroll date? Accounts Payable?
- Who is responsible for financial statements (General Ledger)
- Are you Cash or Accrual? This will make a difference in your steps
- Are you paying any bills in June for next fiscal year?
- Do you have all the information for Rate Changes, Payroll, VMERS etc.
- Are your bank reconciliations caught up through May?

Cash vs. Accrual

- Are you cash or accrual? How you answer this question will determine your plan!!
- What does this mean? The timing of when revenue and expenses are recognized.
- Cash: Recognize Revenue when received and Expense when paid and you do not show any receivables or liabilities on your balance sheet.
- Accrual or (Modified): Recognize revenue when an action results in the municipality earning revenue or incurring an expense, not when they receive it or pay it. Modified is when the accrual adjustments are made one time a year at your year end.

We will be revisiting this topic throughout the webinar as it relates to each module.



Accounts Payable

- Run a balance sheet in the General Ledger, you may need each fund if you use more than one accounts payable account.

- Run an invoice edit list for all unpaid invoices for all dates, no matter the due date.

  - Does this list match the balance of the Accounts Payable Liability account on the balance sheet? If you are on the accrual basis of accounting and you are transferring unpaid invoices to general ledger, it should match. Keep this report, it will be needed to use as backup to the liability account for year end numbers.
  - This process should be repeated several times at this year as activity happens, making sure you always have an accurate list of unpaid invoices that reconciles to your liability account.

  - What if it doesn't?
    - You may be cash basis and unpaid invoices may not transfer.
    - There may be unpaid invoices that have not transferred to general ledger yet.

- If you are on Cash Basis, pay all of the bills that you can by the end of the year. Remember true cash basis means the expense can not be recognized in a year that it was not paid in.

- If you are Accrual Basis, you can just use your normal schedule for paying bills, if you have not closed your general ledger yet and you want to pay a next year bill, use the next year option in invoice maintenance. The balance of these invoices will show on your balance sheet in prepaid expenses.

- Once you are done paying your bills or entering invoices for the current fiscal year, Transfer to the General Ledger, all of that activity, except the transfer into Period 12. Then choose option B. Close Period from the main menu.

- You can start entering invoices into Accounts Payable for any payments to be made in July, remember accrual basis, you can use the last year invoice option. Please take time to reconcile your liability account on balance sheet for prior fiscal year after close if you use this option. You will need it for the audit.

Payroll

- Process your last payroll in June (last check dated in June) and transfer to the General Ledger and to Accounts Payable and accept.
- Run Reports: Accrued Time Report, Employee Listing (Detail), and all other reports to reconcile your Liability Accounts on your Balance . (i.e.: Tax Withholdings, Retirement, Fringe Benefits) Even if you are on the Cash Basis of Accounting you will need these reports because if you do not pay them until July, they will be on your balance sheet.
- Run a Balance Sheet and do a quick review or full reconciliation of the Liability Accounts (this step is not necessary to perform close, but a recommendation to make sure the totals on the balance sheet match your reports)
- Close the Period, you should now be in Period 1, Qtr 3 July. You are now ready to process your first payroll in July. Update any new Insurance Rates, Retirement Rates, Pay Increases, make sure you ready for the Child Care Contribution, etc
- Accrual Basis: Your first payroll in July may contain days worked in June that you will need to record the accrual for. Make sure to keep your detail posting register to help you in making the necessary entry.

Cash Receipts

- Complete the final Cash Receipt processing for the final day of your year and transfer to the General Ledger and accept.
- If you receive a payment for something after you cash up, either make another deposit and transfer again, or put it in with the first deposit of July. (Changing the date will not put it into the correct year, only posting it with a June date and transferring and accepting it into June before General Ledger close will post it to that year.)
- Close Year, Option 4 on Main Menu, this will allow you to remove any older cash receipts, we recommend leaving blank for no removal
- Once you Close your year in the lower right-hand corner should have the correct fiscal year, if it doesn't perform the close again until correct.
- You can start processing your July receipts, if you transfer, do not accept until the General Ledger has been closed.

Tax Administration

- Complete the final Tax Administration processing for the final day of your year and transfer to the General Ledger and accept.
- If you receive a payment for something after you cash up, either make another deposit and transfer again, or put it in with the first deposit of July. (Changing the date will not put it into the correct year, only posting it with a June date and transferring and accepting it into June before General Ledger close will post it to that year.)
- Run a Delinquent Tax Report, this will list all of the outstanding Principal, Interest and Penalty owed as of the end of your Year.
- Run an Available Credits Report, compare to the Balance Sheet, liability account for credits, does it match?
- Accrual Basis, run a balance sheet, do the receivables match that outstanding delinquent list?
- Modified Accrual, your balance sheet will not be the same as the delinquent list, but this report will be used to make the accrual entry.
- Cash, no receivables but keep the list for your records and Town Report it you put those totals in your report.
- Year Close: This should have already been done after your last installment date of the year, as soon as your taxes were considered delinquent. If you have not performed the close you should do it now. Accrual Basis: You will also need to transfer to General Ledger and accept after you perform the year close.

Utility Billing

- Complete all transactions up to and including the final day of your year and transfer to the General Ledger and accept.
- You can start processing your July work, if you transfer, do not accept until the General Ledger has been closed.
- If you are processing a billing in July for usage in the prior fiscal year months, remember to keep that billing register report, an accrual entry will need to be done to prior year to show that revenue and receivable in that year.
- NO Year Close in Utility Billing, you would follow your current procedure for Period Reset like any other month

Accounts Receivable

- Complete all transactions up to and including the final day of your year and transfer to the General Ledger and accept.
- Print Ages Receivable Report with code summary to balance to the receivable account in General Ledger balance sheet account
- Print Balance Sheet, do the Balance Sheet receivable accounts match the aged receivable report?
- NO Year Close procedure. Your ready to start processing July transactions but remember, if you transfer, do not accept into General Ledger until after it is closed.

Fixed Assets

- Do you have a record of all your Capital Asset activity for the year?   ie. Invoices, Purchasing Records, Disposal Records
- Make sure all new assets are entered and the maintenance for any sold or disposed of Capital Assets is done prior to close.
- Run the Asset Valuation Report, Prior Year and Current Year Depreciation Column may have values, we often find that clients didn't close the year last year. You can go ahead and close. The current year column will zero out once you close. Review this report for accuracy.
- Calculate Depreciation from the Main Menu: Depreciate Assets and run the proof sheet. If all looks good, then post the depreciation
- Run the Asset Valuation Report again. . Use this report to make the year end journal entry to your Capital Asset Fund and update your Capital Asset Schedule.
- Close the year. Its ok not to close right off if you want to reconcile your numbers and make sure they are ok, just remember to come back later and perform the close.

General Ledger

Almost There!!!

- Has all activity from other modules been transferred and accepted?
- Run a Trial Balance report just before closing. Keep this for your records. (This report will be your record of the balances at the time of the close)
- Close Year: Option 6 on the Main Menu. A closing report will print. This is showing you the closing entry made for the year.
- Remember: You will still be able to post transactions to a prior year in period 12. BUT… full batches, no matter what date they are will not be able to be accepted into the prior year. That's why its important to be sure your batches are transferred and accepted into the correct period.
- HAPPY NEW YEAR!! You are now ready to accept the batches for the new year and input the budget (if you used next year budget installation, your budget will roll into current year)

Final Thoughts

- Do not hold the General Ledger open very long. Its best if you close as soon after year ends as possible.

  - It's ok to close it before you reconcile your June Bank Statements, you can post the interest and other missed transactions for June after the year is closed through a prior year entry.
  - Waiting to long will only increase your chances of New Year batches ending up in the prior year.

- Clients tend to focus on the funds with more activity (General, Highway) which is important but don't forget your Other Funds. Run a Trial Balance of all your Reserve, Capital and "other" Funds. Review those, does the activity look accurate. Is the fund balance correct for the last year

- Don't panic!! This is a busy time of year and there is a lot going on but don't let panic overtake you.

- And finally, remember transactions from other modules will only land in the correct year if the batch is transferred and accepted into the correct year. Playing with the dates will not make it happen. Be thoughtful about the timing of your work and when you will process transactions.

We Made It!!