



# Office of the Washington State Auditor


## Pat McCarthy

### Cash Basis Audits: Reconciliations and the Schedule 06.

Speaker:  
Niles Kostick, Assistant Audit Manager



# Agenda



## Agenda

- Why We're Here
- Cash Basis Audits
  - Your Audit Report
  - Auditor's Expectations
  - Client's Assertions

- The Schedule 06
  - Current
  - Feedback
- Four-Column Reconciliations

- The Schedule 06 Training
  - Lessons Learned; Examples.

# Why We're Here: Cash Basis Audits

# Changes come from feedback.

- Both Auditor and Client Feedback
- Issue with understanding the mechanics of the Schedules 07 and 11.
  - Its construction was specific to the audit process



## Your Audit

In every audit there is a mutual agreement and exchange of responsibility.

*What is  
expected?*



## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

# Your Audit

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



# Your Audit

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



# Your Audit

- Based on our engagement, we expect that audit clients will be able to provide support for reported amounts on the financial statements.
- What summary evidence is there of revenues and expenditures?



# Expectations

# Your Audit

FIRST BANK OF WIKI 1425 JAMES ST. PO BOX 4000 VICTORIA BC V8K 3K4 1-800-555-5555					CHECKING ACCOUNT STATEMENT Page: 1 of 1				
JOHN JONES 1543 DUNDAS ST W APT 27 TORONTO ON M8K 1Y2					Statement period: 2003-10-08 to 2003-11-08 Account No: 00005-123-456-7				
Date	Description	Ref.	Withdrawals	Deposits	Balance				
2003-10-08	Previous Balance				0.55				
2003-10-14	Payroll Deposit - HOTEL			694.81	695.36				
2003-10-14	Web Bill Payment - MASTERCARD	9685	200.00		495.36				
2003-10-16	ATM Withdrawal - INTERAC	3990	21.25		474.11				
2003-10-16	Fees - Interac		1.50		472.61				
2003-10-20	Interac Purchase - ELECTRONICS	1975	2.99		469.62				
2003-10-21	Web Bill Payment - AMEX	3314	300.00		169.62				
2003-10-22	ATM Withdrawal - FIRST BANK	0064	100.00		69.62				
2003-10-23	Interac Purchase - SUPERMARKET	1559	29.08		40.54				
2003-10-24	Interac Refund - ELECTRONICS	1975		2.99	43.53				
2003-10-27	Telephone Bill Payment - VISA	2475	6.77		36.76				
2003-10-28	Payroll Deposit - HOTEL			694.81	731.57				
2003-10-30	Web Funds Transfer - From Savings	2620		80.00	751.57				
2003-11-03	Pre-Auth. Payment - INSURANCE		33.55		718.02				
2003-11-03	Cheque No. - 409		100.00		618.02				
2003-11-06	Mortgage Payment	719.49			42.47				
2003-11-07	Fees - Overdraft		5.00		37.47				
2003-11-08	Fees - Monthly		5.00		32.47				
*** Totals ***					1,515.83	1,442.61			

VS

Fund Resources and Uses Arising from Cash Transactions For the Year Ended December 31, 2017				
	Total for All Funds (Memo Only)	001 Current Expense	103 E911	104 IHCS
<b>Beginning Cash and Investments</b>				
30810 Reserved	11,397,783	203,824	475,117	2,068,201
30880 Unreserved	7,287,010	3,341,842	-	-
388 / 588 Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>				
310 Taxes	7,618,304	4,764,817	478,254	9,231
320 Licenses and Permits	173,800	90,317	-	83,042
330 Intergovernmental Revenues	12,741,458	1,842,512	585,331	1,902,132
340 Charges for Goods and Services	3,810,006	662,814	42,358	71,406
350 Fines and Penalties	760,570	759,684	-	-
360 Miscellaneous Revenues	3,212,008	477,867	310	22,714
Total Revenues:	28,316,146	8,598,011	1,106,253	2,088,525
<b>Expenditures</b>				
510 General Government	5,116,248	4,106,536	-	-
520 Public Safety	4,003,485	3,109,251	726,589	-
530 Utilities	1,321,730	-	-	-
540 Transportation	9,251,286	-	-	-
550 Natural and Economic Environment	824,912	432,234	-	-
560 Social Services	2,627,572	33,007	-	2,307,486
570 Culture and Recreation	329,246	141,203	-	-
Total Expenditures:	23,474,480	7,822,232	726,589	2,307,486
Excess (Deficiency) Revenues over Expenditures:	4,841,666	775,780	379,664	(218,961)
<b>Other Increases in Fund Resources</b>				
391-393, 596 Debt Proceeds	-	-	-	-
397 Transfers-In	880,074	81,000	-	100,000
385 Special or Extraordinary Items	746,469	746,469	-	-
386 / 389 Custodial Activities	140,516	124,043	-	50
381, 395, 398 Other Resources	116,992	-	-	-
Total Other Increases in Fund Resources:	1,884,050	951,512	-	100,050
<b>Other Decreases in Fund Resources</b>				
594-595 Capital Expenditures	4,027,102	71,394	8,841	150,465
591-593, 599 Debt Service	167,500	-	-	-
597 Transfers-Out	880,074	717,580	-	-
585 Special or Extraordinary Items	746,469	-	-	-
586 / 589 Custodial Activities	14,012	-	-	-
581 Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:	5,835,157	788,975	8,841	150,465
<b>Increase (Decrease) in Cash and Investments:</b>	<b>890,560</b>	<b>938,317</b>	<b>370,823</b>	<b>(269,376)</b>
<b>Ending Cash and Investments</b>				
5081000 Reserved	11,395,793	816,365	845,940	1,798,825
5088000 Unreserved	8,179,559	3,667,617	-	-
<b>Total Ending Cash and Investments</b>	<b>19,575,352</b>	<b>4,483,983</b>	<b>845,940</b>	<b>1,798,825</b>

The accompanying notes are an integral part of this statement.

*Why do we  
expect bank  
activity to  
match  
financial  
statement  
amounts?*

A:

Because you tell us.

***“Note 1.B: Basis of Accounting and Measurement Focus***

*Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.”*



# Revenue Recognition



## Revenue Recognition Principles

BARS 3.1.7.40  
BASIS OF ACCOUNTING

- Revenues are recognized only when cash is received... This generally results in revenues being recognized when delivered to the government or government's agent...
- Revenues...should be reported at gross amounts by account and not netted against one another.
- Revenues...should be recognized for all receipts...of a government's resources, including those where the cash is handled by an agent...on behalf of the government...
- Revenues...should also be recognized when the government agrees to forgo revenue in exchange for a reduction of expenses (offsetting agreement).
- Interest earned on investments may be recognized at cost, amortized cost, or fair value...

### Third Party and Remote Location Receipting

#### 3.6.1.60 Accounting and Reporting

For accounting purposes, the method or process of receipt and deposit should not affect when funds are considered received by the government. For example, receipt by a third party on behalf of a government or deposit in a transmittal account should be recognized the same as receipt and deposit at the government's main location.

# Expenditure Recognition



## Expenditure Recognition Principles

BARS 3.1.7.40  
BASIS OF ACCOUNTING

- ...expenditures are recognized when chargeable against the report year's budget appropriations as required by state law. This generally results in...expenditures being recognized when paid. Warrants and checks are considered paid when issued.
- Expenditures can also be recognized in the prior year if incurred during an open period (if an open period is allowable)
- ...expenditures should be reported at gross amounts by account and not netted against each other.
- Expenditures...should be recognized for all payments...of a government's resources, including those where the cash is handled by an agent...on behalf of the government...
- Offsetting still applicable.



*Why do we  
expect bank  
activity to  
match  
financial  
statement  
amounts?*

A:

Because you tell us.

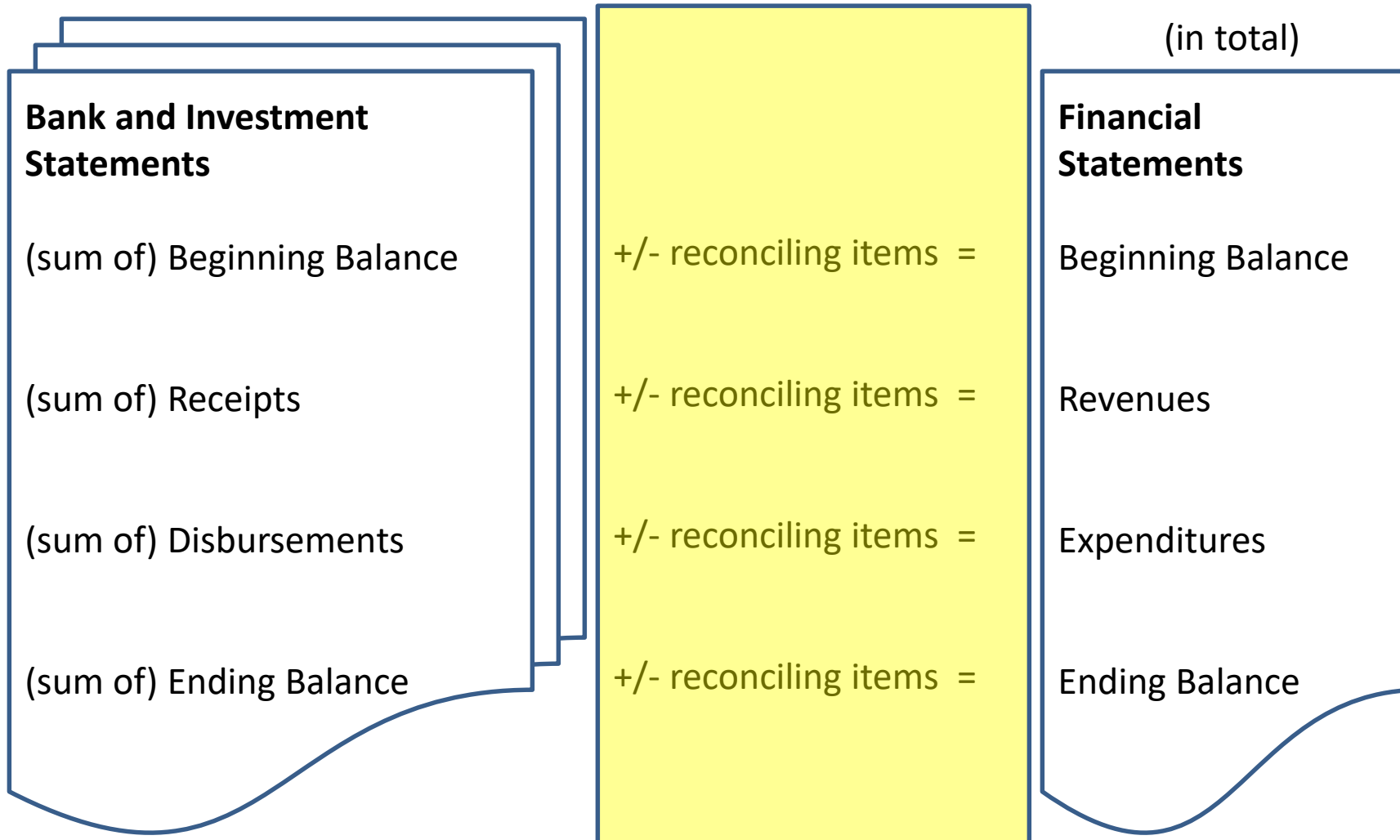
***“Note 1.B: Basis of Accounting and Measurement Focus***

*Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.”*

# Your Audit

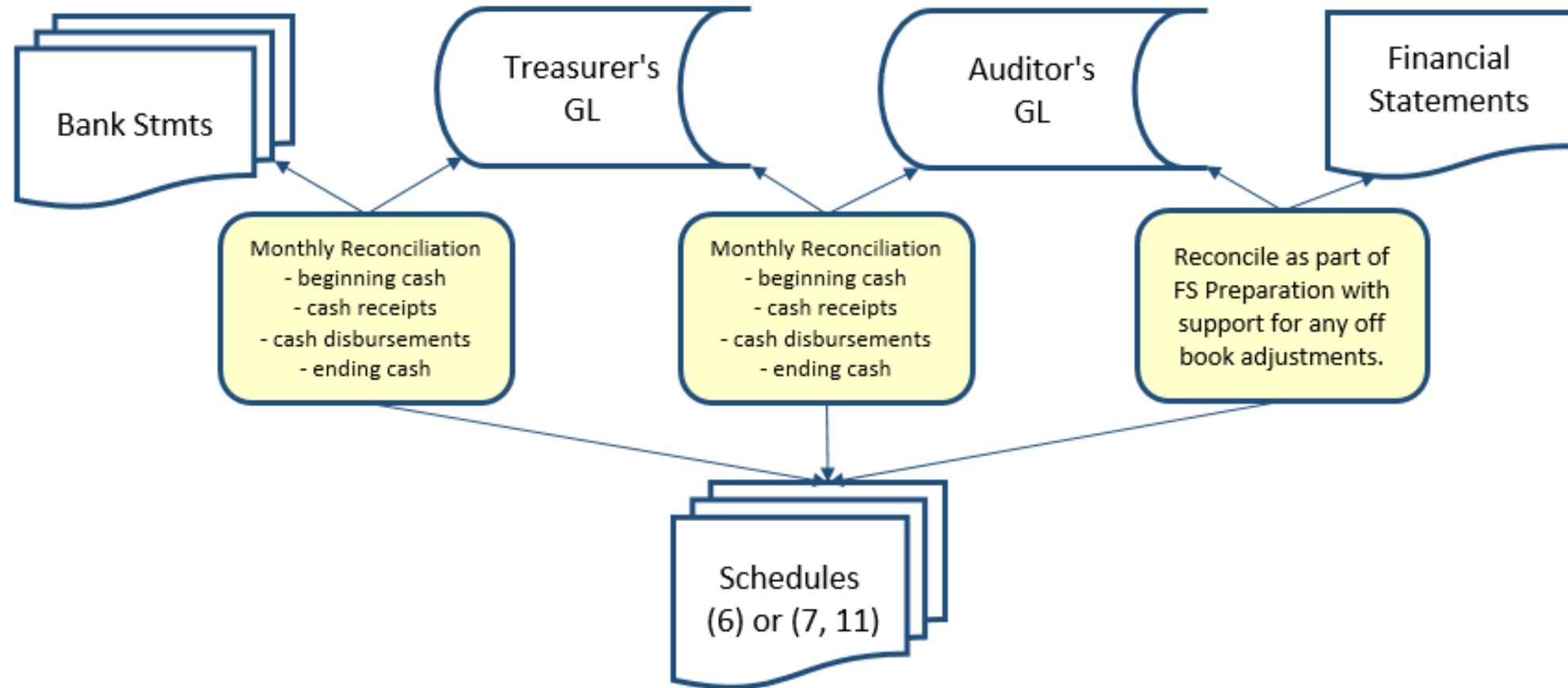


# Your Audit





# Counties



# Schedule 6: Now | Feedback

# The Schedule 06

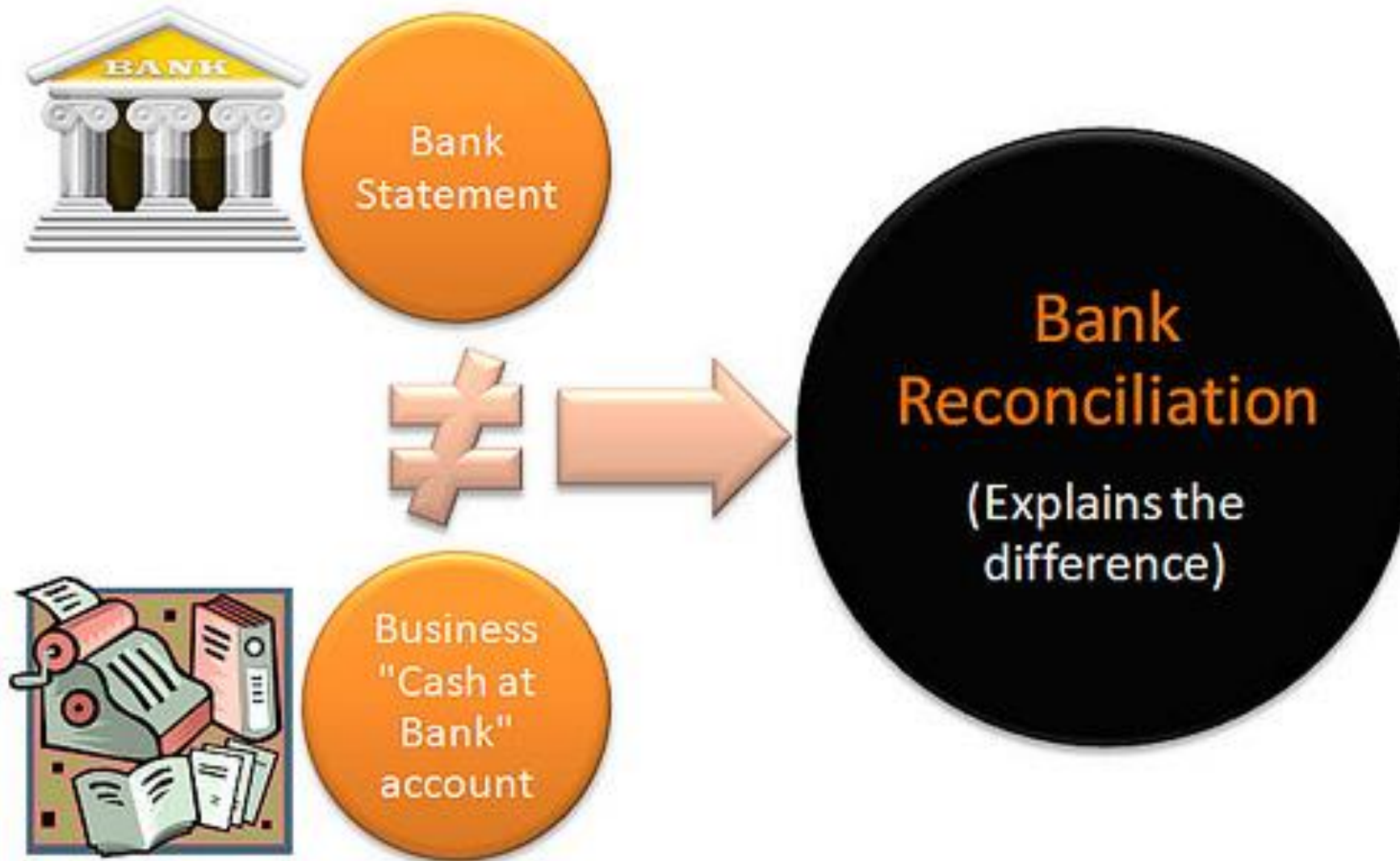
	FROM BANK STATEMENTS						FROM GL	
<u>Bank &amp; Investment Account (1)</u>	<i>Beginning Balance (2)</i>	<i>Cash Inflows (3)</i>	<i>Cash Outflows (4)</i>	<i>Ending Balance (5)</i>	<i>Non-reported cash inflows (6)</i>	<i>Non-reported cash outflows (7)</i>	<i>Reported increases without cash inflows (8)</i>	<i>Reported decreases without cash outflows (9)</i>
[account 1]								
[account 2]								
[account 3]								
[account 4]								
[account 5]								
[account 6]								
<b>REVOLVING FUNDS</b>								
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -





*We do all of our  
bank reconciliations  
and know that the  
cash we report is  
accurate. No  
money is missing.*

## Schedule 06



# Feedback





## Average Response Rates:

- 10-15% for external surveys
- 30-40% for internal surveys
- 64% response rate – Thank You.



**Q1: Was it easier?**

**General response: no.**

- 1. History driven**
- 2. Training needs**
- 3. Optional.**



**Q2: Did you see the training?**

**General response: 55% did.**

- 1. We will make available and better publish these types of trainings.**
- 2. Liaisons, please share with all technicians.**





**Q3: Idea: noting which info may come from Treasurer vs. Auditor?**

**General response:**

- 1. 10% unhelpful**
- 2. 20% OK**
- 3. 20% helpful**
- 4. 50% very helpful**



**Q4: Idea: provide optional template to gather data monthly**

**General response:**

- 1. 10% unhelpful**
- 2. 10% OK**
- 3. 80% helpful.**



[Government Name]  
**Global Bank Reconciliation and Proof of Cash Worksheet**  
 For [Month, Year]

Description	Beginning Period (MM/DD/YY)	Deposits	Disbursements	End of Period (MM/DD/YY)	Account Transfers In	Account Transfers Out
<b>Complete Per Bank Statements:</b>						
Deposit Accounts:						
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Investment Accounts:						
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
[TYPE of account] - [NAME of account] - [####]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Add: Petty Cash, Revolving, Imprest Accounts:	\$ -	\$ -	\$ -	\$ -		

<b>Adjustments to Bank Balance:</b>					
<i>Deposits in Transit:</i>					
Beginning Period	\$ -	\$ -			
End of Period				\$ -	
<i>Outstanding Checks:</i>					
Beginning Period	\$ -		\$ -		
End of Period				\$ -	
Bank Errors		\$ -	\$ -		
Other Reconciling Items	\$ -	\$ -	\$ -	\$ -	
<b>Adjusted Bank Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	



<b>Adjustments to Arrive at Trial Balance</b>							
<i>Bank Activity Not Reported:</i>							
Account Transfers		\$ -	\$ -				
Netted Transactions		\$ -	\$ -				
NSF Checks		\$ -	\$ -				
Other Investments Purchases/Sold		\$ -	\$ -				
Cancellation of Unredeemed Warrants		\$ -					
		\$ -	\$ -				
Adjust: Transfers Above Recognized on C4/C5 (for example, clerk trust activity)		\$ -	\$ -				
<i>Transactions Without Bank Activity:</i>							
Interfund Taxes Paid/Received		\$ -	\$ -				
Internal Service Fund Revenues/Expenditures		\$ -	\$ -				
Interfund Loans (381/581)		\$ -	\$ -				
Fund Transfers In/Out (including 600-funds)		\$ -	\$ -				
Deposits/Disbursements handled by Agent		\$ -	\$ -				
Prior Period Adjustments		\$ -	\$ -				
		\$ -	\$ -				
<b>Total Activity and Adjusted Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ -</b>	

		<b>Fund Reconciliation (Optional):</b>				
		Beginning Cash and Investments	Revenues and Other Increases	Expenditures and Other Decreases	Ending Cash and Investments	
General Fund		\$ -	\$ -	\$ -	\$ -	
Special Revenue Funds						
[Fund Name]		\$ -	\$ -	\$ -	\$ -	
Debt Service Funds						
[Fund Name]		\$ -	\$ -	\$ -	\$ -	
Capital Projects Funds						
[Fund Name]		\$ -	\$ -	\$ -	\$ -	
Enterprise Funds						
[Fund Name]		\$ -	\$ -	\$ -	\$ -	
Internal Service Funds						
[Fund Name]		\$ -	\$ -	\$ -	\$ -	
Non SPD Fiduciary Funds						
[Fund Name]		\$ -	\$ -	\$ -	\$ -	
SPD Funds						
[Fund Name]		\$ -	\$ -	\$ -	\$ -	
<b>TOTAL - ALL FUNDS</b>		\$ -	\$ -	\$ -	\$ -	
<b>VARIANCE</b>		\$ -	\$ -	\$ -	\$ -	

**Q5: What's your process to reconcile and complete schedules?**

**General response: Only commonality is that treasurers reconcile cash, and auditors prepare statements.**



**Q6: What did you like about the 06?**

**General response: ....**





**Q7: What were the largest frustrations?**

**General response:**

- 1. Unfamiliarity**
- 2. Better non-typical examples**
- 3. Lack of conceptual understanding**
- 4. Time consuming**



**GOING  
FORWARD,**

# Training

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Examples | Lessons Learned

# Column by Column



	FROM BANK STATEMENTS				FROM GL			
<i><u>Bank &amp; Investment Account (1)</u></i>	<i>Beginning Balance (2)</i>	<i>Cash Inflows (3)</i>	<i>Cash Outflows (4)</i>	<i>Ending Balance (5)</i>	<i>Non-reported cash inflows (6)</i>	<i>Non-reported cash outflows (7)</i>	<i>Reported increases without cash inflows (8)</i>	<i>Reported decreases without cash outflows (9)</i>
<i>[account 1]</i>								
<i>[account 2]</i>								
<i>[account 3]</i>								
<i>[account 4]</i>								
<i>[account 5]</i>								
<i>[account 6]</i>								
<b><i>REVOLVING FUNDS</i></b>								
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# Columns 1 – 5

## From the Bank Statement

1. Identify and list all bank accounts. Further Identify all change or cash funds which are not evidenced by a bank account.
2. Enter the beginning balances, total deposits, total disbursements, and ending balances from each account for the year. This data should be verifiable with the bank statements themselves.
3. For cash and other change funds not evidenced by accounts, no deposit or disbursement data is necessary UNLESS one of those funds received an increase or decrease in authorized balances during the year.

Bank & Investment Account (1)	Beginning Balance (2)	Cash Inflows (3)	Cash Outflows(4)	Ending Balance (5)
County Treasurer Main Checking (1)	\$ 16,878,523.66	\$ 640,537,212.92	\$ 640,202,606.33	\$ 17,213,130.25
County Clerk Trust Checking (1)	\$ 414,657.16	\$ 2,371,536.22	\$ 2,009,062.70	\$ 777,130.68
County Justice Court (1)	\$ 210,686.64	\$ 1,982,841.03	\$ 2,015,150.36	\$ 178,377.31
Local Government Investment Pool (2)	\$ 123,961,186.91	\$ 247,661,165.60	\$ 191,984,808.91	\$ 179,637,543.60
Custodial Account - Investments (2)	\$ 6,309,936.86	\$ 3,115,941.70	\$ 835,166.87	\$ 8,590,711.69
County Treasurer - Daily Cash (2)	\$ 250,029.24	\$ 29.04	\$ 250,058.28	\$ -
County Clerk - Trust Account Savings (2)	\$ 45,583.73	\$ 0.45	\$ -	\$ 45,584.18
County Clerk - Trust CD (2)	\$ 15,000.00	\$ 4.48	\$ 4.48	\$ 15,000.00
County Treasurer Warrant RRP (3)	\$ -	\$ 263,331,552.11	\$ 263,331,552.11	\$ -
PP Warrant Account (3)	\$ -	\$ 47,835,972.86	\$ 47,835,972.86	\$ -
Civil Claims Imprest Account (3)	\$ 10,000.00	\$ 597.83	\$ 597.83	\$ 10,000.00
County CIR Fund (3)	\$ 1,500.00	\$ -	\$ -	\$ 1,500.00
County NI Fund (3)	\$ 16,434.30	\$ 1,909.62	\$ 1,400.00	\$ 16,943.92
County Inmate Trust (3)	\$ 6,806.98	\$ 113,859.44	\$ 107,592.87	\$ 13,073.55
County Auditor Trust Account (3)	\$ 6,217.00	\$ 1,252,665.77	\$ 1,252,469.77	\$ 6,413.00
Department of Licensing Agency Account (3)	\$ 14,889.59	\$ 3,385,451.57	\$ 3,372,987.82	\$ 27,353.34
Auditor's Election Department (3)	\$ 1,000.00	\$ 17,215.62	\$ 13,215.62	\$ 5,000.00
Direct Deposit (3)	\$ -	\$ 15,981,583.85	\$ 15,981,583.85	\$ -
Veteran's Assistance (3)	\$ 14,587.23	\$ 87,182.12	\$ 84,567.84	\$ 17,201.51

	FROM BANK STATEMENTS					FROM GL		
<u>Bank &amp; Investment Account (1)</u>	<i>Beginning Balance (2)</i>	<i>Cash Inflows (3)</i>	<i>Cash Outflows (4)</i>	<i>Ending Balance (5)</i>	<i>Non-reported cash inflows (6)</i>	<i>Non-reported cash outflows (7)</i>	<i>Reported increases without cash inflows (8)</i>	<i>Reported decreases without cash outflows (9)</i>
[account 1]								
[account 2]								
[account 3]								
[account 4]								
[account 5]								
[account 6]								
REVOLVING FUNDS								
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# Columns 6 – 7

## From the Bank Statement

- Bank account transfers
- Refunds/reimbursements which are due to the correction of an error or other netting adjustments
- Corrections of bank deposits or withdrawal errors
- Cash deposits or purchases relating to investments.



	FROM BANK STATEMENTS						FROM GL	
<i><u>Bank &amp; Investment Account (1)</u></i>	<i>Beginning Balance (2)</i>	<i>Cash Inflows (3)</i>	<i>Cash Outflows (4)</i>	<i>Ending Balance (5)</i>	<i>Non-reported cash inflows (6)</i>	<i>Non-reported cash outflows (7)</i>	<i>Reported increases without cash inflows (8)</i>	<i>Reported decreases without cash outflows (9)</i>
<i>[account 1]</i>								
<i>[account 2]</i>								
<i>[account 3]</i>								
<i>[account 4]</i>								
<i>[account 5]</i>								
<i>[account 6]</i>								
<b><i>REVOLVING FUNDS</i></b>								
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# Columns 8 – 9

## Non-Bank Transactions

These are events which had no bank account effect, however did affect the financial statements.

- Interfund taxes
- Internal service fund charges
- Interfund loans
- Transfers in and out
- Other financial resources which were handled by an agent.



### Columns 10 – 13

# Year End Reconciliation

- These amounts are based on the reconciliation performed as of 12/31 of the reporting year and 12/31 of the year prior, to reconcile out deposits in transit from last year which were already recorded as revenues, for example.
- Include open period items.
- Include any other positive or negative reconciling items.

**Bank and Investment  
Statements**

(sum of) Beginning Balance

(sum of) Receipts

(sum of) Disbursements

(sum of) Ending Balance

+/- reconciling items =

+/- reconciling items =

+/- reconciling items =

+/- reconciling items =

(in total)

**Financial  
Statements**

Beginning Balance

Revenues

Expenditures

Ending Balance



\_\_\_\_\_

# SCHEDULE 06

*Which column do I use for \_\_\_\_\_ on the Schedule 06?*

## SCHEDULE 06

***Did the transaction have an effect on the bank accounts? How so?***

***Did the transaction get reported on the financial statements? How so?***

They had a water refund check sent to a customer for \$5 that was posted to a revenue line item but it was not cleared yet, so it's not on a bank statement but it did reduce the revenues on the C4 so I need it to tie back to the C4.

So, assuming they collected \$10.00 in revenue but over collected \$5.00, the schedule 06 would show:

	FROM BANK STATEMENTS						FROM GL			FYE RECONCILING ITEMS			
<u>Bank &amp; Investment Account (1)</u>	<i>Beginning Balance (2)</i>	<i>Cash Inflows (3)</i>	<i>Cash Outflows (4)</i>	<i>Ending Balance (5)</i>	<i>Non-reported cash inflows (6)</i>	<i>Non-reported cash outflows (7)</i>	<i>Reported increases without cash inflows (8)</i>	<i>Reported decreases without cash outflows (9)</i>		<i>EOY Positive Reconciling Items (Deposits in Transit) (10)</i>	<i>Prior Year Positive Reconciling Items (Deposits in Transit) (11)</i>	<i>EOY Negative Reconciling Items (Outstanding Items &amp; Open Period) (12)</i>	<i>Prior Year Negative Reconciling Items (Outstanding Items &amp; Open Period) (13)</i>
[account 1]	\$0	\$10	\$0	\$10	\$5	\$5						\$5	

The result is:

Revenue:  $\$10 - \$5 = \$5.00 = C4$

Expenditures:  $\$0 - \$5.00 + \$5.00 = \$0.00 = C4$

Ending Cash:  $\$10 - \$5.00 = C4$

# RECONCILIATION SCENARIOS & THE SCHEDULE 06

The following scenarios allow for critical thinking of a transaction or event and their effect on a bank reconciliation or cash flow reconciliation, and further, their effect on the Schedule 06. In each scenario, users should keep in mind:

- 1) Does this affect the bank account(s)?**
- 2) Does this affect the financial statements?**
- 3) Where should the transaction/event be captured concerning the Schedule 06?**

On the next page is a Schedule 06. Insert the scenario number below in the appropriate row/column where each event would occur in.



1. I record transfers between managerial funds, which roll up for reporting so they get eliminated. I do transfers via journal entry.

## SCHEDULE 06

***Did the transaction have an effect on the bank accounts? How so?***

***Did the transaction get reported on the financial statements? How so?***

2. We received bond proceeds that were deposited into our main bank account. It was recorded as bond proceeds (BARS 3910000) on the statements.

## SCHEDULE 06

***Did the transaction have an effect on the bank accounts? How so?***

***Did the transaction get reported on the financial statements? How so?***

	FROM BANK STATEMENTS						FROM GL	
<u>Bank &amp; Investment Account (1)</u>	<i>Beginning Balance (2)</i>	<i>Cash Inflows (3)</i>	<i>Cash Outflows (4)</i>	<i>Ending Balance (5)</i>	<i>Non-reported cash inflows (6)</i>	<i>Non-reported cash outflows (7)</i>	<i>Reported increases without cash inflows (8)</i>	<i>Reported decreases without cash outflows (9)</i>
Main Bank		②						
Bond Bank								
ACH Payroll								
Account 2								
Account 3								
Account 4								
<b>REVOLVING FUNDS</b>								
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

3. In reference to those same bond proceeds, we then had to create a separate bank account to hold a little of the proceeds as a guarantee. Its reported in the same FUND, but we bank-transferred it into a new account.



	FROM BANK STATEMENTS						FROM GL	
<u>Bank &amp; Investment Account (1)</u>	<i>Beginning Balance (2)</i>	<i>Cash Inflows (3)</i>	<i>Cash Outflows (4)</i>	<i>Ending Balance (5)</i>	<i>Non-reported cash inflows (6)</i>	<i>Non-reported cash outflows (7)</i>	<i>Reported increases without cash inflows (8)</i>	<i>Reported decreases without cash outflows (9)</i>
Main Bank			③			③		
Bond Bank		③			③			
ACH Payroll								
Account 2								
Account 3								
Account 4								
<b>REVOLVING FUNDS</b>								
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

4. We have a payroll ACH bank account. We bank-transfer all paychecks into that account so that they are direct deposited into employee's accounts. The account starts at \$0, increases by the payroll batch, then reduced to \$0 when paid.

	FROM BANK STATEMENTS						FROM GL	
<u>Bank &amp; Investment Account (1)</u>	<i>Beginning Balance (2)</i>	<i>Cash Inflows (3)</i>	<i>Cash Outflows (4)</i>	<i>Ending Balance (5)</i>	<i>Non-reported cash inflows (6)</i>	<i>Non-reported cash outflows (7)</i>	<i>Reported increases without cash inflows (8)</i>	<i>Reported decreases without cash outflows (9)</i>
Main Bank			4					
Bond Bank								
ACH Payroll		4	4		4	4		
Account 2								
Account 3								
Account 4								
<b>REVOLVING FUNDS</b>								
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

5. We reported \$56,000 on our financial statements to BARS 3480000 – Internal Service Fund Charges for Services. The General fund pays the Internal Service Fund via journal entry, not through checks.

	FROM BANK STATEMENTS						FROM GL	
<u>Bank &amp; Investment Account (1)</u>	<i>Beginning Balance (2)</i>	<i>Cash Inflows (3)</i>	<i>Cash Outflows (4)</i>	<i>Ending Balance (5)</i>	<i>Non-reported cash inflows (6)</i>	<i>Non-reported cash outflows (7)</i>	<i>Reported increases without cash inflows (8)</i>	<i>Reported decreases without cash outflows (9)</i>
Main Bank							⑤	⑤
Bond Bank								
ACH Payroll								
Account 2								
Account 3								
Account 4								
<b>REVOLVING FUNDS</b>								
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# What is Next



**WHAT'S  
NEXT?**





**HelpDesk at**  
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