

# BALANCING THE BOOKS

## FISCAL YEAR

BY LAW, YOUR FISCAL YEAR IS THE CALENDAR YEAR. ONLY THOSE TRANSACTIONS WHICH OCCUR ON OR BEFORE DECEMBER 31 MAY BE COUNTED.

IN CASH-BASIS ACCOUNTING, ONLY THOSE CHECKS ACTUALLY WRITTEN IN DECEMBER MAY BE INCLUDED. BILLS PAID IN JANUARY, EVEN THOUGH THEY ARE FOR DECEMBER ACTIVITIES, ARE JANUARY TRANSACTIONS AND SHOULD NOT BE POSTED BACK INTO THE PRIOR YEAR.

IN MODIFIED-ACCRUAL ACCOUNTING, THE EXPENDITURE MUST HAVE OCCURRED IN DECEMBER. THE DATE OF THE BILL-PAYING IS NOT RELEVANT.

## YEAR-END INTEREST

MANY BANKS PAY INTEREST ON THE LAST DAY OF THE YEAR. THIS AMOUNT SHOULD BE INCLUDED IN BOTH REVENUE AND ENDING BALANCE FOR THE YEAR.

TAX ACCOUNT INTEREST SHOULD ALSO BE RECOGNIZED IN THE YEAR THE BANK CREDITS IT. FAILURE TO PICK OUT THIS AMOUNT AS REVENUE AT THE TIME CAUSES A PROBLEM MORE THAN A YEAR LATER WHEN THE CLERK TRIES TO ACCOUNT FOR THE PRIOR YEAR'S TAX ACCOUNT TRANSFERS.

## COMBINING ACCOUNTS

YOUR ANNUAL REPORT AND YOUR FORM C SHOULD REFLECT THE COMBINED ACTIVITIES OF ALL YOUR BANK ACCOUNTS AND INVESTMENTS. TRANSFERS BETWEEN BANK ACCOUNTS ARE GENERALLY OMITTED FROM ANY SUMMARY, SINCE TRANSFERS IN AND TRANSFERS OUT ARE IDENTICAL. (HINT: IF YOUR TRANSFERS DON'T OFFSET, SOMETHING IS WRONG!)

## BALANCING

WHEN WE "BALANCE THE BOOKS" WE ARE REALLY RECONCILING DIFFERENT RECORDS TO A COMMON NUMBER. IN TOWNS, THERE ARE THREE SETS OF RECORDS TO RECONCILE:

1. BANK BALANCES ADJUSTED FOR DEPOSITS IN TRANSIT AND OUTSTANDING CHECKS
2. TREASURER'S COMBINED CASHBOOK BALANCES
3. CLERK'S LEDGER OR "BOOK" BALANCE

WHEN ALL THREE RECORDS PRODUCE THE SAME RESULT, THE BOOKS ARE "BALANCED."