



What's Happening in Your Business Office at the End of the Year

All year long, the IASB Data Boost discusses weighty financial data issues. This week we will talk about weighty financial processes – specifically year end and beginning of the fiscal year financial processes.

The school year is completed, and soon the fiscal year will be completed (June 30, 2021). As a board member, you may ask yourself what is happening in the business office at year end? Whether your business office is one, two, or three or more staff members, they are all engaged in several intensive activities:

- Closing the prior year's financial books (FY 2021) and
- Setting up the next year's financial books (FY 2022)

What follows is a **sample** of the types of processes staff in your district's business office is engaged in at the end of the fiscal year to close out the fiscal year and to set up the next year's accounting records.

What is Involved in Closing Out the Fiscal Year?

Bank reconciliations: Each month, the business office reconciles the district's account balances to bank balances. Reconciliations are like third party confirmations that the district account balances do in fact agree (with explainable adjustments) with bank balances. This is an important procedure to ensure that Cash and Investments can be correctly stated as of June 30 on the district's year-end financial statements.

Preparing Adjusting Journal Entries: There are certain accounting entries that districts need to make at year end to recognize revenue that has not been received yet but is due, referred to as *accounts receivable* – such as billing other districts for special education or tuition; and to recognize expenditures that have not been paid but services and goods have been received, referred to as *accounts payable* – the largest payable is salaries payable to recognize payroll for teachers with annual contracts corresponding to the current school year, which are payable in July and August after the fiscal year has ended. On the flipside there are entries that need to be made to recognize revenue received but not earned – *deferred revenue*, and expenses paid but not received – *prepaid expense*.

There are also accounting adjusting journal entries that need to be made to comply with generally accepted accounting principles for governmental entities, such as recognition of property tax receivable, depreciation, construction commitments and retainage, and other post-employment benefits (OPEB) and pension recognition entries.

Reviewing Account Coding: District staff review the coding of transactions to make sure that revenue and expenditures are coded in accordance with generally accepted accounting principles and the Iowa Department of Education (DE) Uniform Financial Accounting manual. And of course, this year, there will be extra emphasis on the coding of COVID-19 related expenses.

Preparing the Certified Annual Report (CAR): This report is not really a report but an upload to DE of a district's chart of accounts. It is due September 15. The school business official (SBO) must certify as to the accuracy of the information uploaded. This process is a challenging and lengthy process but is important as this information is then summarized for use at the state and federal levels.

Other reports the Business Office is preparing include the annual Transportation Report, the Special Education Supplement (SES) Report, the Facilities, Elections and Sales Tax Data Collection Report, the 509A report for self-insured districts, the Debt Outstanding Report, and a myriad of state and federal grant reports, such as the report on Title 1 federal funds usage.

Comparing Budget to Actual: It is the school business official's (SBO) responsibility to report on how a fiscal year's financial activity compares to the district's budget. The SBO makes sure that all large variances from budget are researched and explained.

Preparing for the Audit: By law, the financial condition and transactions of a school district must be audited annually, including review of the district's state provided categorical funding, the certified annual report (see above), certified enrollment, supplementary weighting, and the financial activity of an associated nonprofit school organization (ex: foundation, booster club). (Iowa Code 11.6) To understand more about what to expect in your district's annual audit report. See also [Reviewing Your District's Audit Report](#).

In addition, the audit must be performed in accordance with generally accepted auditing procedures which includes a review of governmental compliance and internal control.

The business office works with the auditor to prepare the annual audit report and to ensure that the audit is done and received by the district board on a timely basis, and no later than March 31st after year end.

What is Involved in Setting up the Next Year's Financial Records?

Rolling the Balance Sheet Forward: Remember the cash, accounts receivable and accounts payable discussed above under *Preparing Adjusting Journal Entries*. These accounts need to be rolled forward and uploaded into the accounting system and become the starting point for the new fiscal year.

Setting Up the Line-Item Budget: The Line-Item budget is the basis for controlling spending at all levels of the district. The business office uploads the budget into the accounting system. Then throughout the year, as compensation (80% of all general fund expenditures) and purchases are authorized, made, and paid they are compared to the budget. See also [What the Board Needs to Know About Line-Item Budgets](#). Typically, controls are put into the accounting system to flag or disallow purchases that are over the line-item budget.

During the summer and early fall, there are many more steps and procedures that the district Business Office works through to close out the fiscal year and open the next fiscal year. These are some examples.