

# Accrual Basis: Bank Reconciliation

Please follow your district's policies and procedures, as not everything listed below will pertain to your district. This guide provides a step-by-step process for performing bank reconciliations under the accrual basis of accounting. The goal is to ensure accurate financial records, identify discrepancies in a timely manner, and maintain transparency in financial management. Regular reconciliations help achieve a fully reconciled bank account, which is critical for accurate reporting and compliance with district policies.

## GATHER KEY DOCUMENTS

Before beginning the reconciliation process, ensure you have all necessary documents:

- **Bank Statement:** Obtain the bank statement for the relevant month from your bank.
- **District's Cash Receipts and Disbursements Journal:** Retrieve the district's records for cash receipts and disbursements.
- **Outstanding Checks and Deposits in Transit:** Gather the list of any outstanding checks and deposits in transit from the previous reconciliation.

## COMPARE BANK STATEMENT TO THE DISTRICT'S RECORDS

### Deposits

- Cross-check deposits recorded in the district's cash ledger with those listed on the bank statement.
- Identify any **deposits in transit** (deposits that are recorded in the district's ledger but have not yet been reflected on the bank statement).

### Checks

- Match checks issued by the district to those cleared by the bank.
- Identify **outstanding checks** (checks issued by the district that have not yet been cleared by the bank).
- Ensure that both the bank and district records show any voided or canceled checks appropriately.

Start with the **ending balance** shown on the bank statement and make the following adjustments:

- **Add:** Any **deposits in transit** that are recorded in the district's ledger but not yet reflected on the bank statement.
- **Subtract:** Any **outstanding checks** (checks issued but not cleared by the bank).
- **Adjust for Errors:** Correct any **bank errors** discovered during the review (e.g., misposted transactions, incorrect amounts).

Next, adjust the district's cash balance as follows:

- **Add:** Any **interest earned** or other **deposits** not yet recorded in the district's books.
  - For example, interest earned on the district's bank accounts or other automatic deposits such as transfers or payments received.
- **Subtract:** Any **bank fees**, **service charges**, or **automatic withdrawals** that have not yet been recorded in the district's ledger.
  - This includes items such as monthly account maintenance fees or automatic bill payments that have cleared the bank but have not yet been entered into the district's records.
- **Correct for Errors:** Adjust for any discrepancies in the district's records that may have been caused by **data entry errors** or omissions.
  - For example, if an invoice was paid but not properly recorded, make the necessary journal entries.

Start with the **ending balance** shown on the bank statement and make the following adjustments:

- **Add:** Any **deposits in transit** that are recorded in the district's ledger but not yet reflected on the bank statement.
- **Subtract:** Any **outstanding checks** (checks issued but not cleared by the bank).
- **Adjust for Errors:** Correct any **bank errors** discovered during the review (e.g., misposted transactions, incorrect amounts).

- After adjusting both the **bank statement** and the **district's records**, compare the adjusted balances:
  - Ensure that the **adjusted bank balance** matches the **adjusted district ledger balance**.
  - If the balances do not match:
    - Investigate discrepancies carefully (e.g., missed transactions, data entry errors, or unauthorized charges).
    - Correct any errors in the records and repeat the reconciliation process until the balances align.

DOCUMENT THE RECONCILIATION

Once the reconciliation is complete, prepare a reconciliation report that includes:

- **Summary of Adjustments:** A detailed summary of any adjustments made to the bank statement or the district's records (e.g., deposits in transit, outstanding checks, fees, or errors).
- **Supporting Documentation:** Include copies of the bank statement, the district's cash receipts and disbursements journal, and a list of any outstanding checks or deposits in transit.
- **Review and Sign-Off:** Ensure the reconciliation report is reviewed and signed off by appropriate district personnel, such as the business manager, treasurer, or designated reconciliation reviewer.

RETAIN RECORDS

- Maintain copies of the bank reconciliation reports and supporting documentation for audit and compliance purposes, as required by the district's internal policies and Illinois school district financial regulations.
- These records should be kept for a period defined by your district's retention policies, typically at least seven years, for audit and reference.

IMPLEMENT REGULAR REVIEWS

- Perform **monthly bank reconciliations** to ensure that discrepancies are identified and corrected in a timely manner.
- Review previous reconciliations for any **unresolved issues** and ensure that any open items (e.g., outstanding checks or deposits in transit) are properly tracked and cleared in the next reconciliation period.

Following these accrual-based procedures for bank reconciliation will ensure that your district's cash balances are accurate, discrepancies are addressed promptly, and financial records are in full compliance with district policies and state regulations. Regular reconciliations will provide transparency, ensure the integrity of the district's financial statements, and help prevent fraud or errors in financial reporting.