

Accrual Basis: Closing Out the Month

Please follow your district's policies and procedures, as not everything listed below will pertain to your district. This guide outlines the essential steps for closing out the month under the accrual basis of accounting, ensuring that financial records are accurate, reconciled, and compliant with state regulations. It covers critical tasks such as reconciling bank accounts and general ledger balances, verifying revenue and expenses, preparing financial reports, and ensuring all supporting documentation is in order. This process ensures transparency and readiness for the next accounting period.

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| RECONCILE BANK ACCOUNTS | Bank Reconciliation <ul style="list-style-type: none"> Reconcile the district's cash records with bank statements for all accounts (e.g., general, payroll, activity funds). Verify that all deposits, withdrawals, and checks have cleared in the current period. Investigate and resolve any discrepancies, such as outstanding checks or deposits in transit. | General Ledger Reconciliation <ul style="list-style-type: none"> Ensure that all ledger accounts are in balance, including accounts payable, accounts receivable, and payroll. Reconcile unposted items and ensure that any adjustments are recorded properly. |
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| VERIFY CASH RECEIPTS | Review Deposits <ul style="list-style-type: none"> Confirm that all cash and check deposits are accurately recorded in the district's accounting system. Ensure deposits are properly classified in the general ledger (e.g., property taxes, state funding, grants). | Categorize Revenue <ul style="list-style-type: none"> Ensure that all cash inflows are correctly categorized (e.g., tuition fees, grants, donations, state funding). Identify any outstanding receipts that are expected but not yet received (e.g., grants or reimbursements). |

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| VERIFY CASH DISBURSEMENTS | Review Payments | Check Outstanding Items | Expense Allocation |
| | <ul style="list-style-type: none"> Confirm that all checks and electronic payments issued during the month are recorded accurately in the accounting system. Ensure that all disbursements are properly categorized (e.g., salaries, vendor payments, utility expenses). | <ul style="list-style-type: none"> Identify any outstanding checks that have not cleared the bank and follow up if necessary. | <ul style="list-style-type: none"> Ensure that expenses are charged to the correct budget categories and funds as per the approved budget. |
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| POST & REVIEW TRANSACTIONS | Post Outstanding Transactions | Review Budget Transactions | |
| | <ul style="list-style-type: none"> Verify that all purchase orders, invoices, and journal entries for the month are posted to the general ledger. Record any incoming funds, such as state payments or grant disbursements, and ensure they are properly allocated to the correct accounts. | <ul style="list-style-type: none"> Ensure that monthly expenses and revenues align with the approved budget. Review for variance analysis, and ensure that expenses do not exceed budgeted amounts or funding restrictions. | |
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| PAYROLL & BENEFITS | Reconcile Payroll | Benefits and Deductions | |
| | <ul style="list-style-type: none"> Ensure that payroll expenses for the month are accurately recorded in the general ledger. Confirm that taxes, benefits, and other withholdings have been properly deducted and remitted. | <ul style="list-style-type: none"> Verify the payment of benefits, such as health insurance, pension contributions, and retirement system contributions (e.g., TRS or IMRF). | |

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| GENERATE FINANCIAL REPORTS | Monthly Cash Report | Budget-to-Actual Report | Fund Balances | Prepare Budget Reports |
| | <ul style="list-style-type: none"> Prepare a cash receipts and disbursements report, showing the beginning balance, total cash in, total cash out, and ending balance for the month. | <ul style="list-style-type: none"> Compare monthly and year-to-date activity against the approved budget. Highlight any variances and investigate significant discrepancies. | <ul style="list-style-type: none"> Review and ensure that the fund balances reflect accurate cash positions for each fund (e.g., Education Fund, Operations and Maintenance Fund). | <ul style="list-style-type: none"> Update budget tracking spreadsheets and prepare a monthly financial summary for review by district stakeholders (e.g., board of education, superintendent, finance committee). |
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| COMPLIANCE & REPORTING | State and Federal Reporting | | Fund Balances | |
| | <ul style="list-style-type: none"> Ensure compliance with Illinois-specific school accounting guidelines and any state or federal regulations. Submit required reports, such as grant expenditure reports, if applicable. | | <ul style="list-style-type: none"> Review and confirm fund balances for specific school funds (e.g., Education Fund, Transportation Fund) to ensure proper financial management. | |
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| CLOSE OUT THE MONTH | Freeze Current Month | Backup Records | Generate Reports | |
| | <ul style="list-style-type: none"> Lock the accounting system for the current month to prevent further changes and ensure that all transactions are posted. | <ul style="list-style-type: none"> Create digital and/or physical backups of all financial records for safekeeping and audit purposes. | <ul style="list-style-type: none"> Produce the following financial reports for review and to finalize the close-out process: <ul style="list-style-type: none"> - Trial Balance - Income Statement - Balance Sheet - Cash Flow Statement | |

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| COMMUNICATE & PREPARE FOR THE NEXT PERIOD | Report to Stakeholders | Roll Over to the Next Period |
| | <ul style="list-style-type: none"> • Provide a comprehensive report of the month's financial activity to the school board, superintendent, or finance committee. • Highlight any financial concerns, such as potential budget shortfalls, upcoming funding needs, or projected revenue shortfalls. | <ul style="list-style-type: none"> • Open the next accounting period in the system and prepare for any ongoing or future transactions. • Ensure that any carry-forward items (e.g., pending invoices or encumbrances) are properly tracked. |

Following these accrual-based procedures for closing out the month will ensure your district's financial records are accurate, compliant with regulations, and prepared for the next accounting period. Proper month-end closing provides a solid foundation for decision-making, financial transparency, and continued fiscal responsibility.