

Bank Reconcilements

A Discussion with Examples

Webinar – Newly Elected or Appointed City & Town Fiscal Officer Training

August 2020

Bank Reconcilements



Indiana Code 5-13-6-1(e):

“All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories.”



Bank Reconcilements



Bank Reconciliation
Town of Toddville
March 2019

Bank Account Balance - March 31, 2019 \$74,832.14

Bank Reconcilements



Bank Reconciliation
Town of Toddville
March 2019

Bank Account Balance - March 31, 2019 \$74,832.14

Add:

Deposits in Transit 150.17

*(money you have receipted in your ledger
but the deposit hasn't shown up on the
bank account by the end of the period)*

<u>Date</u>	<u>Amount</u>
3/29/2019	125.17
3/30/2019	25.00
	150.17



Bank Reconcilements

Bank Reconciliation
Town of Toddville
March 2019

Bank Account Balance - March 31, 2019	\$74,832.14			
Add:				
Deposits in Transit	150.17	<u>Date</u>	<u>Amount</u>	
<i>(money you have received in your ledger but the deposit hasn't shown up on the bank account by the end of the period)</i>		3/29/2019	125.17	
		3/30/2019	<u>25.00</u>	
			150.17	
Less:				
Outstanding Checks	(5,170.54)	<u>Check</u>	<u>Date</u>	<u>Amount</u>
<i>(checks you have written and posted to your ledger, but they have not been paid - or "cleared" - the bank)</i>		123	12/15/2018	4.50
		125	1/4/2019	17.55
		130	1/24/2019	100.00
		131	3/15/2019	678.99
		132	3/29/2019	<u>4,369.50</u>
Reconciling items:				5,170.54

Bank Reconciliation
Town of Toddville
March 2019

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Deposits in Transit	150.17	<u>Date</u>	<u>Amount</u>	
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Reconciling items:				5,170.54
Add or Subtract				
Interest	(3.21)			
<i>(put into bank account but not yet receipted)</i>				
NSF Checks	50.00			
<i>(checks presented to you, receipted, but the checks bounce when they get to the bank)</i>				
Service Fees	5.00			
<i>(fees charged by bank - taken out of account but not yet posted as disbursement to ledger)</i>				
Encoding Error	9.90			
<i>(bank runs a check you wrote for \$100.10 as \$110.00; they took out 9.90 too much)</i>				
Encoding Error	(0.10)			
<i>(bank runs a deposit you recorded at \$55.55 as \$55.65; they gave you \$.10 too much)</i>				



Bank Account Balance - March 31, 2019	\$74,832.14			
Add:				
Deposits in Transit	150.17		<u>Date</u>	<u>Amount</u>
<i>(money you have received in your ledger but the deposit hasn't shown up on the bank account by the end of the period)</i>			3/29/2019	125.17
			3/30/2019	<u>25.00</u>
				150.17
Less:				
Outstanding Checks	(5,170.54)	<u>Check</u>	<u>Date</u>	<u>Amount</u>
<i>(checks you have written and posted to your ledger, but they have not been paid - or "cleared" - the bank)</i>		123	12/15/2018	4.50
		125	1/4/2019	17.55
		130	1/24/2019	100.00
		131	3/15/2019	678.99
		132	3/29/2019	<u>4,369.50</u>
				5,170.54
Reconciling items:				
Add or Subtract				
Interest	(3.21)			
<i>(put into bank account but not yet received)</i>				
NSF Checks	50.00			
<i>(checks presented to you, received, but the checks bounce when they get to the bank)</i>				
Service Fees	5.00			
<i>(fees charged by bank - taken out of account but not yet posted as disbursement to ledger)</i>				
Encoding Error	9.90			
<i>(bank runs a check you wrote for \$100.10 as \$110.00; they took out 9.90 too much)</i>				
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Subtotal	69,873.36			
Ledger Balance March 31, 2019	<u>69,873.36</u>			
Difference	<u>-</u>			



Bank Reconcilements



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Subtotal	69,873.36
Ledger Balance March 31, 2019	<u>69,873.36</u>
Difference	<u>-</u>



Bank Reconcilements



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Town of Toddville
March 2019

General Account Balance - March 31, 2019	\$74,832.14
Water Account Balance - March 31, 2019	18,555.79
Sewage Account Balance - March 31, 2019	\$ 11,123.45
Add:	
Deposits in Transit	150.17

Bank Reconcilements



Subtotal		0,104.07
Ledger Balance March 31, 2019		<u>80,861.04</u>
Difference		<u><u>-</u></u>
Fund Balances March 31, 2019		
General	32,016.35	
MVH	13,745.25	
LRS	4,321.10	
Park	1,234.90	
Water Utility	18,555.79	
Sewage Utility	<u>10,987.65</u>	<u>80,861.04</u>



Doesn't Reconcile – What To Do



- Look for transactions the bank recorded but you didn't.
- Did you post transactions to the ledger that aren't on the statement.
- Look for encoding errors. Ensure what cleared the bank matches what you posted.
- Is there an entry that matches the difference?
- Look for reversed transactions



Doesn't Reconcile – What To Do (continued)



- Is there a transaction for half the variance?
- Did you make a transposition error?
- Don't assume variance is result of only one error!
- Ask for help.
- Try again next month.



Doesn't Reconcile – What To Do



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- Look for transactions the bank recorded but you didn't
- Did you post transactions to the ledger that aren't on the statement
- Look for encoding errors. Ensure what cleared the bank matches what you posted.
- Is there an entry that matches the difference
- Look for reversed transactions
- Is there a transaction for half the variance?
- Did you make a transposition error
- Don't assume variance is result of only one error
- Ask for help
- Try again next month



Bank Reconcilements

Internal Controls

- **Process in writing – internal control policy**
- **Reviewed by someone outside the reconciliation process**
- **Process in writing – internal control policy**
- **Document review by others**

