

# Staff Report

**TO:** Board of Directors

**FROM:** Sandra Dunlap, Director of Finance

**DATE:** July 12, 2023

**SUBJECT:** District Policy 11130 - Financial Close (Workshop)

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***FINANCE***

**RECOMMENDATION:**

Discuss and provide direction to establish new District Policy 11130 – Financial Close.

**BACKGROUND:**

The Finance Department has been actively working towards closing the books out monthly. The purpose of this new policy is as follows:

1. Establish a framework for a monthly Financial Close process in which accounting records are reconciled and financial statements prepared regularly.
2. Identify roles and responsibilities for this new process.
3. Provide examples of the internal monthly financial close checklist and trial balance assignments.

**BUDGETARY IMPACT:** N/A

Attachments: (3)

- Financial Close Policy - Draft (1)
- Financial Close Monthly Checklist – sample (1)
- Trial Balance Assignments – sample (1)

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# Nevada Irrigation District

## POLICY MANUAL

POLICY TITLE: Financial Close

POLICY NUMBER: 11130

### 11130.1 Purpose

The purpose of this policy is to establish a framework for a monthly Financial Close process in which accounting records are reconciled and financial statements prepared.

### 11130.2 Administrator

The Finance Department is responsible for the implementation and administration of this policy.

### 11130.3 Definitions & Framework

The Financial Close process and all financial statements shall be prepared pursuant to Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) on a full accrual basis. Any technical accounting questions that cannot be answered internally shall be referred to the auditor for immediate clarification and implementation.

#### Goals:

- Identify roles and responsibilities in the financial close process.
- The monthly close process from beginning to end shall take no longer than 45 days; 15 days for staff to make final postings, 15 days for accountants to perform the close, and 15 days for management review and prepare the financial statements.

#### Roles & Responsibilities:

- Board
  - The Board shall approve the financial close policy prior to implementation.
- General Manager
  - The General Manager shall approve any material changes to procedures to the financial close process.
- Finance Department
  - Each month, the consolidated balance sheet, income statement, and balance sheet by fund shall be reconciled.
  - The Finance Department shall maintain two sets of file systems pertaining to the closing process to store all closing documents:
    - a. General Ledger File Set - Each balance sheet account or group of accounts shall have a file, labeled by GL account number that holds all reconciliations, agreements, and documents pertaining to that account. Each year a new set

of files should be created. Two years GL files should be onsite to enable accountants to review prior year reconciliations if necessary. File sets beyond two years old can be moved to retention.

- b. Fund File Set- Each Fund should have a file labeled by Fund Number and Name. Each fund file shall hold fund-wide documents, agreements, grant agreements, grant reimbursements, and each month's Balance Sheet by Fund reconciliation.
- The first of each month the Controller or designee shall send a reminder to finance staff reminding them that the period will be closed on the 15<sup>th</sup> of the month. It should also give directive to reach out to any departments whom they need information from to meet their closing deadline of the 15<sup>th</sup>.
  - On the 15<sup>th</sup> of the month, the period will be closed and reconciliations will begin.
    - a. Some Accounts can be reconciled prior to the 15<sup>th</sup> of the month. This would include any account that does not have any outside postings. These should begin immediately.
  - After the 1<sup>st</sup> of the month, the Trial Balance report shall be run by the Controller or designee, filtering for the period to be reconciled, and selecting assets and liabilities. The trial balance should be exported to Excel and sorted by account.
  - The Controller or designee shall review the report and issue reconciliation assignments.
    - a. Standing assignments have been given, but review for new accounts should be made, and assigned each month.
  - The master Trial Balance should be used as a guide for the reconciliations, starting with the first accounts and moving down the list, checking them off on the trial balance master as they are completed.
  - Once all consolidated trial balance accounts are reconciled, the Controller, or designee shall review them for completeness and accuracy, and mark them as complete on the master trial balance report for the month.
  - After the balance sheet accounts are reconciled, the income statement shall be reviewed. Major accounts on the income statement such as property taxes, payroll expenses, PERS contributions, all transfer accounts, etc. shall also be reconciled consistent with the assignments issued by the Controller or designee.
  - Once both the Balance Sheet and Income Statement Accounts have been reconciled, a prior year comparison should be run for each fund. A final review of each fund shall help ensure the accuracy of the presentation of each fund's financial statements. Any errors found should be corrected.
  - An Accountant or designee should next run the Journal entry listing for the period, and verify that all JE's are valid and filed.
  - The final step of the close is for finance staff to sign the Master Close List for internal control purposes, verifying the accuracy and completion of ALL GL reconciliations, and filing with the Master Trail Balance in the GL file set.

- Once the period is closed grant reports and financial statements can be prepared. Financial Statements and grant/program reports should not be filed until all reconciliations are complete.
- A set of financial statements including but not limited to the consolidated balance sheet, balance sheet by fund, and income statement should be provided to the Finance Director for review each month for internal control purposes.

#### 11130.4 Policy Adoption and Review

This policy will be adopted by resolution of the Board of Directors. The policy will be reviewed at least every five years with any modifications approved by the Board of Directors.

Adopted: Resolution 2023-xx

**Nevada Irrigation District  
Master Closing List**

**Month End**

**For the Month of:** \_\_\_\_\_

**Monthly**

- 1. PERIOD CLOSED** email notification 1<sup>st</sup> of the month
- 2. Consolidated Balance Sheet Reconciliations**
  - a. Cash
    - i. All Bank Accounts
      1. Bank Reconciliations
        - a. Follow-up on ALL Outstanding Checks 3 months
    - ii. Cash on Hand
    - iii. Petty Cash
    - iv. Escrow Retention
    - v. OPEB Trust
    - vi. All Investment Accounts
  - b. Accounts Receivable
    - i. A/R Miscellaneous
    - ii. Misc. loan Receivables
    - iii. U/B Receivable
    - iv. Employee Receivables
    - v. Any and all other receivable accounts
  - c. Inventory
    - i. Warehouse Inventory
  - d. Prepaid
    - i. Other
    - ii. Worker's Compensation
  - e. Liabilities
    - i. Accounts Payable
    - ii. Sales Tax
    - iii. Retention Payable/Bank Retention
    - iv. All miscellaneous deposit payable accounts
    - v. Unearned revenue
    - vi. Current and long Term Debt
    - vii. Payroll Liabilities
    - viii. CFD, Bonds, and all other debt payable
- 3. Balance Sheet by Fund**
  - a. Water fund
  - b. Recreation fund

- c. Hydro fund
- d. Debt Service funds
- e. Capital Project funds
- f. Internal Service fund
- g. Fiduciary fund
- h. Payroll fund

**4. Income Statement Reconciliations**

- a. Payroll Reconciled to the General ledger Expense Accounts
- b. PERS Retirement Reconciled to the General ledger
- c. PERS Health Reconciled to the General ledger

**5. Grant Reports and Funds Requests**

**6. Journal Entries**

- a. Accountants/Controller shall print the journal Entry listing report for all journal entries posted during the period and verify that all JE's have been filed, contain the appropriate supporting documents.
- b. The report should be initialed by at least 2 staff for internal control purposes and filed with the monthly JE's.

**7. Financial Reports**

- a. Consolidated Balance Sheet, Income Statement, and Balance sheet by fund provided to the Department head for review.
- b. Financial Statements Prepared for the Board, or others as requested or assigned by the Department head or Controller.

I certify that all reconciliations, reports, and other tasks on this list that have been assigned to me have been completed.

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Accountant Signature Date

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Accountant Signature Date

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Finance Assistant Signature Date

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Controller Signature Date