

Appendix I: Bookkeeper's Audit Preparation Checklist

Your Bookkeeper's Preparations Before and After the Audit

The bookkeeper should compile all information and post the district's books. At the end of your district's fiscal year, the bookkeeper should timely reconcile all ledger accounts and prepare the books for the annual audit (see **Appendices D** and **E** for a list of your bookkeeper's records and reports).

Audit Preparation Checklist

Operating Fund

1. Confirm that prior year entries (accounts payable, accrued interest receivable, prepaid expense, and prepaid tap accrual) were properly reversed.
2. Record current year accounts payable, accrued interest, and prepaid expenses.
3. Record deposits applied and clear returned checks.
4. Record prepaid taps at year end from information provided by the district operator.
5. Verify liability for customer and builder deposits with the district's operator and record necessary adjustments.
6. Verify cash balances for checking accounts, money market accounts, certificates of deposit, and other investments.
7. Reconcile accounts receivable to the operator's report.
8. Verify interfund transfers and due to/from other funds.
9. Verify amounts due to/from other entities.
10. Record depreciation in the Capital Asset Register.

After all transactions for the fiscal year have been posted, your bookkeeper must provide or make available to the district's auditor the following:

- Trial Balance
- General Ledger
- Cash Disbursements Journal
- Cash Receipts Journal
- General Journal
- Special Journals
- Schedule of Accounts Payable
- Reconciliation of Service Accounts Receivable and Standby Fees Receivable
- Reconciled bank statements
- Original invoices with check number and recorded payment date
- Investment schedule with copies of applicable documents
- Source documents for all General Journal entries
- Budget adopted showing fiscal year end comparisons

- Current year check stubs/vouchers (or appropriate listings)
- Current year cash receipts
- Any correspondence received or generated on the district's behalf during the fiscal year

Debt Service Fund

1. Confirm that prior year accrued interest amounts have been properly reversed.
2. Record current year accrued interest.
3. Verify cash balances for checking accounts, money market accounts, certificates of deposit and other investments.
4. Reverse prior year accounts payable.
5. Record current year's accounts payable.
6. Record prepaid interest/principal on long-term debt.
7. Verify taxes receivable for current and prior years, and deferred revenue.
8. Verify interfund transfers and loans to/from other funds.
9. Verify amounts due to/from other entities.

After all transactions for the fiscal year have been posted, your bookkeeper must provide or make available to the district's auditor the following:

- Trial Balance
- General Ledger
- Cash Disbursements Journal
- Cash Receipts Journal
- General Journal
- Special Journals
- Schedule of Accounts Payable
- Reconciled bank statements
- Original invoices with check number and recorded payment date
- Investment schedule with copies of applicable documents
- Source documents for all journal entries
- Current year check stubs/vouchers (or appropriate listings)
- Current year cash receipts
- All Tax Assessor/Collector reports

Capital Projects Fund

1. Confirm that prior year entries (accounts payable, construction contracts payable, and accrued interest receivable accrual) have been properly removed or reversed.
2. Record current fiscal year accounts payable, construction contracts payable, and accrued interest receivable.
3. Verify cash balances for checking accounts, money market accounts, certificates of deposit and other investments.
4. Verify interfund transfers and due to/from other funds.

5. Verify amounts due to/from other entities.
6. Close the year end valuation of the Work-in-Progress.

After all transactions for the fiscal year have been posted, your bookkeeper must provide or make available to the district's auditor the following:

- Trial Balance
- General Ledger
- Cash Disbursements Journal
- Cash Receipts Journal
- General Journal
- Special Journals
- Reconciled bank statements
- Source documents for all General Journal entries
- Current year check stubs/vouchers (or appropriate listings)
- Schedule of Accounts Payable and Construction Contracts Payable
- Schedule showing current fiscal year retainage payable
- Original invoices with check number and recorded payment date
- Investment schedule with copies of applicable documents

Capital Assets

Verify any interfund transfers from other funds. After all transactions for the fiscal year have been posted, your bookkeeper must provide or make available to the district's auditor the following:

- Trial Balance
- General Ledger
- General Journal
- Source documents for all General Journal entries
- Capital Asset Register

Long-Term Liabilities

Verify long-term balances with the amortization schedule. After all transactions for the fiscal year have been posted, your bookkeeper must provide or make available to the district's auditor the following:

- Trial Balance
- General Ledger
- General Journal
- Source documents for all General Journal entries
- Debt Service amortization schedules for all bond issues

Additional Documents to Be Provided to the District's Auditor

- Copies of security ledgers with copies of securities pledged to the district at fiscal year end
- Copies of any billings by the district
- Board Meeting Minutes *
- Copies of any agreements entered into by the district or Agency memos on the district (release of surplus funds or interest earnings and escrow releases) *

* These items may be obtained from the district's attorney

After the Audit - Adjusting and Closing Entries

Once the district's audit has been completed and approved by your Board, the district's auditor may provide your bookkeeper with year-end adjusting and closing entries, including closing entries for adjusting director fees to an accrual basis. There are two methods with which to post the auditor's entries based upon whether the bookkeeper:

- left all revenue, expense, and transfer accounts open; therefore, no entries should have been recorded for the current year (OPEN ACCOUNTS); or
- closed all revenue, expense, and transfer accounts to the fund balance prior to the audit (CLOSED ACCOUNTS).

Open Accounts

The adjusting entries should be posted to the appropriate revenue, expense, asset, and liability accounts. Then, all revenue, expense, and transfer accounts should be closed to the appropriate fund balance accounts.

After the closing entries have been posted, the balance sheet accounts should be reconciled to the audit report and the current year data can now be posted to the district's books.

Closed Accounts

The auditor's adjusting entries must be modified because all revenue, expense, and transfer accounts for the year just ended were closed. All entries posted to an account other than a balance sheet account (a revenue, expense, or transfer account) must be coded to the fund balance account. Posting this way will adjust appropriate balances to the audit report and will not affect the current year's information that has already been posted to the district's books.