



# WEBINAR

## *Mastering Accounts Receivable for Year-End*

BACK TO BASICS | Earn 1 CPE credit

Tue, July 16  
10:30AM PST



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# Your Presenters



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# Objectives

1

Hear about the common challenges and pitfalls and learn how to avoid them.

2

Understand what a reconciliation is, and learn a step-by-step approach for performing AR reconciliations each year efficiently and accurately.

3

Discuss best practices for documentation and preparation for an audit.

4

Encourage collaboration between departments within the government agency to ensure a cohesive approach to managing AR.



# Recap of YE Close Status

- Completed GASB 87/96 calculations/entries... or at least initiated the process.
- Completed OPEB/Pension.



# Polling Question #1

How many years of experience do you have with AR reconciliations?

- A. 0-2 years
- B. 3-5 years
- C. 5-10 years
- D. 10+ years



# Technical Guidance





# What is a reconciliation?

- A reconciliation is a line-item detail of what an account balance is made up of. For AR, this comes often in the form of a detailed AR subsidiary ledger's total that is compared to the AR balance in the general ledger.

Per GL/TB  
 5002-00-000-00-00-100100 5002 AR - General 37,552.00

## Per AR subsidiary ledger

	Year-End Forward	CRP - Payment	GBI	GBM	Total
2022 Balance	16,789.77				16,789.77
2023 Activity					
				(3,549.00)	(3,549.00)
OILDALE MUTUAL WATER COMPANY	(261,794.20)	261,794.20			-
KERN HIGH SCHOOL DISTRICT			24,172.46		24,172.46
GRIMMWAY ENTERPRISES INC	(101,612.41)	101,612.41			-
GUDINO FIGUEROA, J CONRADO	(125.00)				(125.00)
CASTRO, DOMINGO	(303.16)	303.16			-
LAURCO INC	(25,294.38)	25,294.38			-
PATTERSON, ETHREDGE			132.00		132.00
COTA FLORES, ITZEL			132.00		132.00
PEREZ, RIGOBERTO JR			132.00		132.00
RICHLAND SCHOOL DISTRICT	(132.00)				(132.00)
<b>2023 Ending Balance</b>	<b>16,789.77</b>	<b>(389,261.15)</b>	<b>413,572.61</b>	<b>(3,549.00)</b>	<b>37,552.23</b>







# Are your reconciliations really reconciliations?

## • NO – it's not a reconciliation

- Subsidiary ledgers that don't tie back to the GL.
- GL detail that consists of the entire years' activity.

## • YES – it's a reconciliation

- Subsidiary ledger that ties back to the GL.
- Verified account balance is correct; all AR is accurate and current.



# Are your reconciliations really reconciliations?

## Example A

- Has a “balance forward” that has no detail.
- Doesn’t allow for a review of those items to ensure they are still outstanding.

## Example B

- Shows a year end accrual entry that is summarized;
- However, this entry can be pulled with ease and should tie 100% to the balance listed.



# Types of AR

- Utility Billing
  - Water, Sewer, Electricity, Refuse
- General
  - Building and permit fees, grant or other agency disbursements
- Grants or Other Agency Disbursements
  - Federal or state agencies



# AR Best Practices

- Timely and regular reconciliations – don't wait for year-end.
- Actually reconciling – not just identifying a discrepancy, but tying the balances between the subsidiary ledger and general ledger.
- Segmentation of duties - different team members responsible for invoicing and reconciliation can help in identifying errors and preventing fraud.
- Utilize technology for efficiency.
- Documentation of reconciliation and resolution of discrepancies.



# Common Challenges and *How to Avoid Them*

- Collections Policy - *create a collections policy for staff to follow*
- Long outstanding AR - not writing off - *write off old/long outstanding AR*
- Not reconciling AR - *reconcile AR on a monthly basis*
- Lack of follow up to receive payment - *send follow up invoices to vendors monthly*
- Resolving payment disputes with vendors - *follow up with vendors on discrepancies on a timely basis*
- Mixing "regular" AR with UB - making it harder to reconcile - *create separate GL accounts to track regular versus utility billing AR*
- When creating a new AR code, it does not map to the AR GL or subledger correctly.





# Polling Question #2

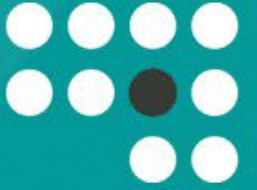
What is the most common challenge you've experienced with reconciling AR?

- A. Not actually reconciling AR
- B. Comingling UB AR and regular AR
- C. Not writing off long outstanding AR
- D. All of the above



# LSL's Approach to Year-End Close





# Process Considerations

TYPE OF AR

POLICY

SOFTWARE  
CAPABILITIES

REPORT  
FORMAT

THIRD PARTY  
COLLECTION  
AGENCY

[lslcpas.com](http://lslcpas.com)





# Step 1: Review the AR Aging Report

- Identify any overdue or doubtful accounts.
- Collaborate with collecting departments.
- Follow-up with 3<sup>rd</sup> Party Collection Agency (if applicable) to collect payments or confirm balances.
- Investigate and resolve discrepancies in balances:
  - Duplicate or missing invoices
  - Payments
  - Adjustments
  - Write-offs



# Software Example

Account Receivable  
Past Dues Aging Report

User: james.butera@lslcpas.com  
Printed: 04/01/2024 - 9:39 AM  
Batch: 000.00.0000  
Aging Date: 06/30/2023  
Minimum Age: 30.00  
Maximum Age: 120.00  
Minimum Acct Bal: 0.00  
Include Uncommitted Payments: No

Account No.	Cust No.	Balance	Available Credits	Under 30 days	30 - 60 days	60 - 90 days	90 - 120 days	Over 120 days
0003352	112365	50,688.67	0.00	0.00	0.00	0.00	0.00	0.00
AAA Truck Wash								
0003331	111699	46.35	0.00	0.00	0.00	0.00	0.00	0.00
Arredondo								
0001075	100869	552.10	0.00	0.00	0.00	0.00	0.00	0.00
Broughton								
0003229	107482	1,079.43	0.00	0.00	0.00	0.00	0.00	0.00
Cadiente								
0003342	111972	4,181.46	0.00	0.00	0.00	0.00	0.00	0.00
CDBG - Self-Help Enterprises								







# Excel Example

Cust No.	Customer	Balance Per Aging	1100 GENERAL	1120 COMM DEV	1215 CDBG	2105 DOM WW CAP
<b>AGING REPORT</b>						
112365	AAA Truck Wash	50,688.67		50,688.67		
111699	Arredondo	46.35		46.35		
100869	Broughton	552.10		552.10		
107482	Cadiente	1,079.43				1,079.43
111972	CDBG - Self-Help Enterprises	4,181.46			4,181.46	
	<b>AR AGING REPORT TOTAL</b>	<b>56,548.01</b>	<b>-</b>	<b>51,287.12</b>	<b>4,181.46</b>	<b>1,079.43</b>
<b>UB AGING REPORT</b>		405.00	405.00	-	-	
<b>LICENSES &amp; PERMITS SUBSIDIARY 1100-000-0125</b>		46,551.23	46,551.23	-	-	
<b>RECONCILING ITEMS:</b>						
JE 0005-13-2023 Accrual entry not on aging report CLEARED FY24		36,251.33	35,994.99		256.34	
JE 0003-13-2023 Accrual entry not on aging report CLEARED FY24		4,624.00	4,624.00			
JE 0010-13-2023 Accrual entry not on aging report CLEARED FY24		31,788.99	31,788.99			
JE 0008-13-2023 Accrual entry not on aging report CLEARED FY24		13,186.72	13,186.72			
DID NOT HONOR PAYMENT AGREEMENT-REMOVE FROM AGING		(1,079.43)				(1,079.43)
100869 Insurance Police NOT IN AR 0135 UNTIL FY24		(552.10)		(552.10)		
FY21-22 ACCRUAL ENTRY - NEED TO REVERSE		2,146.14			2,146.14	
		<b>86,365.65</b>	<b>132,550.93</b>	<b>(552.10)</b>	<b>2,402.48</b>	<b>(1,079.43)</b>
<b>GL ACCOUNTS RECEIVABLE</b>						
	AR 0125	46,551.23	46,551.23	-		
	AR 0130	6,732.60	405.00		6,327.60	
	AR 0135	136,586.06	85,594.70	50,735.02	256.34	-
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>





## Step 2: Review AR for Write-offs

- Consider your agency's policy on AR aging and write-offs.
  - If you don't have one, now's the time to develop one.
- Review the aging of the AR.
- Identify any overdue or uncollectible accounts that need to be provisioned for or written off.
- Consult 3<sup>rd</sup> party collection agency.



## Step 3: Reconcile AR Ledger and GL

- Reconcile the AR ledger with the GL, which shows the total balance of AR for the agency.
- Review compliance of AR transactions and balances with accounting standards – GASB and GAAP.

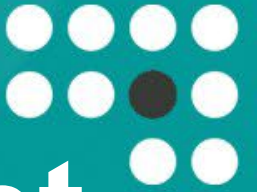


# Example

**General Ledger AR Balance Reconciliation**  
As Of Date: 4/30/2024

GL Account Number	Account Description	Balance	Account Description	Balance	Variance
100-0000-10211	Accounts Receivable	11610.56	3/4" METER - 3/4" Meter Install	0	
			1" METER - 1" Meter Install	0	
			METER LABOR - Meter Labor	0	
			METER OVERHEAD - Meter Overhead	0	
			CONST METER WATER - Construction	823.57	
			WATER USAGE - Water Usage Constr	149.79	
			UAC - Unapplied Credit	-2273.56	
			EE REIMB 5400 - Salaries overpayme	0	
			IRR INSTALL - Irrigation Installation	0	
			NSF - NSF Fee	0	
			INSTALLATION FEE - Installation Fee	0	
			WTR LINE LABOR - WATER LINE REPA	5287.21	
			WTR LINE M&S - WATER LINE REPAIR	2622.8	
			WTR LINE EQUIP - WATER LINE REPAI	2372.99	
			WTR LAB FEES - WATER LAB FEES DUE	0	
			PENALTY - NON UB - INSTALL LATE FEI	1355.76	
			CONST METER DEPOSIT - Constructio	0	
			CONST METER FEES - Construction M	1272	
			Account Total:	11610.56	
101-0000-10211	Accounts Receivable	11848.91	RETIREE - Monthly Healthcare Retire	10517.35	
			ALLOTMENT - Monthly Healthcare Al	0	
			SPOUSE - Monthly Healthcare Spous	1291.2	
			PENALTY - RETIREE - RETIREE LATE PY	40.36	
			Account Total:	11848.91	
103-0000-10211	Accounts Receivable	-2205.39	BUCKEYE HYDRO - Buckeye Hydro Me	0	
			TUNNEL HILL HYDRO - Tunnel Hill Hy	0	
			SCREEN MAINT - Screen Maintenanc	-1800.27	
			AT&T SERVICE - AT&T Service Charge	-405.12	
			Account Total:	-2205.39	
400-0000-10211	Accounts Receivable	0	CFD Charge - Capital Facility District	0	
			PIPELINE FUND - PIPELINE FUND - MA	0	
			Account Total:	0	
	<b>Receivable Account Totals:</b>	<b>25664.86</b>		<b>25664.86</b>	





# Step 4: Reconciliation Statement

## What is a reconciliation statement?

- A workpaper or comparative statement showing the reconciliation of the accounts receivable ledger with the general ledger AND explains any differences or discrepancies.
- Reconciling items not only identify the “why” but note the resolution.



# Step 4: Reconciliation Statement



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	AR 0135	136,586.06	85,594.70	50,735.02	256.34	-





# Step 5: Resolve Discrepancies

- Ensure that the ledger accounts tie.
- Post any adjustments or corrections to both ledgers:
  - Journal entries may be necessary depending on what the discrepancies noted.
  - Note timing issues; sometimes it is accruals, and something will be cleared out in the next FY.
    - Accrual entries may not be on aging report so note that as items clear.
- Collaborate with departments, if applicable.



# Step 6: Most Common Missed Step

## Verify Items in Account Balance are Accurate and Current

- Review the details to determine IF the items should STILL be there.
- Review the dates of the items and the types of transactions.



# Step 7: Availability Period

- Special Rule for Governmental Funds/Modified Accrual:
  - Note whether AR was received within your availability period, which is generally within 60-90 days after year-end.
- It is an audit requirement for testing to have a documented “second evaluation” to confirm that the AR is actually received within your availability period.



# Step 8: Supporting Documentation

- Attach supporting documentation and evidence for the reconciliation:
  - Aging report
  - Ledger accounts
  - Adjustment entries





# Step 9: Review and Approve

- Review and approve the reconciliation statement.
- File it in the appropriate folder/system.
- Document the reconciliation process and any issues or findings.
- If there are issues/findings, note and report them as appropriate.



# Polling Question #3

What do you think is the most missed step in reconciling AR?

- A. Reconciling the AR subsidiary ledger with the GL
- B. Preparing a reconciliation statement that identifies AND notes the resolution for discrepancies
- C. Posting adjusting or correcting entries
- D. All of the above



# How Does This Info Get Audited



# What are the auditors looking for?

- A reconciliation that ties to the GL.
  - If it doesn't tie, an explanation of why and what the entity plans to do to correct going forward.
- Auditors may sample from the reconciliation to ensure that the receivable exists and is properly classified.



# Polling Question #4

Does your agency have AR reconciliation desktop procedures?

- A. Yes
- B. No



# AR Best Practices

- As a recap:
  - Timely and regular reconciliations
  - Actual reconciliations (no GL details)
  - Segmentation of duties
  - Utilize technology
  - Collaborate with Departments
  - Documentation
  - Create a collections policy
  - Write off old or long outstanding AR





# Additional LSL Resources

- Are your account reconciliations REALLY reconciliations?
  - LSL Blog
    - <https://lslcpas.com/local-government-finance-departments-are-your-account-reconciliations-really-reconciliations/>
- LSL Government Webinars – Scroll down to ‘Previous Webinars’
  - <https://lslcpas.com/webinars-government/>



# Questions



APRIL

T	T	F	S	S
2	3	4	5	6
8	9	10	11	12
15	16	17	18	19
22	23	24	25	26
29	30			

MAY

V	T	F	S	S
1	2	3	4	5
8	9	10	11	12
15	16	17	18	19
22	23	24	25	26
29	30	31		

JUNE

wk	M	T	W	T	F	S
22						1
23	2	3	4	5	6	7
24	9	10	11	12	13	14
25	16	17	18	19	20	21
26	23	24	25	26	27	28
27	30					29

AUGUST

wk	M	T	W	T	F	S	S
31					1	2	3
32	4	5	6	7	8	9	10
33	11	12	13	14	15	16	17
34	18	19	20	21	22	23	24
35	25	26	27	28	29	30	31

SEPTEMBER

wk	M	T	W	T	F	S	S
36			3	4	5	6	7
37	9	10	11	12	13	14	15
38	16	17	18	19	20	21	22
39	23	24	25	26	27	28	29
40	30						

# WEBINAR

## *Lighten Your Year-End Load with Long-Term Debt Reconciliations*

BACK TO BASICS | Earn 1 CPE credit

Tue, Aug 13  
10:30AM PST





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