**ANNUAL REPORT PECKING ORDER**

What steps should be done first, second and third in order to complete the yearend annual report? The following are suggested steps that should be completed in the order that they should be completed.

**THE 13TH MONTH –** All balance sheet accounts should be examined and adjusted at the end of the year to bring them up to date. A partial list of these adjustments is as follows:

Due from state governments should be brought up to date. This asset account should be debited and revenue should be credited for grant reimbursement dollars that will be received soon after the end of the year.

Food inventory accounts should be adjusted to the yearend balances based on listings obtained from food service personnel. The inventory accounts will be adjusted up or downward with the offset occurring against the food expense accounts.

Construction/Development in progress should be recognized for building projects and development that have started but are incomplete at year end. (Fund 90) A contracts payable may also need to be recorded for contractor’s work performed in June but paid in July.

Capital assets purchased and sold during the year should already have been posted to fund 90. If not, please review those transactions and post them at this time.

Depreciation/Amortization expense will need to be recorded in BOTH the Food Service Fund and in Fund 90. A debit to the expense account and a credit to accumulated depreciation/accumulation will post the current year’s depreciation/amortization expense.

Accounts payable should be posted to reflect goods and services that occurred before June 30th but not paid until the next year. A credit to the payable account and a debit to the respective expenditure accounts will record this accrual.

Contracts payable and payroll deductions and withholdings and employer matching payable should be updated to reflect July and August salaries that remain to be paid for services already rendered.

Long-term payables recorded in fund 00 should be updated for debt that was paid down during the year or new debt that was incurred. Long-term debt could constitute bonds payable, CO certificates payable, early retirement payable or compensated absences (sick and annual leave).

If the Unemployment Fund is maintained within the General Fund, the assigned fund balance should be adjusted (lowered) for any claims paid during the year. The assigned fund balance should be debited with an offsetting credit entry to unassigned fund balance.

A governmental fund inventory and nonspendable inventory may need to be established in the General Fund for material amounts of goods ordered for the next fiscal year and are received and on hand prior to June 30th.

**THE STATEMENTS**

Once the yearend adjustments are done and the trial balances are in balance, then a school may proceed to prepare the financial statements.

The Determination of Major Fund Worksheet may be pulled down from the DLA website. It will determine which funds are the “major” funds that must be presented in separate columns on the fund financial statements. The determination of a major fund is a management decision that must be made by the entity.

Next, I would prepare the Fund Financial Statements. The fund financial statements are in three groups: Governmental, Proprietary (food service) and Fiduciary (custodial funds and private purpose trust).

The Budgetary Comparison Schedules for the General Fund and each major special revenue funds should be completed. Bear in mind that capital assets on this schedule will be reported within their respective functions. This schedule also has a short section that contains specific notes for this schedule.

Next, the statement of net position and statement of activities worksheets should be prepared for the Governmental Funds. On the worksheets, certain areas such as capital assets, long-term debt and revenue accruals should be addressed to ratchet the fund financial statement data up to “full accrual”. Some software may have an alternative approach to the reconciling worksheets. If that is the case, please take into consideration steps as outlined by your specific software vendor. Your auditor will be looking for journalized entries (or the equivalent) to document the changes made to get from the fund financial statements to the G-W statements.

The government-wide financial statements should be prepared from adjusted data found on the reconciling worksheets. Exhibits I and II.

The Management’s Discussion and Analysis is prepared BY THE SCHOOL. This is one document that cannot be prepared by your independent auditor. The M, D & A is prepared last because most of the financial data reflected in this letter comes from the government-wide statements.

The schedule of expenditures of federal awards should be prepared so the auditor can readily determine if your school will need an audit of its federal programs.

A sample shell of the notes to the financial statements is provided on our website. Pull this shell down and fill in the blanks, add or delete sections to make a set of notes that are representative of your entity.