



**Mary Taylor, CPA**  
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The Perfect Bank Reconciliation

Presented by:

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### The Perfect Bank Reconciliation

Benefits of preparing a proof of cash:

- Saves time in locating where errors might have occurred
- Verifies all bank activity recorded on books
- Proves receipts & expenditures per bank tie to receipts & expenditures per books
- One down fall – no full proof method to verify all memo activity is recorded on books

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### Proof of Cash - Example

“Four Column Bank Confirmation”

Reconciliations of:

- Beginning of the period cash balances
- Current period cash receipts
- Current period cash disbursements
- End of the period cash balances

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## Proof of Cash - Example

- Beginning balance column represents prior month cash reconciliation
- Receipts/deposits & expenditures/withdrawals columns represent bank statement activity
- Ending balance column represents current month cash reconciliation

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## Proof of Cash - Example

- Receipts/deposits:
  - \$96,450 traces to bank statement deposits/credits
  - \$4,200 prior month deposit in transit
  - \$3,680 deposit in transit
  - \$600 county auditor fees
  - \$220 deposit item returned

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## Proof of Cash - Example

- Expenditures/withdrawals:
  - \$90,586 traces to bank statement
  - \$3,700 prior month outstanding checks
  - \$6,020 current month outstanding checks
  - \$600 county auditor fees
  - \$220 deposit item return
  - \$270 bank error

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## Proof of Cash - Example

- Fund balance reconciliation
  - Beginning fund balance from prior month ending balances
  - Receipts/deposits & expenditures/withdrawals from cash journal
  - Ending fund balance ties to cash journal ending balance



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## Proof of Cash

- Actual proof happens:
  - By comparing receipts/deposits per bank reconciliation to receipts/deposits per fund balance reconciliation
  - By comparing expenditures/withdrawals per bank reconciliation to expenditures/withdrawals per fund balance reconciliation



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## Proof of Cash

- Other adjusting factors:
- Other bank accounts (CD's, savings, petty cash)
  - Bank errors
  - Posting errors
  - Bounced checks
  - Tax settlements
  - Deposit corrections
  - Deposit item returned
  - Bank transfers (if more than one account)
  - Advances/transfers
  - Reduction of expenditure
  - Reduction of receipt



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## Helpful Hints

### ❑ Finding Errors:

- Look through returned checks for proper coding
- Verify receipts

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## Local Government Services

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