

# CASH BOOKS & ANNUAL STATEMENT TRAINING



Scott Henderson, Deputy Chief Auditor | PERAC  
Sarita Yee, Senior Investment Analyst | PERAC  
February 16, 2023



# 2022 ANNUAL STATEMENT TRAINING

Scott Henderson

2/16/2023

Slide 2



## The Statement Itself

- There are no format changes for the 2022 Annual Statement
- No new accounts
- No new schedules
- To see a blank Annual Statement on our web site
  - [About PERAC](#) ➔ [PERAC Units](#) ➔ [Audit](#) ➔ [Training Materials](#) ➔ **2022 Annual Statement**

Slide 3

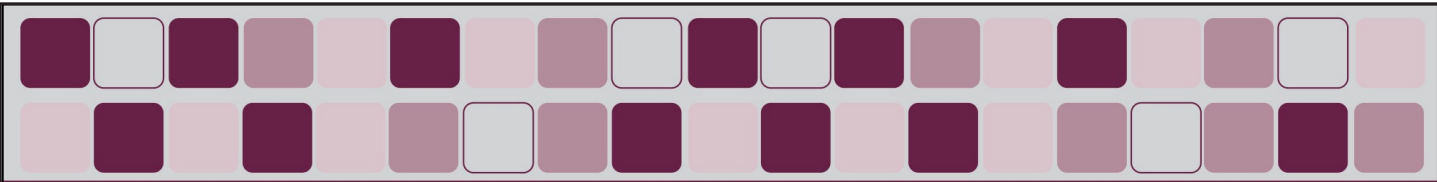
### NOTES:

---

---

---

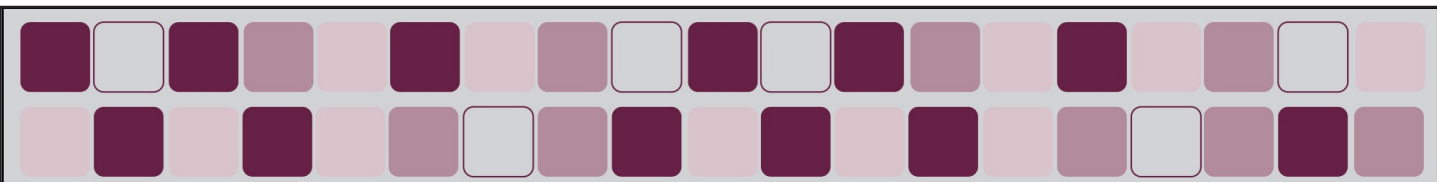
---



## End of Yearly Accounting Cycle

- December – besides normal accounting and payables/receivables there are also some once-per-year entries
  - Unrealized gains and unrealized losses for non-pooled investments
  - Interfund transfers
    - Negative pension fund
    - 10-year inactives
  - Interest Due and Accrued

Slide 4



## Unrealized Gains, Unrealized Losses (Non-Pooled)

- Posting from custodian's summary sheet
  - Unrealized gains/losses netted
    - Get actual numbers from inside report or
    - Schedules 3A and 4A

Slide 5

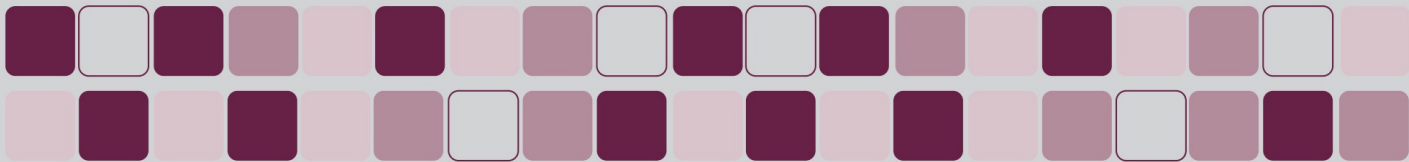
### NOTES:

---

---

---

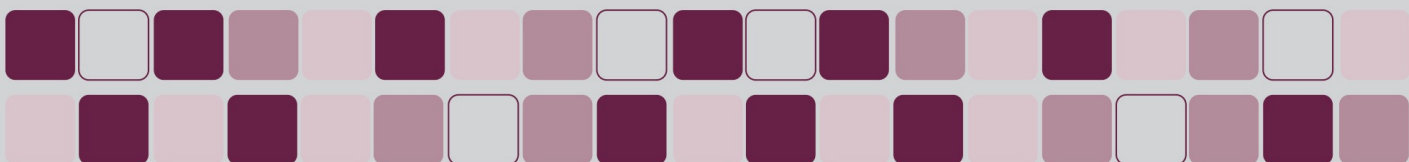
---



## Interfund Transfers

- Pension Reserve Fund to Pension Fund
  - Done to avoid a negative Pension Fund
    - Ledger balance should be a credit or \$0
- Non-vested members inactive for 10 years
  - ASF account goes to the Pension Reserve Fund
    - Section 11(3) of Chapter 32

Slide 6



## Interest Due and Accrued

- Do I even have this?
  - Schedule 3A from custodian
  - Possibly on Schedule 1
  - Much less likely on Schedule 2A

Slide 7

### NOTES:

---

---

---

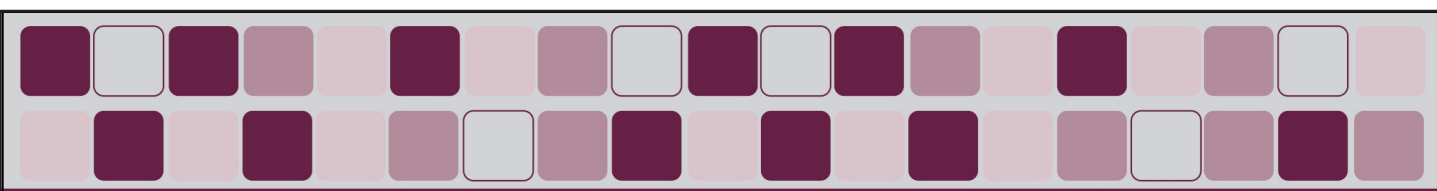
---



## Interest Due and Accrued *(Continued)*

- I do have this. What are the entries?
- Get rid of last year's #1550 balance
  - Debit #4820, credit #1550
- Establish this year's balance
  - Debit #1550, credit #4820

Slide 8



## 4820?

- What's #4820 for? Why don't we use #4821?
  - #4820 is the Investment Income control account
    - Year-end close: all income, gains, and losses go here
      - Fund interest comes out of this account
  - When the income is received, it is booked to #4821.
    - Lowering #4821 would throw off matching schedule totals

Slide 9

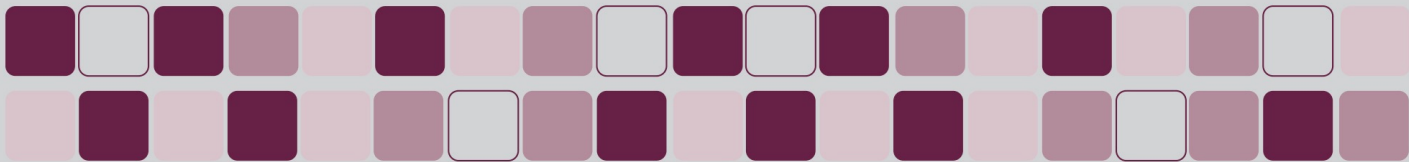
### NOTES:

---

---

---

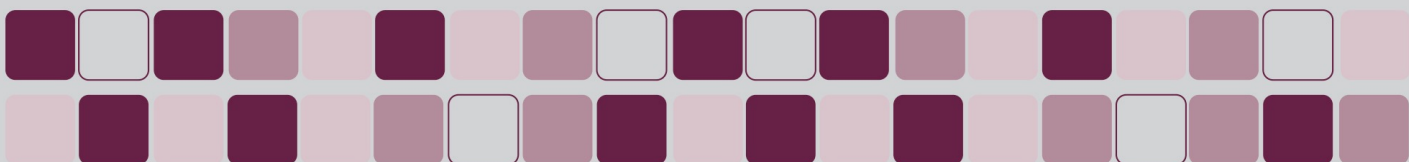
---



## Supplemental Schedule

- Try to balance throughout the year
- How deductions should work
  - **Paydate 12/30/2022**- contributions should be on 2022 Supplemental Schedule
  - **Paydate 1/6/2023**- contributions should be on 2023 Supplemental Schedule
    - Does not matter that check covers pay for days in December
- If you have a receivable for purchases, do not try to match the make-up payments in the schedule to the ledger
  - Manually add receivable to schedule total
    - Should match 3293

Slide 10



## Balance Tests

- Three different ways of looking at the year's activity.
- The result should be the same number for all three.

Slide 11

### NOTES:

---

---

---

---

## Balance Tests (Continued)



- My balance tests do not have the same result. How does this get fixed?
  - Did all accounts close correctly?
    - Produce post-close trial balance.
      - All accounts starting with 4 or 5 should end at \$0.
  - Is Investment Income breakdown entered correctly?
    - 4821 total on Investment Income page should match the #4821 closing entry
  - Is there part of an entry made to a non-existent account?
    - Put in #5303 instead of #5304

Slide 12

## Balance Tests (Continued)

- My numbers are different, but the reasons on the prior slide don't apply.
  - Look at the year's accounting entries.
  - Any entry using a fund (#3293-3298) for the debit must also use a fund for the credit and vice versa.
    - Does not apply to closing entries - those are half and half by definition.
  - For examples of what not to do, continue to the next slide

Slide 13

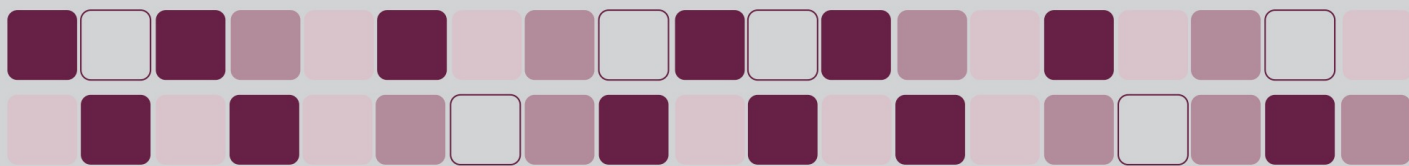
### NOTES:

---

---

---

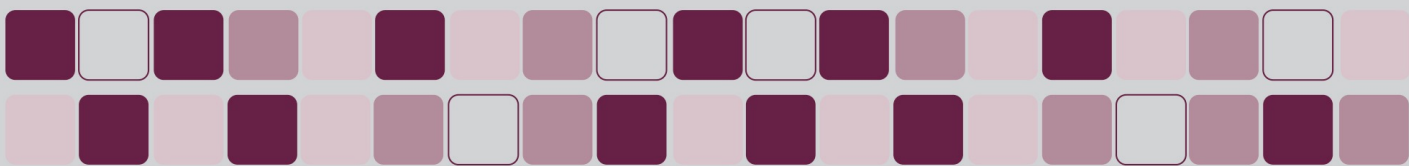
---



## Examples Of Balance-Test-Wrecking Entries

- Very old and unidentified \$1,000 receivable needs to be written off
  - **Rong:** debit #3297 Pension Reserve Fund, credit #1398 Accounts Receivable
  - **Right:** debit #5589 Admin Expenses, credit #1398
- On a refund forgot to book interest not refunded
  - **Rong:** debit #3293 Annuity Savings Fund, credit #4822 Interest not Refunded
  - **Right:** debit #5757 Refunds, credit #4822

Slide 14



## Annual Statement Manual Entries

- Interfund transfers
  - Top half has totals by fund, produced by software
  - Bottom half lists each individual entry
    - Goal is to match the top half for all funds

Slide 15

### NOTES:

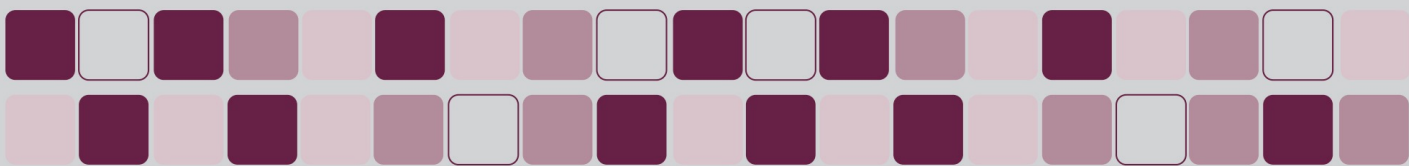
---

---

---

---

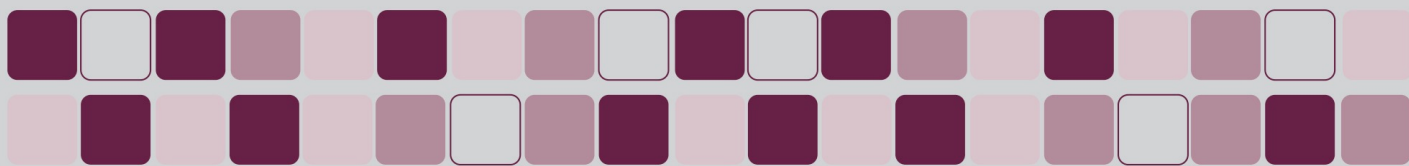




## Annual Statement Manual Entries

- Schedule A
  - Receivables at the top
    - Listed by account number
      - Put dates for all
        - » Buyback receivable use 12/31/2022
  - Payables on the bottom
    - Listed by account number
      - Put dates for all
  - Both sections have blank rows for investments
    - Can use for other purposes too
      - Voided checks

Slide 16



## Schedules 1-7

- Financial info matches front part of Annual Statement
- Who produces these?
  - Schedule 1- both custodian and Board
    - Add bank accounts
  - Schedules 2, 3, and 4- custodian
  - Schedules 5, 6, and 7- Board
    - Ignore custodian's schedule 5

Slide 17

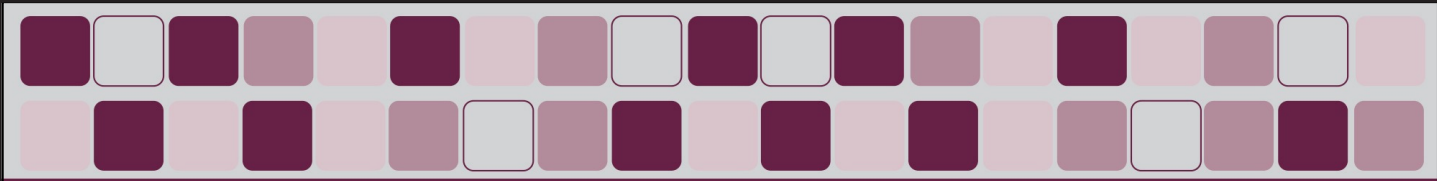
### NOTES:

---

---

---

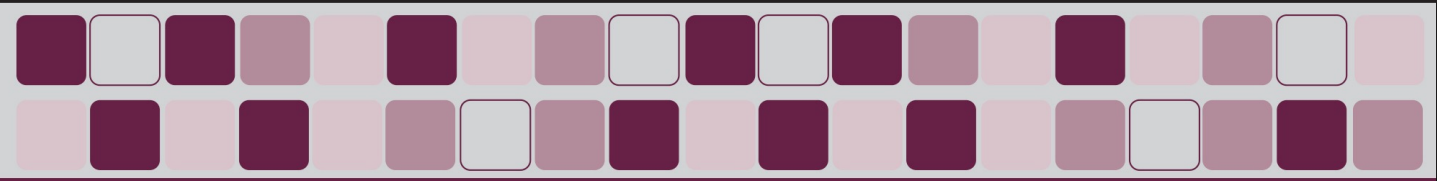
---



## Audit Unit Annual Statement Review Common Issues

- Custodian Schedule 5
  - Income/gains/losses combined
  - Cannot verify any of those on the Investment Income page
    - Auditor will tell you we prefer 5 separate columns
- Supplemental schedule
  - Ending balance does not match #3293
  - Also review individual columns

Slide 18



## Audit Unit Annual Statement Common Issues *(Continued)*

- #5751 Pensions Paid
  - PTG Boards
    - Top row amount should match the breakdown under it – often did not
    - Top amount comes from ledger
    - Breakdown comes from the monthly payrolls
      - Manual adjustments not made

Slide 19

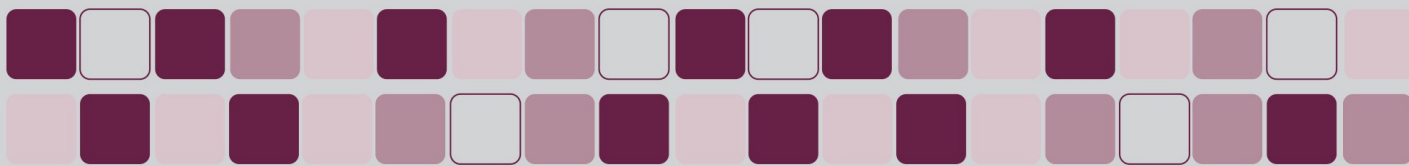
### NOTES:

---

---

---

---



# Questions?



Slide 20

## NOTES:

---

---

---

---

---

**COMMONWEALTH OF MASSACHUSETTS**  
**Public Employee Retirement Administration Commission**  
Five Middlesex Avenue, Suite 304 | Somerville, MA 02145  
Phone: 617-666-4446 | Fax: 617-628-4002  
TTY: 617-591-8917 | Web: [www.mass.gov/perac](http://www.mass.gov/perac)

