

2025

ANNUAL STATEMENT TRAINING



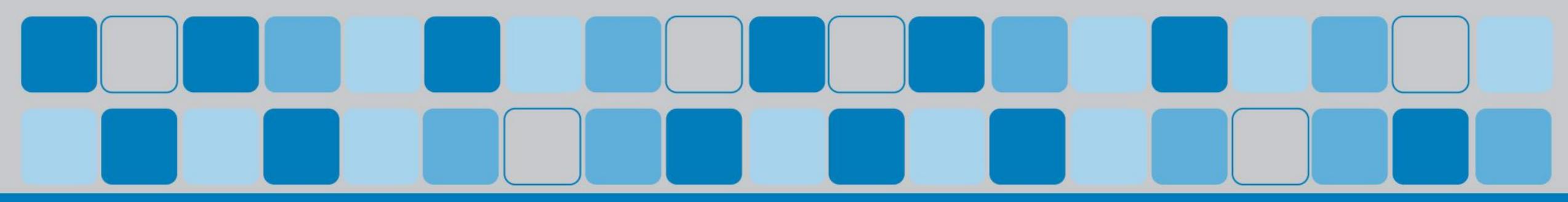
Richard Wrona, PERAC Senior Auditor
Connor Allan, PERAC Auditor

February 24, 2026

Monthly Accounting Basics

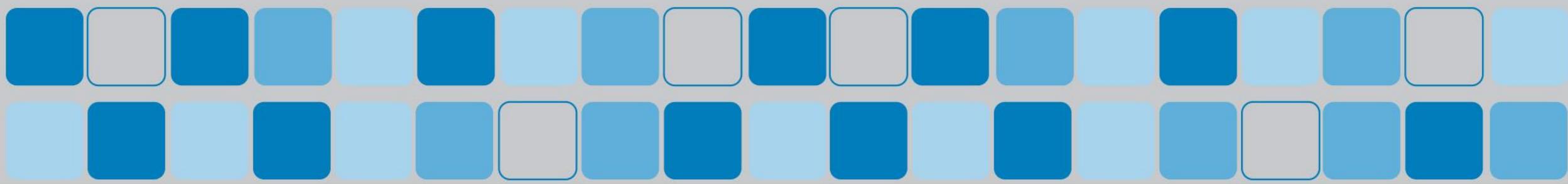
- Each month, match investment assets to either:
 - Manager statements
 - Pooled funds
 - May be quarterly
 - Custodial report
 - Actively traded
 - Stocks (equities)
 - Bonds (fixed income)





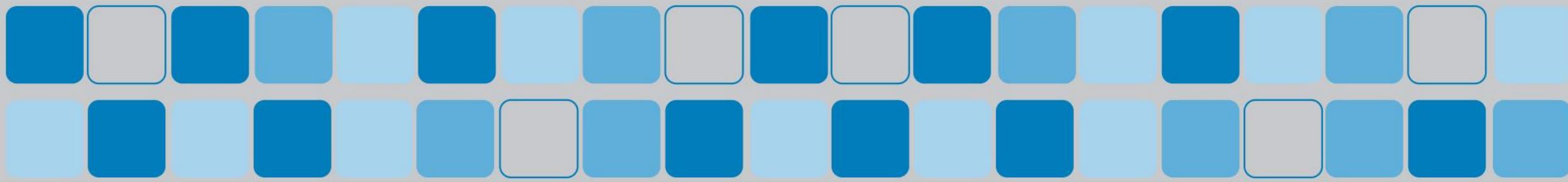
Monthly Accounting Basics - Cash

- Did last month's reconciliation agree with the trial balance?
 - Explained difference
 - Simple recurring timing issue?
 - Likely no adjustment necessary
 - Adjustment to ledger necessary?
 - Unexplained difference
 - Research with Treasurer
 - Once explained, same as above



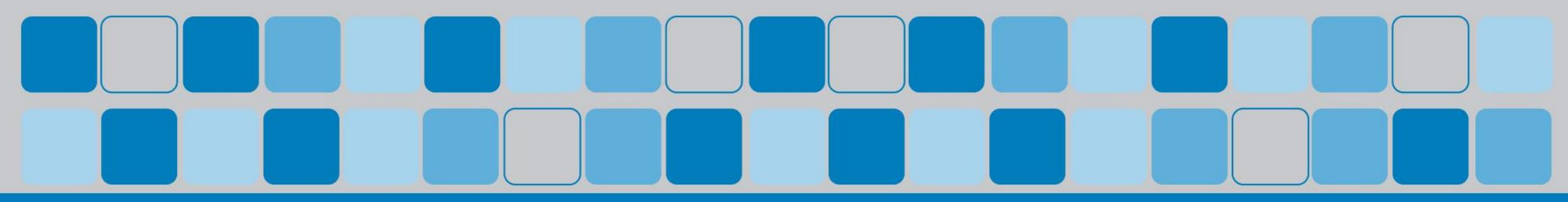
Cash Adjustments (1)

- Old checks
 - First move to Accounts Payable
 - Debit Cash, credit #2020
 - If check reissued
 - Debit #2020, credit Cash
 - If not reissued after a while, write it off
 - Debit #2020, credit #4825 Miscellaneous Income



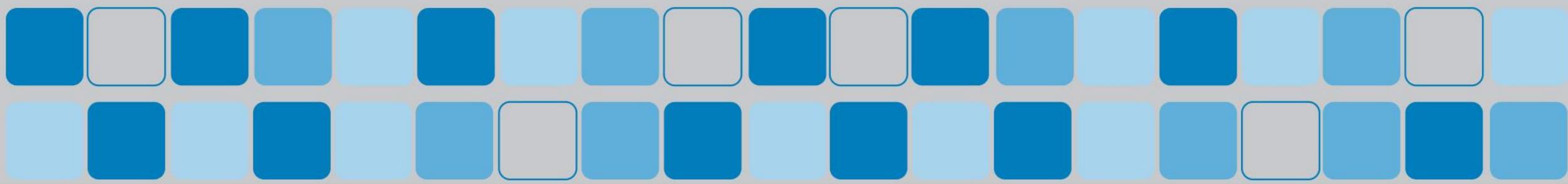
Cash Adjustments (2)

- Bank errors (small)
 - If cashed for lower amount
 - Debit Cash, credit #4825
 - If cashed for higher amount
 - Debit #5589 Administrative Expenses, credit Cash
- Any other small variances in the reconciliation handle similarly



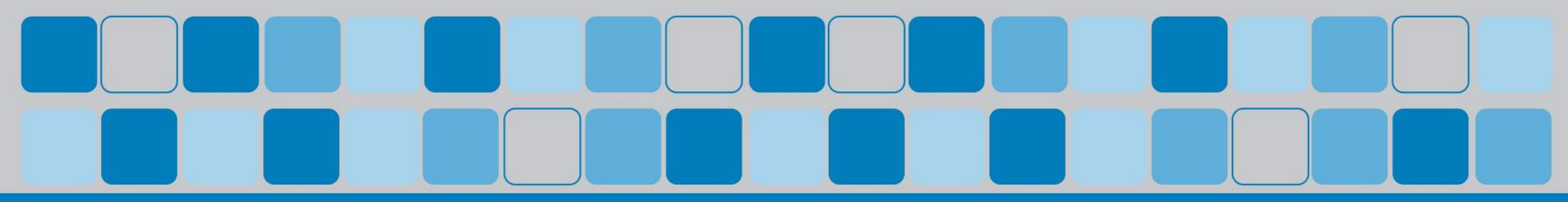
Cash Adjustments (3)

- Be careful with retiree payroll
- If gross is entered, do not worry about end checks (withholdings)
 - Taxes
 - Insurance premiums
 - If withholding for 91A overearnings, enter the deduction in #4841
- Direct deposit bounced back?



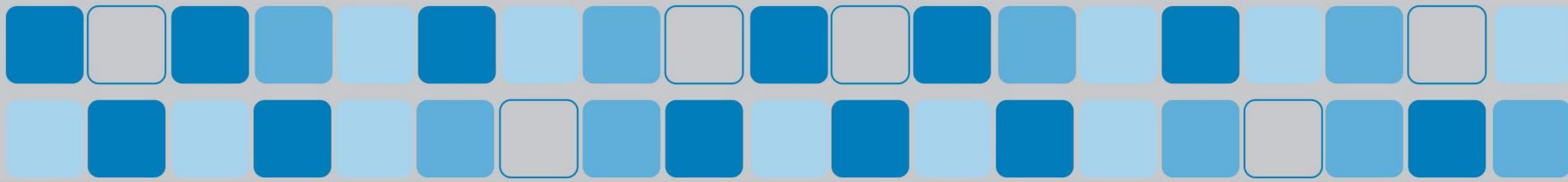
Returned Direct Deposit

- Money going out already part of gross posted to #5750/5751/5752
- First adjustment — put the money back
 - Debit Cash, credit #2020
- Second adjustment — when check issued
 - Debit #2020, credit Cash



Supplemental Schedule

- What is it?
 - List of everyone with money in the Annuity Savings Fund
 - Starts with balance at end of prior year
 - Columns for money coming in and going out
 - Columns for member accounts moving from/to another fund
 - Column for interest
 - Ending balance

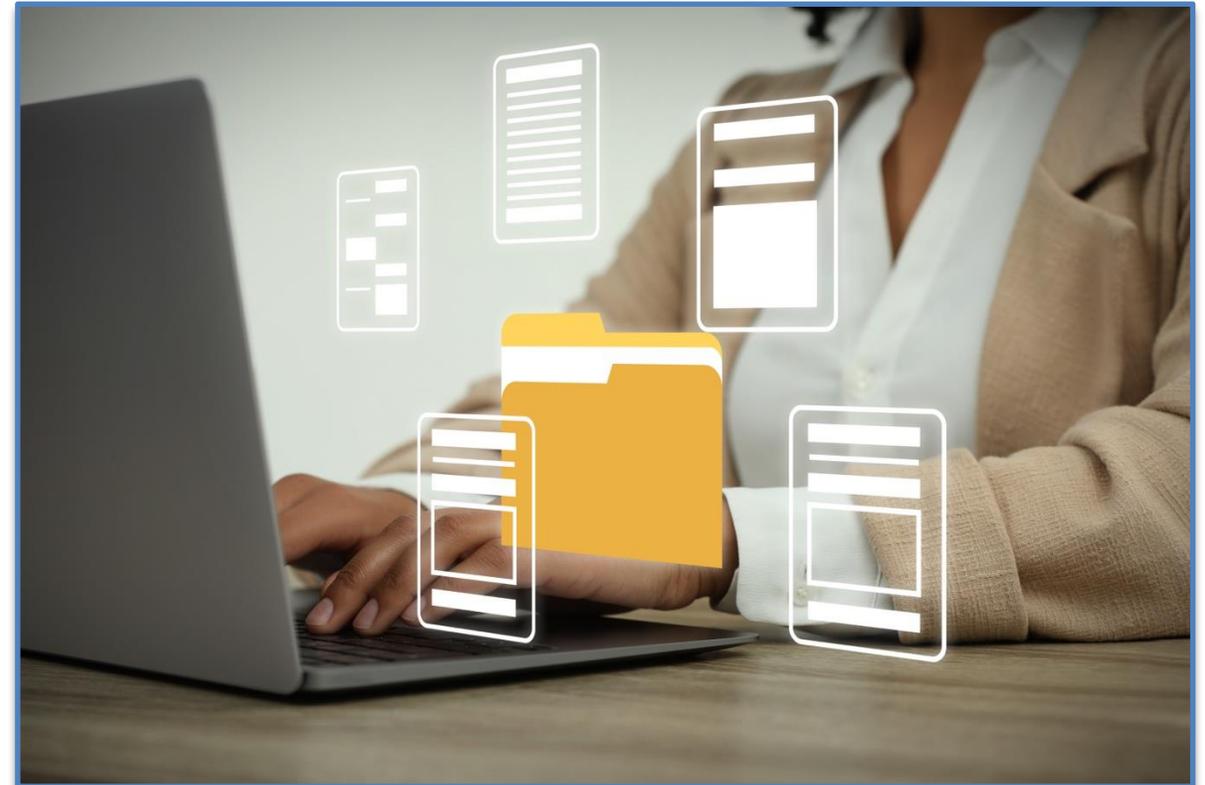


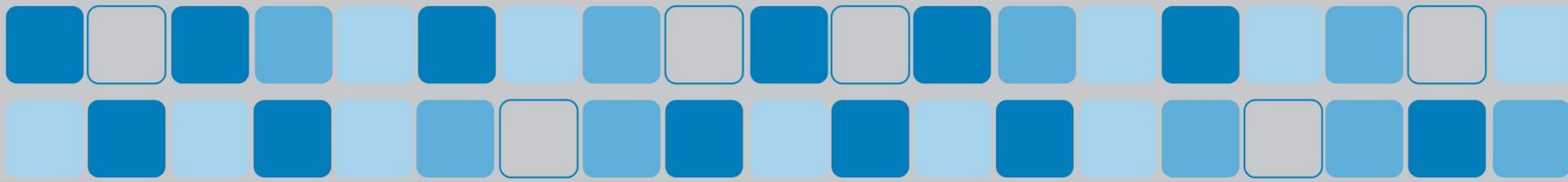
Supplementary Schedule *(Continued)*

- Want to check against accounting at least quarterly
- Some columns are more than one account
- Ending balance should be zero for refunds, transfers, and retirees (auditors check for this)
- Can't check schedule ending balance until year's accounting is finished

As The Year Goes Along

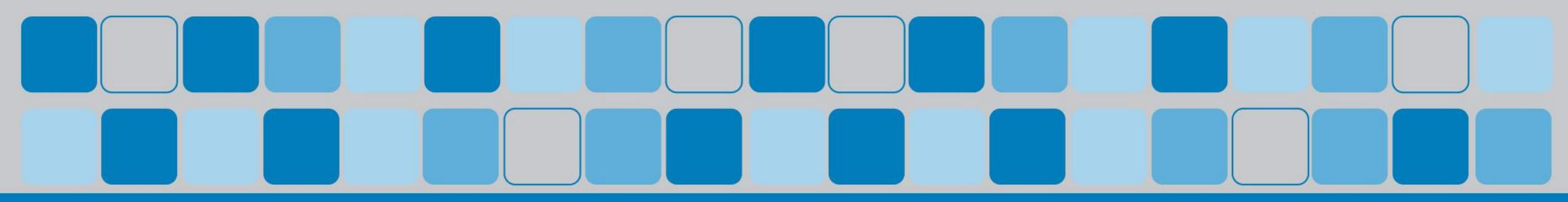
- Send monthly accounting to PERAC
 - Trial balance
 - Cash receipts
 - Cash disbursements
 - Adjusting journal entries (non-cash)
 - General ledger
 - Investment statements as applicable
- Timely submissions required





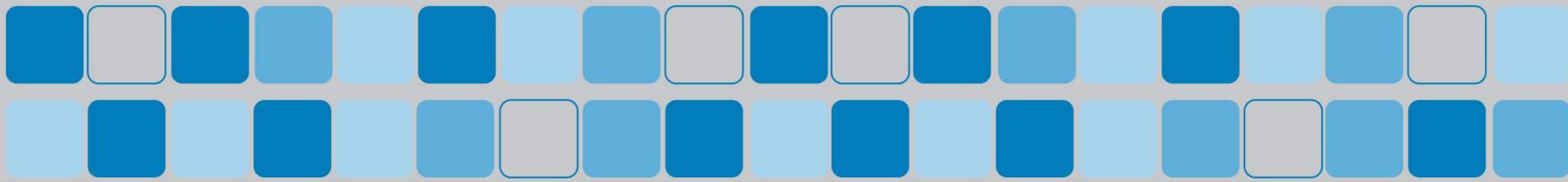
What Do We Do?

- Keep running total of debits and credits
- Add entries from current month's receipts, disbursements, and adjustments
- Compare year-to-date total with debits and credits on current month's trial balance
 - If you are contacted, the sum is not working out
 - Did you revise an older entry, or add a new one in a prior month, and not tell us?



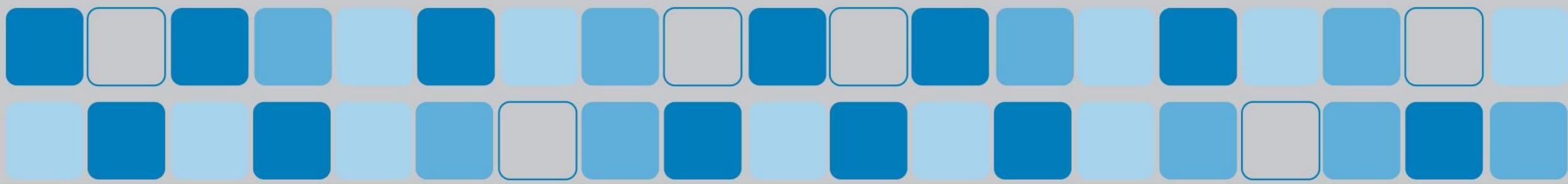
Memo #24/2014

- About correcting errors in accounting records
- Do not revise previously submitted cash books
- Fix any errors in the current accounting period



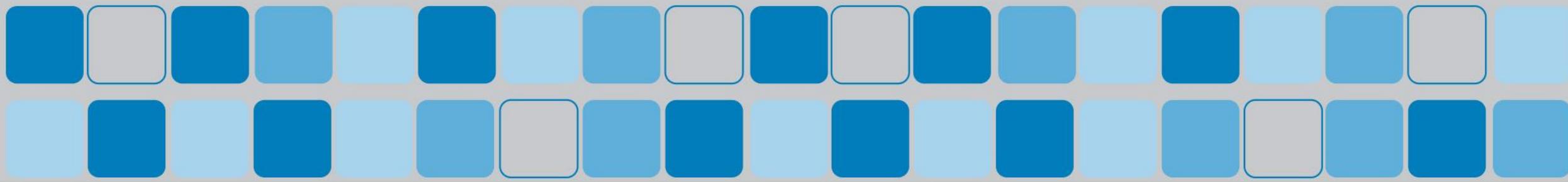
Late Manager Statements

- Takes longer to get values for investments that are not equities or fixed income
- Do not hold up monthly accounting to wait for these
- Enter accounting in the month the statement is received
 - Not the end of the period covered by the statement



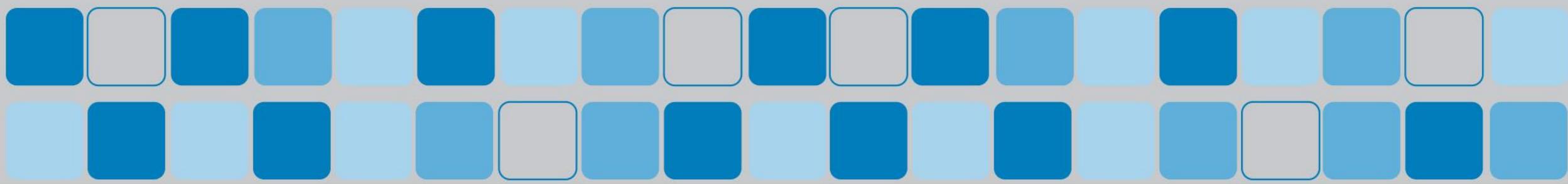
Finally Reach December

- First do “normal” accounting
- Are there any accruals?
 - Receivables: money due the system that is received in the future
 - Member contributions from 12/29 payroll that are deposited 1/3
 - Payables: money owed by the system that is paid in the future
 - Bills for December received and paid in January



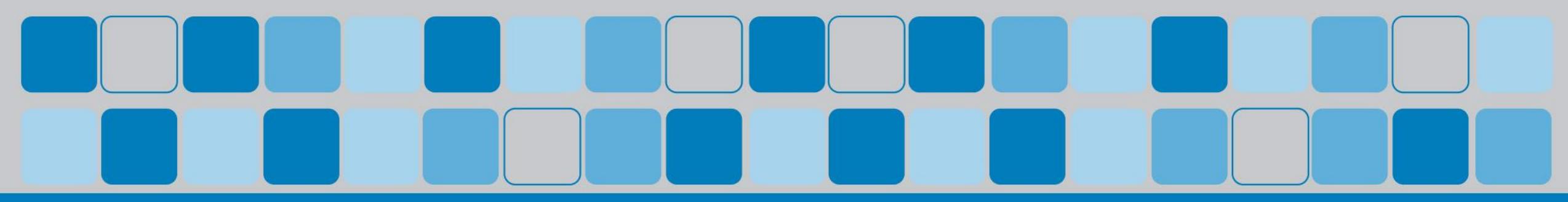
End of Yearly Accounting Cycle

- 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



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
 - Total increase is gain
 - Total decrease is loss



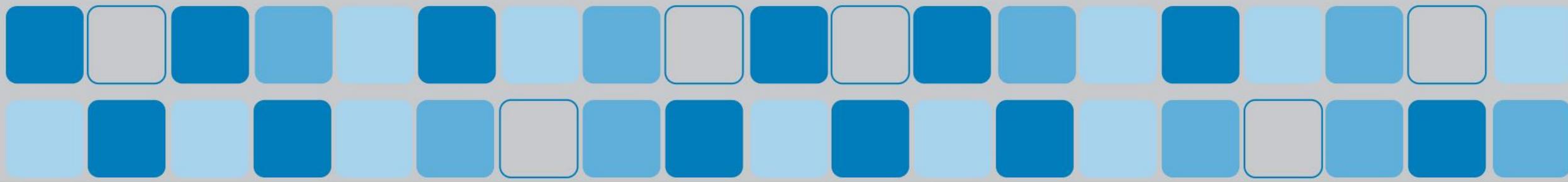
Interfund Transfers

- 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

Interest Due and Accrued (1)

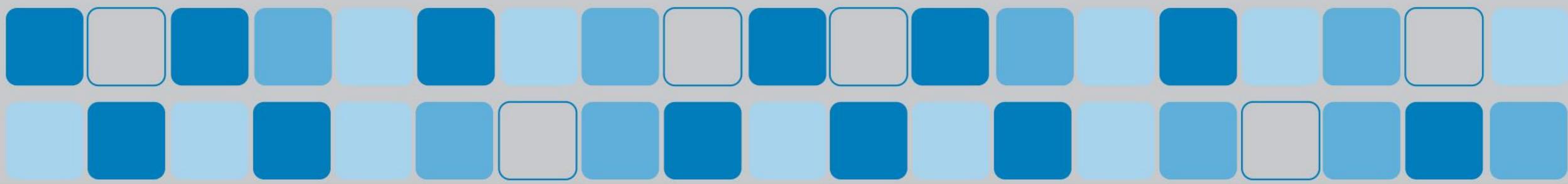
- If not entirely in PRIT:
 - Definition: interest built-up over time that you haven't cashed out on yet.
 - Where:
 - Schedule 3A from custodian and
 - possibly on Schedules 1 and 2A





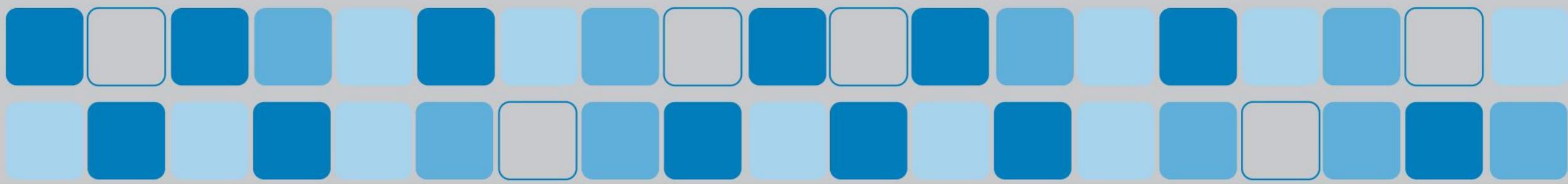
Interest Due and Accrued (2)

- What's an accrual?
 - Book the prior balance interest accrued as a debit to 1550 Interest Due and Accrued account, credit 4820 Investment Income Control Account.
 - At the end of the year, you reverse that entry
 - Book the exact same entry just backwards in current year and then repeat bullet above with the new amount.
 - This is when you don't record income.



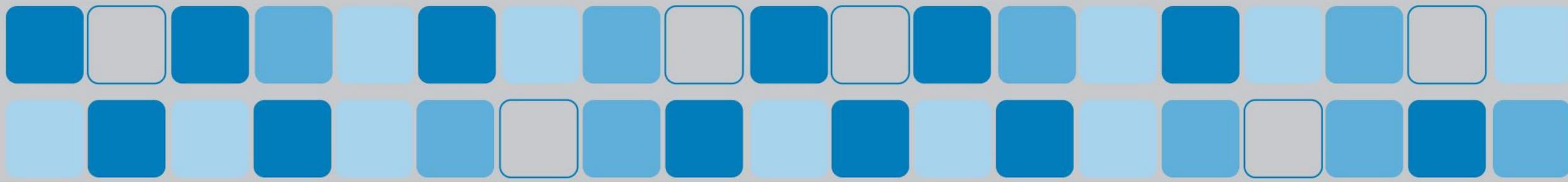
Interest Due and Accrued (3)

- 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



What Else Goes Into the Investment Income Control Account?

- Year-end close: all income, gains, and losses go
 - Fund interest comes out
- When the income is received, it is booked to #4821
 - Credit #4821 (Revenue), and then debiting either PRIT Cash or your fund account in GL (Asset)
 - Note: lowering #4821 would throw off matching schedule totals



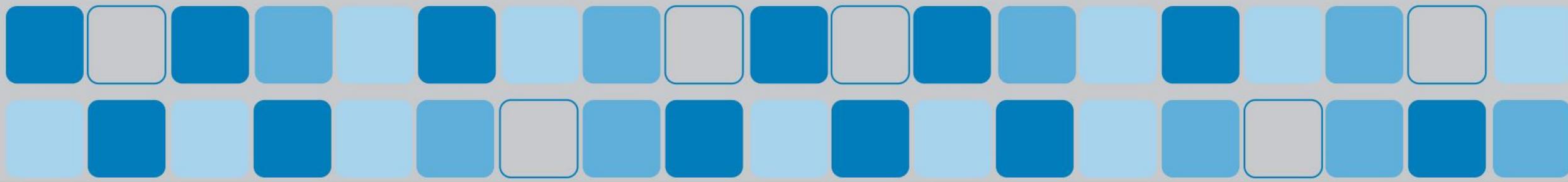
After Accruing and Once-Per-Year Entries

- Trial balance is the “pre-close” trial balance
- Most of these amounts will show up on the annual statement
 - Fund balances will not be finalized yet

The Closing Process

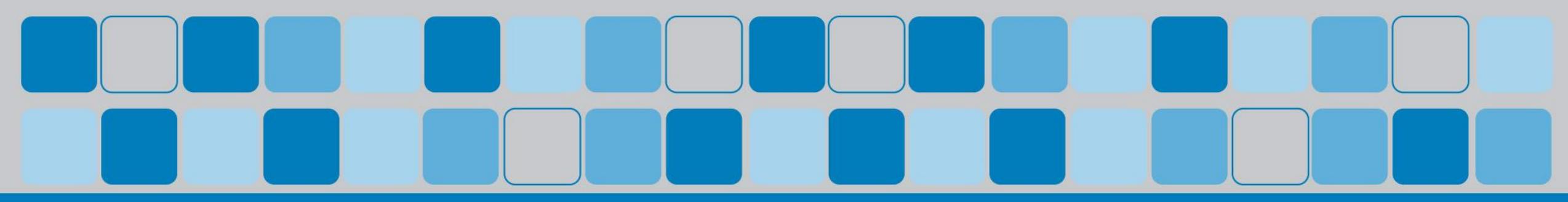
- Accounts in the 4000s and 5000s close to one of the six funds
- Started year at zero, have balances at end of December
- Putting the ending balance in a fund restores accounts to zero for the following year





Post-Close

- Trial balance after close called “post-close”
- Funds now have balances that will be on annual statement
- Receipts and disbursements should all be zero
- Save post close detailed general ledger—kept forever
- Annually save lists of members who received refunds, transferred, or retired



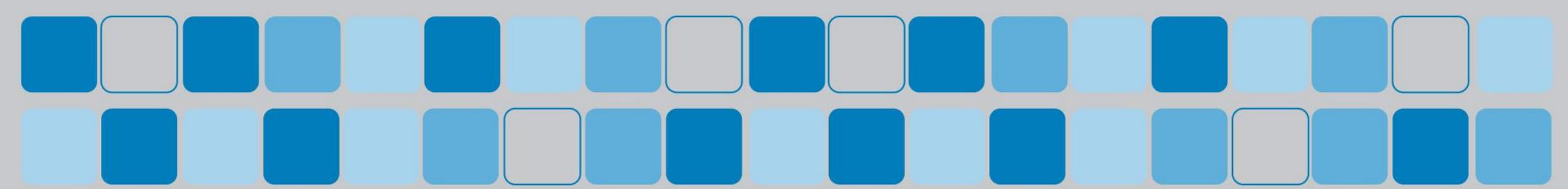
The Statement Itself

- There are no format changes for the 2025 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
→ **2025 Annual Statement**
 - **Sample Annual Statement shows which numbers in the statement should be the same**

Balance Tests: Annual Statement, Page 1 (1)

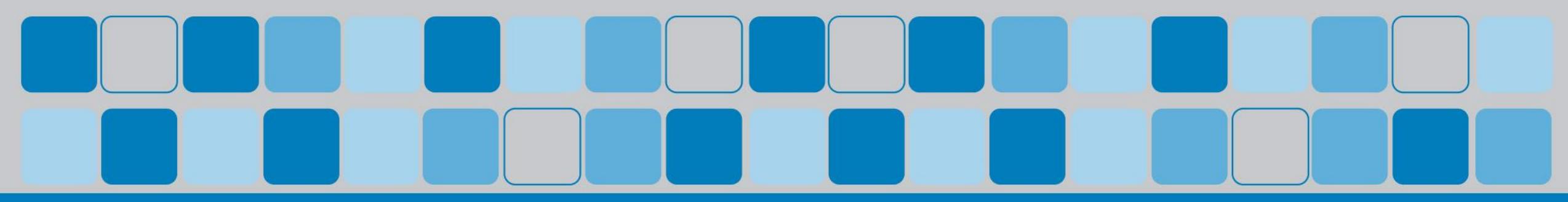
- Three different ways of looking at the year's activity.
- The result should be the same number for all three.





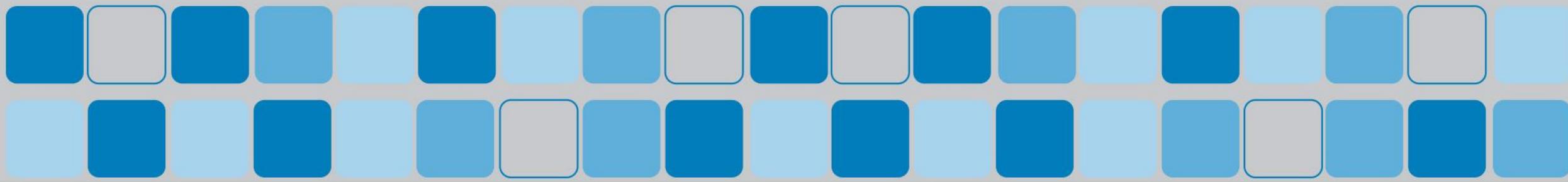
Balance Tests: Annual Statement, Page 1 (2)

- 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



Balance Tests: Annual Statement, Page 1 (3)

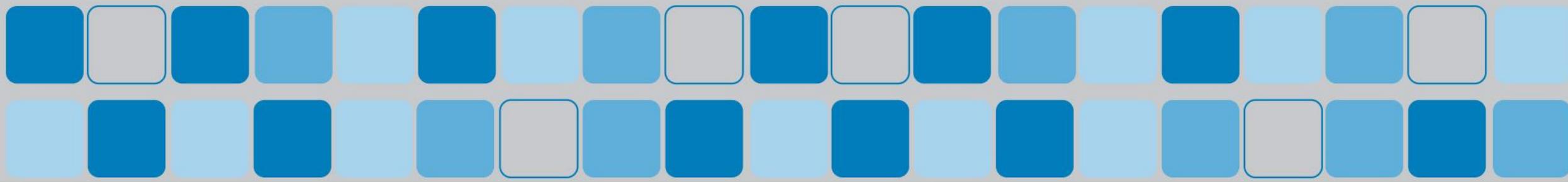
- My numbers are different, but the reasons on the prior slide don't apply.
 - Look at the year's accounting entries.
 - Any entry using a fund (#3293-3298) for the debit must also use a fund for the credit and vice versa.
 - Does not apply to closing entries - those are half and half, by definition.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



Examples Of Balance: Test-Wrecking Entries

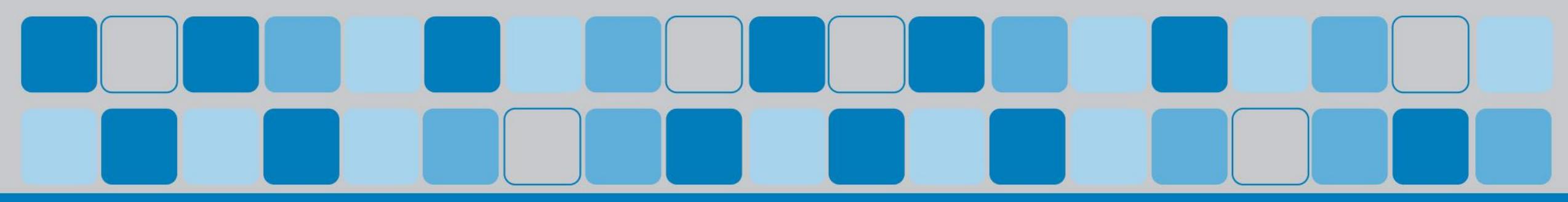
- Very old and unidentified \$1,000 receivable needs to be written off
 - **Wrong:** debit #3297 Pension Reserve Fund, credit #1398 Accounts Receivable
 - **Right:** debit #5589 Admin Expenses, credit #1398

- On a refund forgot to book interest not refunded
 - **Wrong:** debit #3293 Annuity Savings Fund, credit #4822 Interest not Refunded
 - **Right:** debit #5757 Refunds, credit #4822



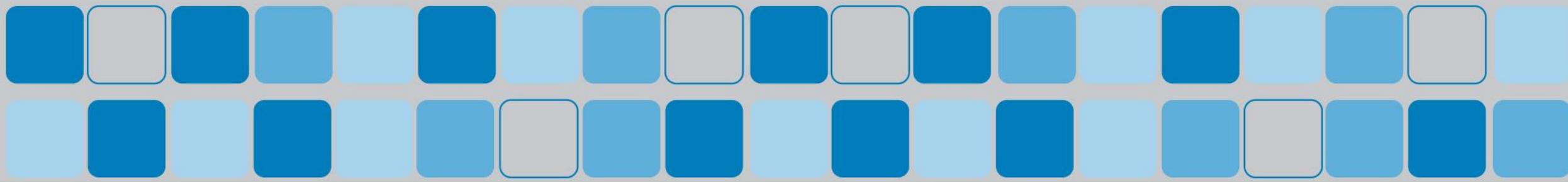
Assets and Liabilities (Annual Statement, Page 2)

- Top part is assets broken down by type (e.g. cash, investments, accounts receivables) and liabilities
- Bottom part is fund balances



Annual Statement (Annual Statement, Page 3)

- 2025 Fund activity
 - Top half has totals by fund
 - Bottom half lists each individual interfund entry
 - Goal is to match the interfund transfer column in the top half

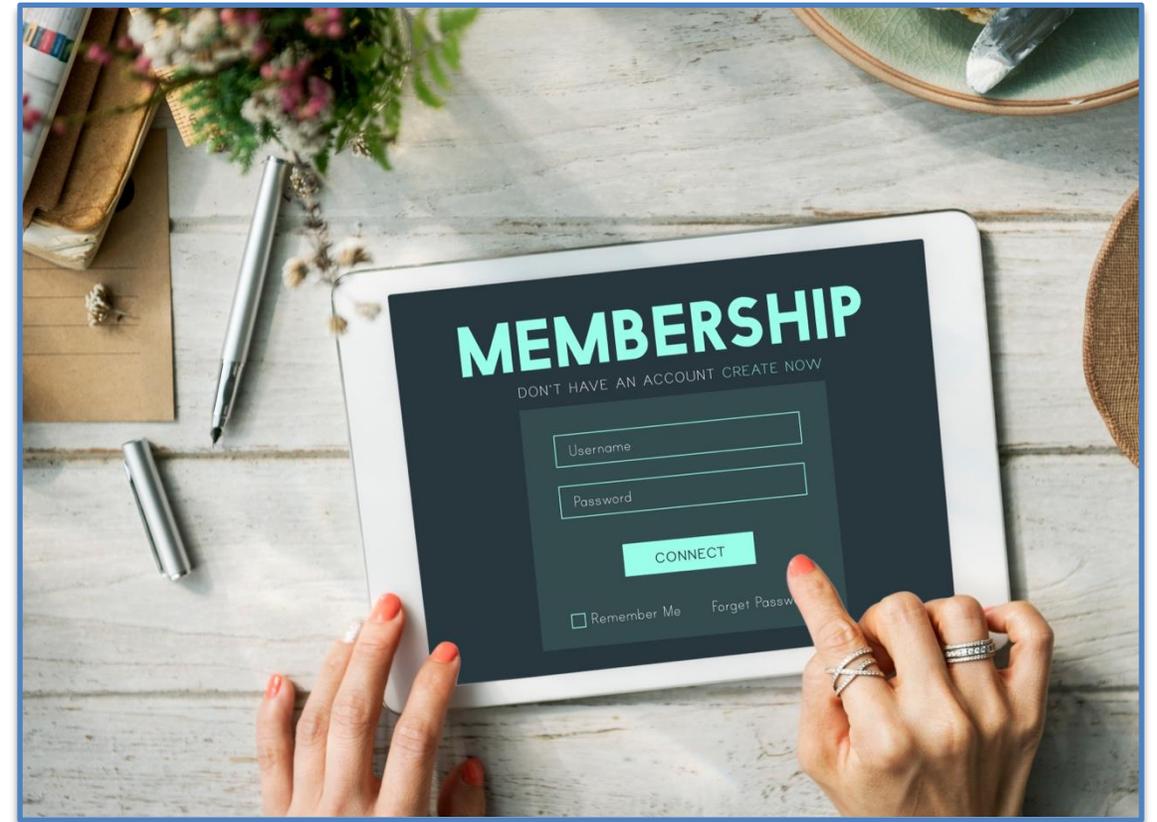


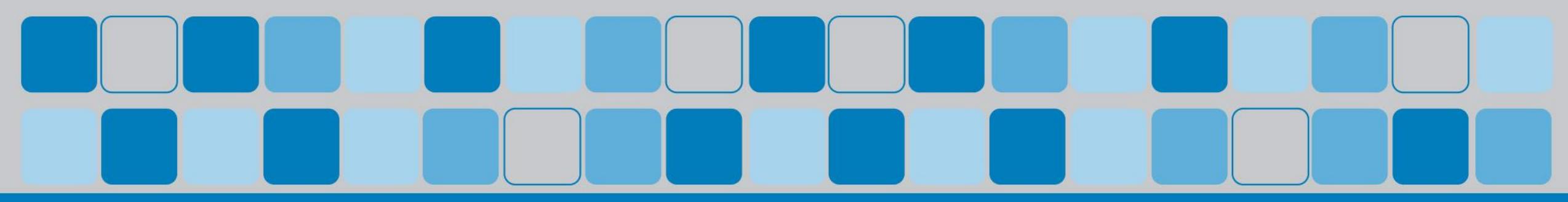
Next Three Pages

- Receipts
- Disbursements
- Investment Income
- Amounts should match the account closing entry in the general ledger

Membership Counts (Annual Statement, Page 7)

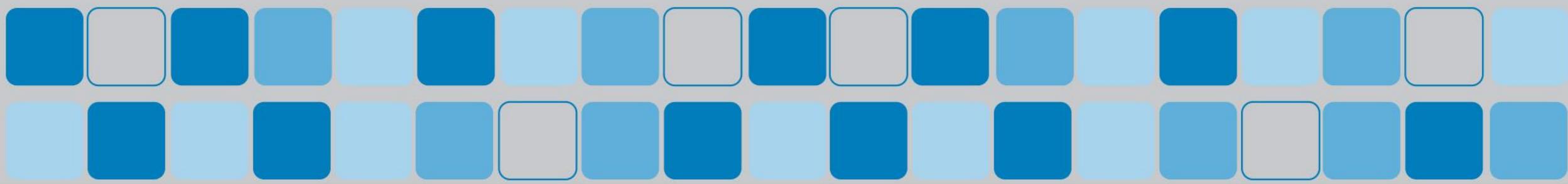
- Actives and retirees by group
- Changes in status during the year





Schedule A (Annual Statement, Page 8)

- Receivables at the top
 - Listed by account number
 - Put dates for all
 - Buyback receivable use 12/31/2025
- 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



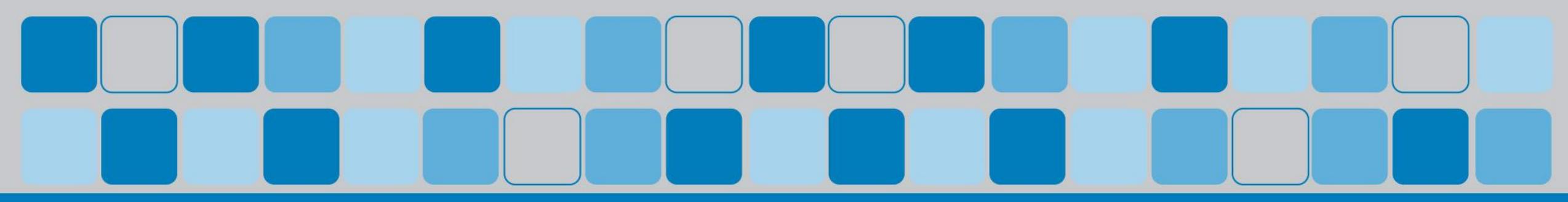
Schedules 1-7

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

Reviewing Your Own Annual Statement (1)

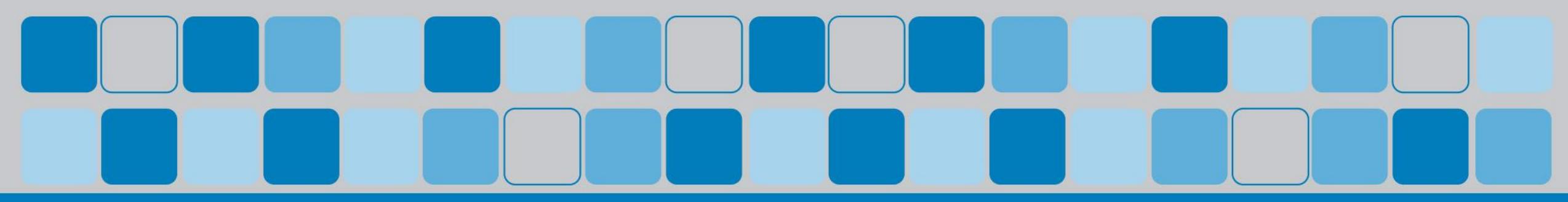
- Asset and Liability page
 - Market values should match:
 - Schedule 1 for cash
 - Schedule 2 for short-term investments
 - Schedule 3 for fixed income
 - Schedule 4 for equities
 - Schedule 5 for pooled funds





Reviewing Your Own Annual Statement (2)

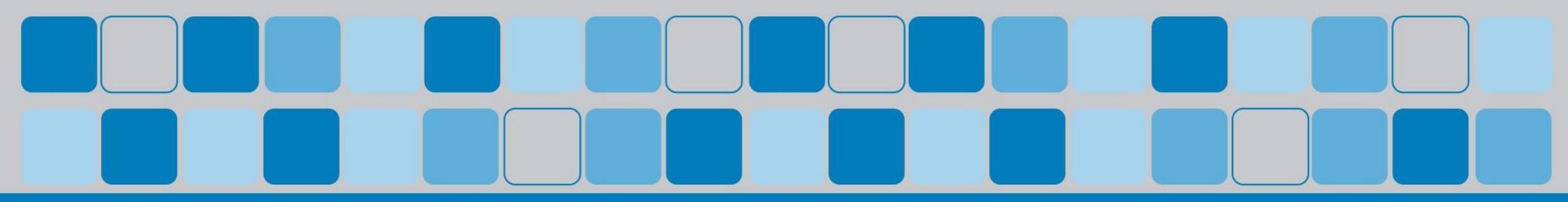
- Schedule 2: Short-Term Investments
 - Investments that you could sell for cash in a matter of months or a few years.
 - Lower risk, lower reward.
 - T-Bills, CD's, high yield savings



Reviewing Your Own Annual Statement (3)

- Schedule 3: Fixed Income

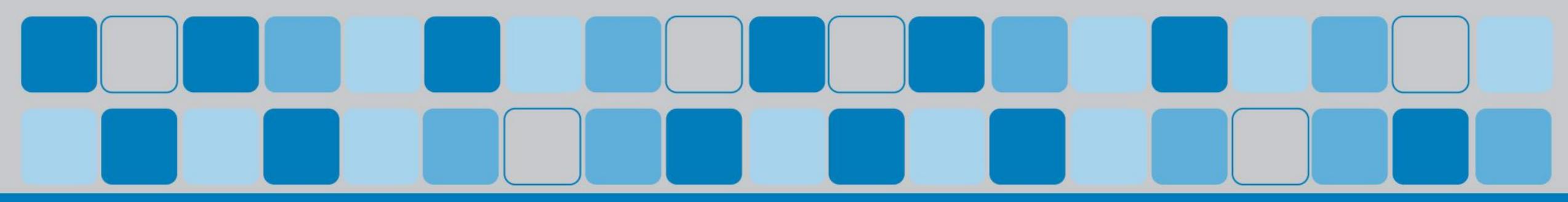
- Pays a predetermined amount at a predetermined time in the form of interest or dividends.
- Bonds are most common form



Reviewing Your Own Annual Statement (4)

- Schedule 4: Equities

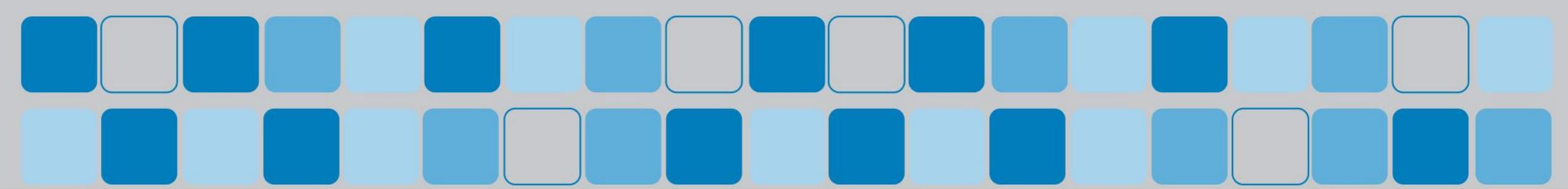
- Purchase stocks or shares of a company, you then get a piece or part ownership of the company.
- The value of the stock is based on the value of the company, which is dependent on several factors you may or may not be able to predict.
- “Common Stock” – Apple, JP Morgan



Reviewing Your Own Annual Statement (5)

- Schedule 5: Pooled Funds

- Funds that are grouped together and managed by someone else.
- Can be diversified investments such as Toyota and Apple, or same market such as Toyota and Firestone tires.
- Easier to check when pooled funds in same account are grouped together



Reviewing Your Own Annual Statement (6)

- Investment Income page

- 4821 Investment Income total comes from Schedules 1, 2A, 2C, 3A, 3C, 4A, 4C, and 5
- 4884 Realized Gains total comes from Schedules 2C, 3C, 4C, and 5
- 4886 Unrealized Gains total comes from Schedules 2A, 3A, 4A, and 5
- 4885 Realized Losses total comes from Schedules 2C, 3C, 4C, and 5
- 4887 Unrealized Losses total comes from Schedules 2A, 3A, 4A, and 5

Reviewing Your Own Annual Statement (7)

Explaining Unrealized vs Realized

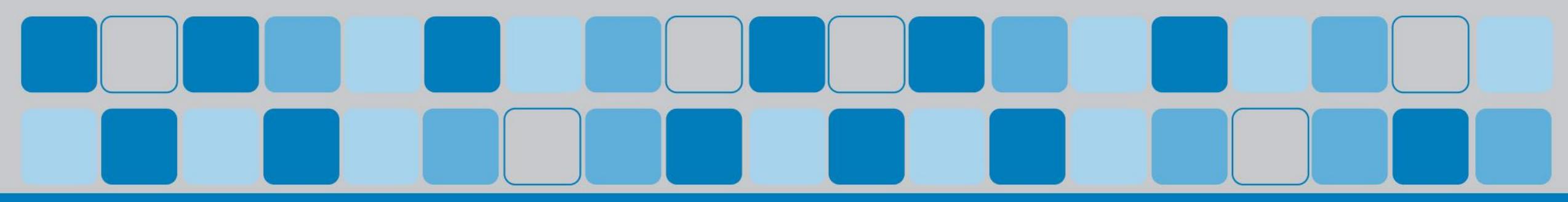
- Your home has a tax-based value and sale value.
- The tax-based value is **unrealized**.
- The money you receive from actually selling the house is the **realized** value.



Reviewing Your Own Annual Statement (8)

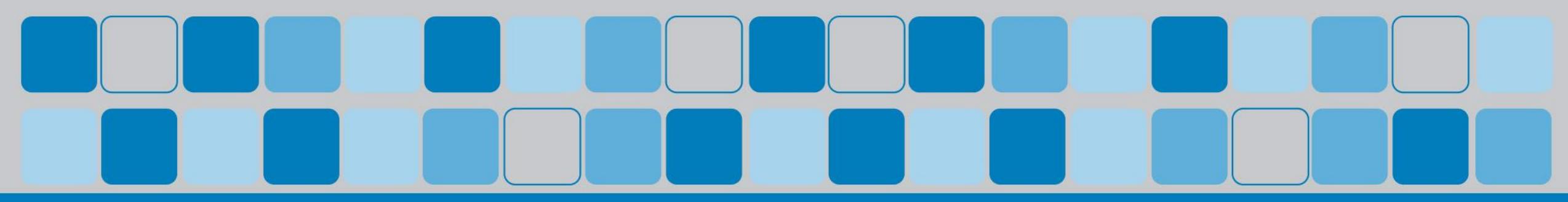
- Schedule 6 contains amounts for market value, investment income, and all gains and losses
- All numbers come from Schedules 1-5





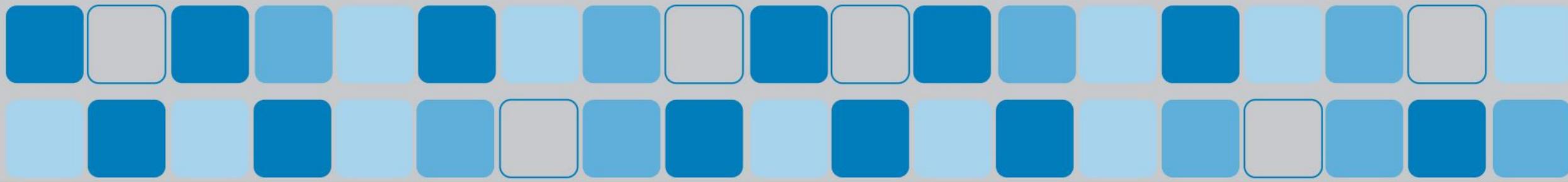
Reviewing Your Own Annual Statement (9)

- Schedule 7 amounts show up on Disbursements Page
 - 5304 Management fees
 - Schedule 5 management fees might not match Schedule 7 when paying via invoice
 - 5305 Custodial fees
 - 5307 Investment Consultant fees



Reviewing Your Own Annual Statement (10)

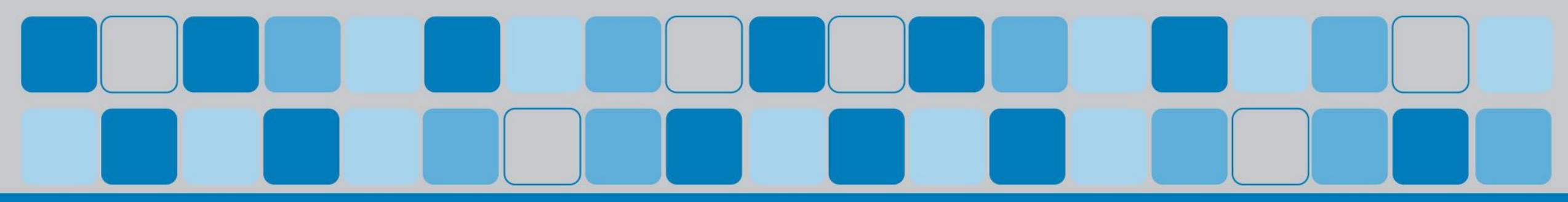
- Schedule 7 amounts also show up on the Investment Income page.
 - 4701 Carried Interest
 - Managers of funds share a portion of their funds' profits with the board
 - Treated like investment income taxed at the capital gains rate
 - 4702 Equalization expense
 - Join into a fund at a certain time of the year and you are entitled to earnings only pertaining to that period
 - 4703 Miscellaneous Investment expenses



Reviewing Your Own Annual Statement (11)

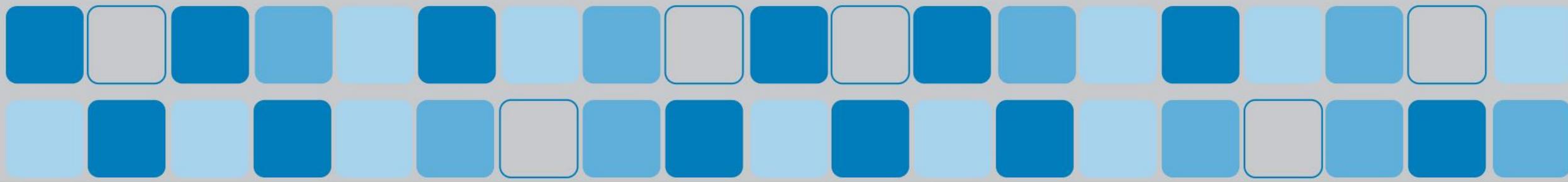
- 5751 Pensions Paid

- If the row above Regular Pension Payments has a number, that should match the breakdown total.



Supplemental Schedule (1)

- Try to balance throughout the year
- How deductions should work
 - **Pay date 12/27/2025**- contributions should be on 2025 Supplemental Schedule
 - **Pay date 1/3/2026**- contributions should be on 2026 Supplemental Schedule
 - Does not matter that the check covers pay for days in December



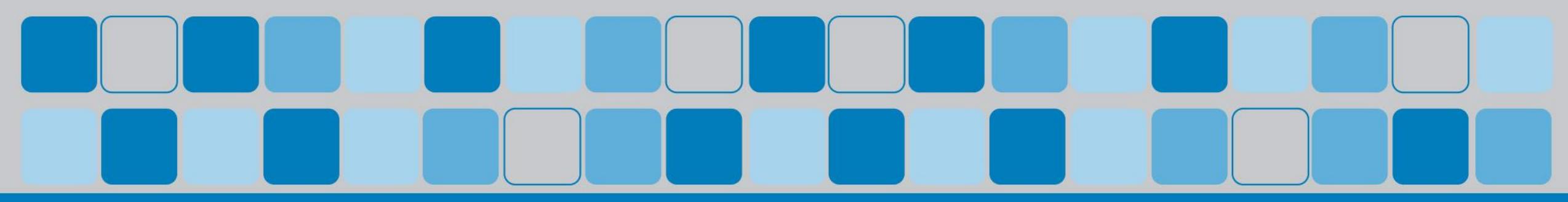
Supplemental Schedule (2)

- A couple different formats: the following may be their own columns
 - Additions
 - 4891 Member deductions
 - 4892 Transfers from other systems
 - 4893 make-ups/re-deposits
 - 4900 make-ups/re-deposits via rollover

Supplemental Schedule (3)

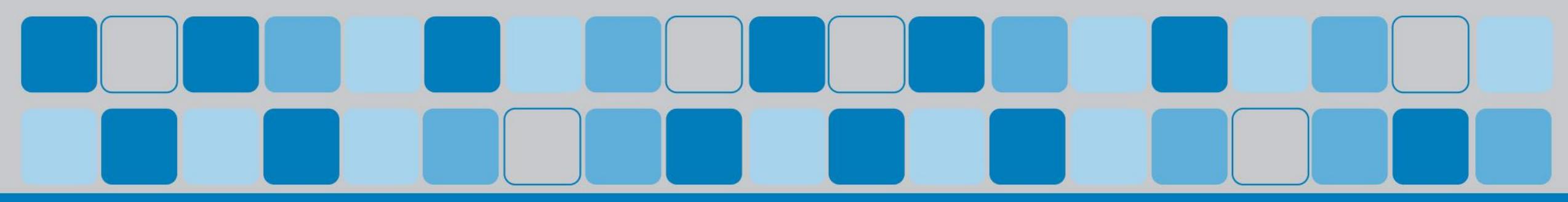
- Reductions
 - 5757 Refunds
 - If applicable reconciliation should take 4822 Interest not Refunded into consideration
 - 5756 Transfers to other systems





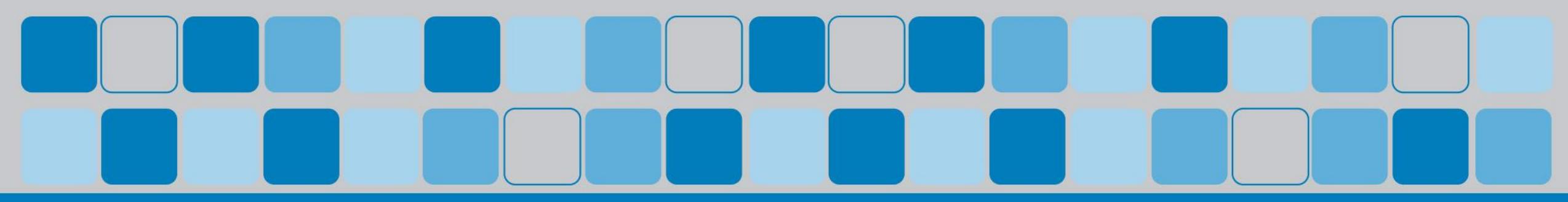
Supplemental Schedule (4)

- Interest
 - This is not handled in the accounting until the year-end closing process
- Transfer to Annuity Reserve
 - New retirees during the year
 - If a retiree is restoring active membership, this is a negative number



Supplemental Schedule (5)

- Transfer to Pension Fund
 - Active member dies with no spouse but dependents and a \$12B will be paid
 - Member who received total incapacity workers' compensation retiring
 - Described in §14(1)(a)
 - Transfer made only if allowance will be increased
 - Superannuations will not be increased
 - Accidental disabilities already at 75% cap will not be increased
 - This will be a negative number on the schedule.



Supplemental Schedule (6)

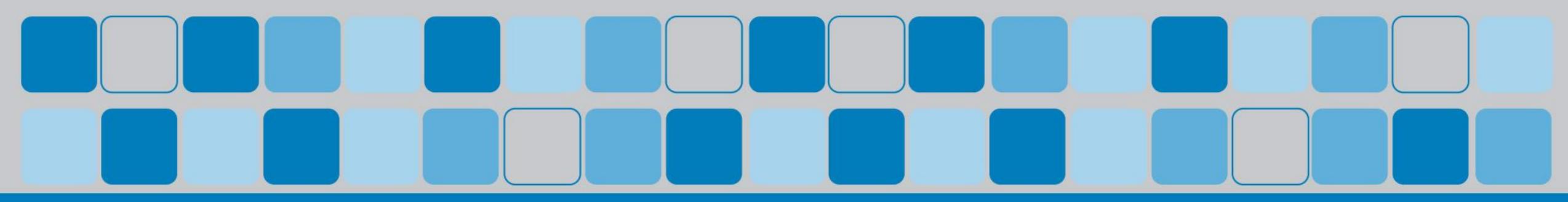
- Transfer to Pension Reserve
 - Includes 4822 Interest not Refunded
 - Disability retiree with excess interest because the retirement date goes back years
 - 10-year inactives
 - If a 10-year inactive is returning to service or taking a refund, this is a negative number

Supplemental Schedule (7)

- Current Year balance

- Grand total should equal 3293 Annuity Savings Fund
 - If there is a receivable for service purchases, this will need to be added to the schedule's total to match the ledger





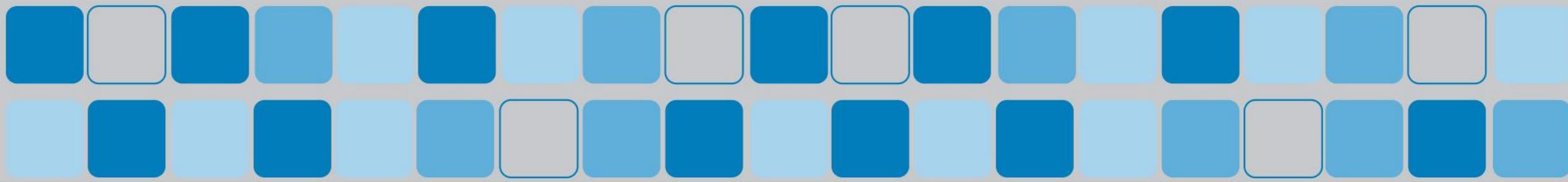
Upload Rules

■ Required Documents

- Annual Statement (must be READABLE PDF format)
- Schedules 1-7 (must use the template in PROSPER)
- Supplemental Schedule (must be READABLE PDF format)
- Accounting Close Interest (must be READABLE PDF format)
- Post Close December Trial Balance (must be READABLE PDF format)
- Post Close January – December General Ledger (must be READABLE PDF format)

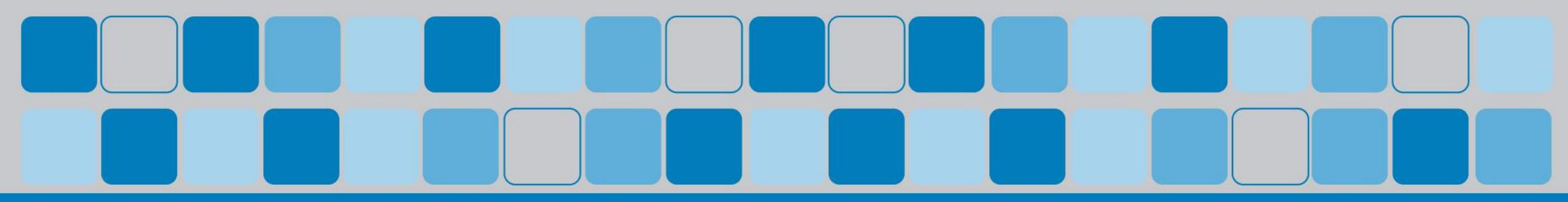
■ Only If Applicable

- Investors and Consultants (must be READABLE PDF format)
- Other Docs



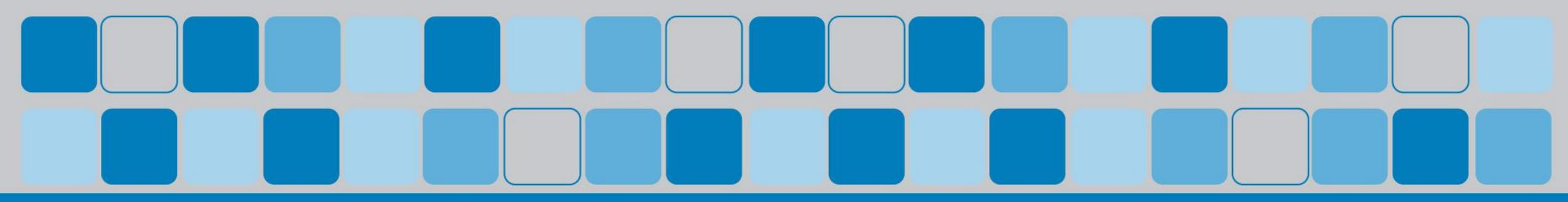
Schedules 1-7 Template Do's & Don'ts

- Do download the schedule template from PROSPER
- Don't reuse a schedule from a prior year
- Don't make any changes to the schedule template
- Don't add any tabs or columns to the schedule template and don't change tab names
- Do contact us if you come across an issue and feel like you need to make changes
- You can copy and paste into the schedule template but don't override any of the formulas (the greyed-out columns and rows)



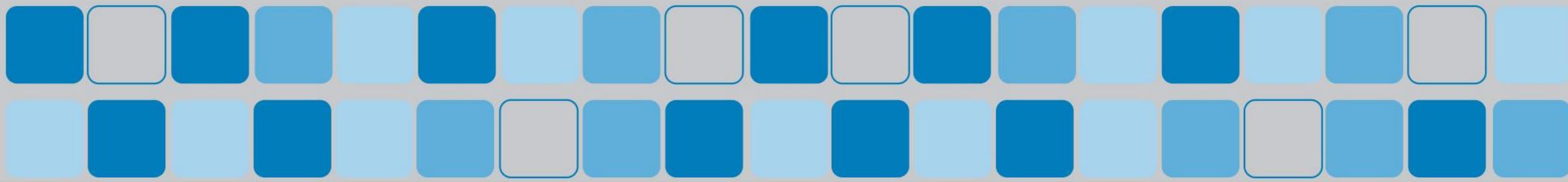
If You Need An Extension

- Send a letter or email to Bill Keefe, PERAC's Executive Director, and cc Caryn Shea, prior to May 1, 2026
- Extension may be granted for a 30-day period
- Particulars as to why you need the extension must be provided
- You are also required to estimate an ultimate filing date



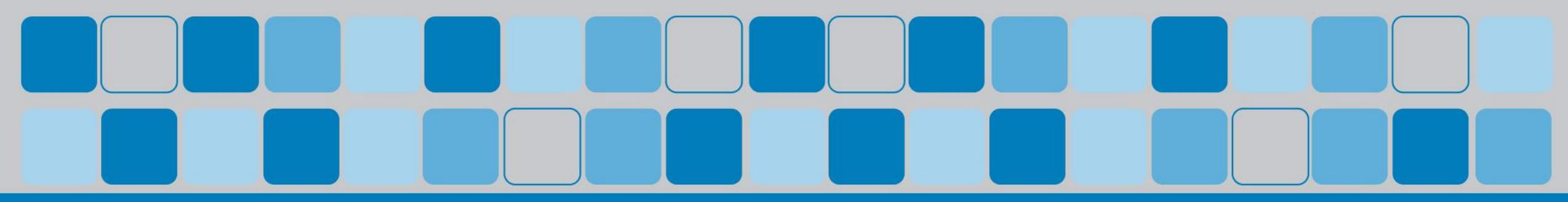
Auditor Review of Annual Statement (1)

- Reviewed for consistency and completeness
- Annual Statement in 'Under Review' status
 - Questions/Comments will be added by the Auditor in the Notes section
 - An email is also sent with the Questions/Comments included
 - Corrections should be made, and answers can be added in the Notes section
 - Submit again - there is no need for the Board Members to sign again



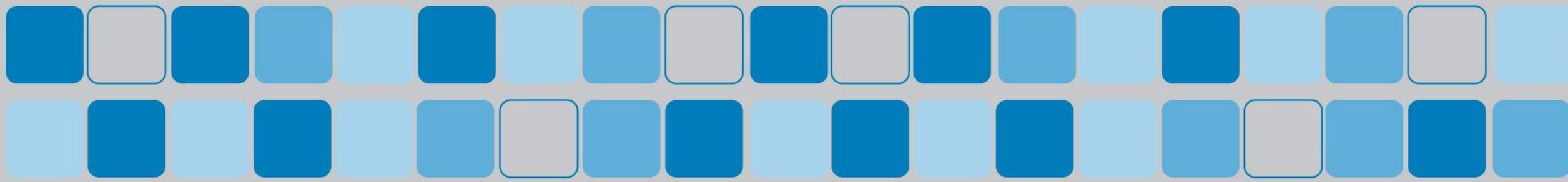
Auditor Review of Annual Statement (2)

- Once it is resubmitted it will go into the Submitted bucket again
- The auditor will check the resubmission and if okay move it to the Final Review bucket
- Once in Final Review it is reviewed by a senior auditor and
 - if okay, it's moved to the Completed bucket
 - if there are questions, it's sent back to the auditor to follow up with the board and the process continues until it is moved to the Completed bucket



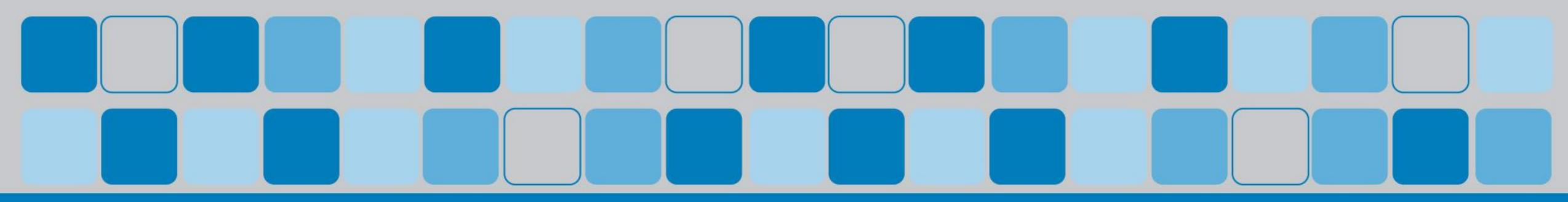
Some Common Issues (1)

- Balances of assets does not equal current market value on either Schedule 5 or Schedule 6
- Statement of income—received from amounts on top section should agree to noted schedules
- Include all adjustments on lower portion of funds balance page and vice versa
- During review we sometimes find differences on realized/unrealized gains and losses.
- Don't overwrite formulas on schedules



Some Common Issues (2)

- PDFs not submitted in readable format—scanned as pictures
- Required template not used
- Multiple excel files uploaded



Questions?

