

REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES MANUAL

Policy Type : Fiscal Management
Policy Title : Journal Entry Approval Policy
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JOURNAL ENTRY APPROVAL POLICY

Journal entries record accounting information into the accounting system general ledger that are not typically processed through the cash receipts or cash disbursement cycle. Journal entries can be classified as recurring and non-recurring. Recurring journal entries are typically routine in nature and can be repeated daily, weekly, monthly, quarterly, or annually. Non-recurring journal entries are typically entries that record one-time transactions, correct mistakes into the accounting records or are considered a high-risk potential.

Responsibility for RWA's day-to-day accounting records, including journal entry processing, support, and posting, is a function of the Finance Director. This policy defines when additional approval is required for processing journal entries. All journal entries, recurring or non-recurring, shall be supported by appropriate supporting documentation maintained with the accounting records.

1. Recurring Journal Entries

- a. These journal entries would not require explicit approval by the Executive Director.
 - i. Automatically reversing journal entries that reverse a previous months' journal entry, which activity typically occurs in July of a new fiscal year.
 - ii. Recording the monthly amount of cash used or received by the Water Efficiency Program.
 - iii. Record quarterly LAIF interest earnings or other investment earnings.
 - iv. Recording the administrative costs allocation to the subscription based projects, including SGA. (Note: the allocation calculation is subject to approval by the Executive Director.)
 - v. Annual depreciation and amortization of fixed assets.

- vi. Payroll and benefits related journal entries. (Note: the actual payroll register is approved by the Executive Director.)
- vii. Reclassification of accounting information to conform to the presentation of the audited financial statements (e.g. reclassifying grants receivable from ordinary receivables for financial statement reporting purposes; reclassifying SGA receivable from ordinary receivables to related party account receivables, etc.).
- viii. Year-end journal entries which adjust cash basis accounting records to accrual based records (i.e. accrual of income or expenses)

The Executive Director will review all recurring journal entries made by the Finance Director as part of the monthly closing procedures. This review is complete by the Executive Director's initials on the monthly reconciliation report noting any comments.

2. Non-recurring Journal Entries:

- a. These journal entries would require explicit approval by the Executive Director as part of the acceptance of the annual audit reconciliation and Annual Financial Statement:
 - i. Journal entries which correct errors in posting to accounts
 - ii. Journal entries which reflect transfers of cash between bank and investment accounts
 - iii. Journal entries related to calculating grants and incentives receivable and the related income
 - iv. Journal entries related to grants payable to member agencies
 - v. Journal entries related to subscription program advances
 - vi. Journal entries for fixed asset disposal and/or write offs
 - vii. Recording of non-cash transactions.
 - viii. Recording pension plan accrual, and the related deferred inflows and deferred outflows in compliance with GASB 68