

Cc: 'Marcus'; 'John Kuhry'; 'Alan Humason'

Subject: Carryover question | Mendocino County Tourism Commission

Hello Joe,

As we talked about, this email has some questions posed by the Finance Committee we need guidance on.

- > Please advise how to treat residual income at the end of the fiscal year that would be spent in a future year?
- > How would we treat residual income related to the budget?
- > What entries would we make in the current fiscal year to account for expenditures from the "carryover" or residual income from the previous year?

Thank you!

Daphne



Fwd: Re: Carryover question | Mendocino County Tourism Commission

1 message

Marcus Magdaleno <marcus@boonvillehotel.com>
To: Kathy Chacon <office@visitmendocino.com>

Thu, Aug 17, 2017 at 3:31 PM

----- Forwarded Message -----

Subject:Re: Carryover question | Mendocino County Tourism Commission

Date:Tue, 08 Aug 2017 14:40:41 +0000

From:John Kuhry <john.kuhry@gmail.com>

To:Joe Arch <joe@jjacpa.com>, abacus <abacus@mcn.org>

CC:Marcus <marcus@boonvillehotel.com>, Alan Humason <alan@visitmendocino.com>

Joe,

Thank you for the clarification. I have a some additional questions:

1. At VMC we always anticipate a carryover and use it for budgeting in the current year. In essence we adopt a deferred balanced budget. From your description we will always show a deficit on the in the budget but when cash is accrued the actual deficit would be erased. I think what we are looking for is a P&L entry that would estimate the surplus revenue. We have been simply calling it "Carryover". This leads to the next question...

2. With accrual accounting should we be accruing "Carryover" monthly?

3. We are required to maintain a reserve account. What is the best way to reflect that on the P&L? Is the first funding shown on the P&L and then subsequent adjustments?

One thing to note is the reserve is based on percentage of expenses so I would like the reserve shown outside of expenses.

Thanks!

On Tue, Aug 8, 2017 at 4:17 AM Joe Arch <joe@jjacpa.com> wrote:

Hello Daphne:

I will answer each question in order, even though they are all related to how you treat residual income for operating purposes and for budget purposes.

Any residual income from a given fiscal year gets carried forward through future years in unrestricted net assets, a balance sheet equity account. This is done automatically at the end of the fiscal year when revenues and expenses are closed out to clear the way for them to start the next fiscal year. Since it is automatic, no physical accounting entries are necessary. If the Board wishes to set aside funds for future spending for a particular purpose, a portion of the net assets can be "designated" by Board action to show up later in the equity section as a separate account, but part of unrestricted net assets.

For the budget, since accounting systems treat it as memorandum only, no accounting entries are done to reflect the adoption or amendment of the budget. This means there is no residual income for budgetary purposes because you adopt a balanced budget. (Estimated revenues equal Estimated expenses.) Since there is no requirement to have a budget in the first place (budgets are a management control device to help prevent overspending), an excess or deficiency at the end of a fiscal year is only accounted for in the manner I have described above.

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From: abacus <abacus@mcn.org>

Sent: Monday, August 7, 2017 4:27:06 PM

To: Joe Arch