

## **TYING OUT TO PRIOR YEAR NET ASSETS**

We receive calls from time to time about tying out the beginning net assets amount on the Statement of Activities (Exhibit B-1) to prior year ending net assets. Here's the process for assuring that the two numbers tie out:

- 1) First assure that final, adjusted balances in the capital assets and long-term debt fund(s) from last year are established in this year's fund(s) for capital assets and long-term debt. The easiest way to do that is to use the utility to do so. It's utility number 5 on the FieldWork module's UTILITIES menu. The balances could be keyed in manually, of course.
- 2) Check last year's government-wide adjustment journal for any entries that affected a balance sheet account (asset or liability) in funds other than the capital assets and long-term debt fund(s). These adjustments will need to be brought forward to this year's government-wide adjustment journal. These will be one-sided entries. Alternatively, these amounts could be placed in your capital assets or long-term debt fund and then the amounts would roll forward next year with step #1 above.
- 3) At this point, if you have made no further entries, your beginning net assets on the statement of activities will match the ending net assets from last year.
- 4) All subsequent entries must be self-balancing. Government-wide adjustments which affect inflow or outflow must also have a corresponding amount affecting an asset or liability, and vice versa. You will probably want to use the same adjustment number for both sides of the adjustment so that you can easily verify that the adjustment is in balance (in the government-wide journal menu, select "Tools," then "Verify Balance").
- 5) If you made a mistake last year, such as inadvertently omitting some fixed assets or depreciation, and want to correct it, that will need to be handled with a prior period adjustment. You can't just "add" it this year and expect to tie back to the prior year.