ELECTRONIC PAYMENTS RECONCILIATION BEST PRACTICES

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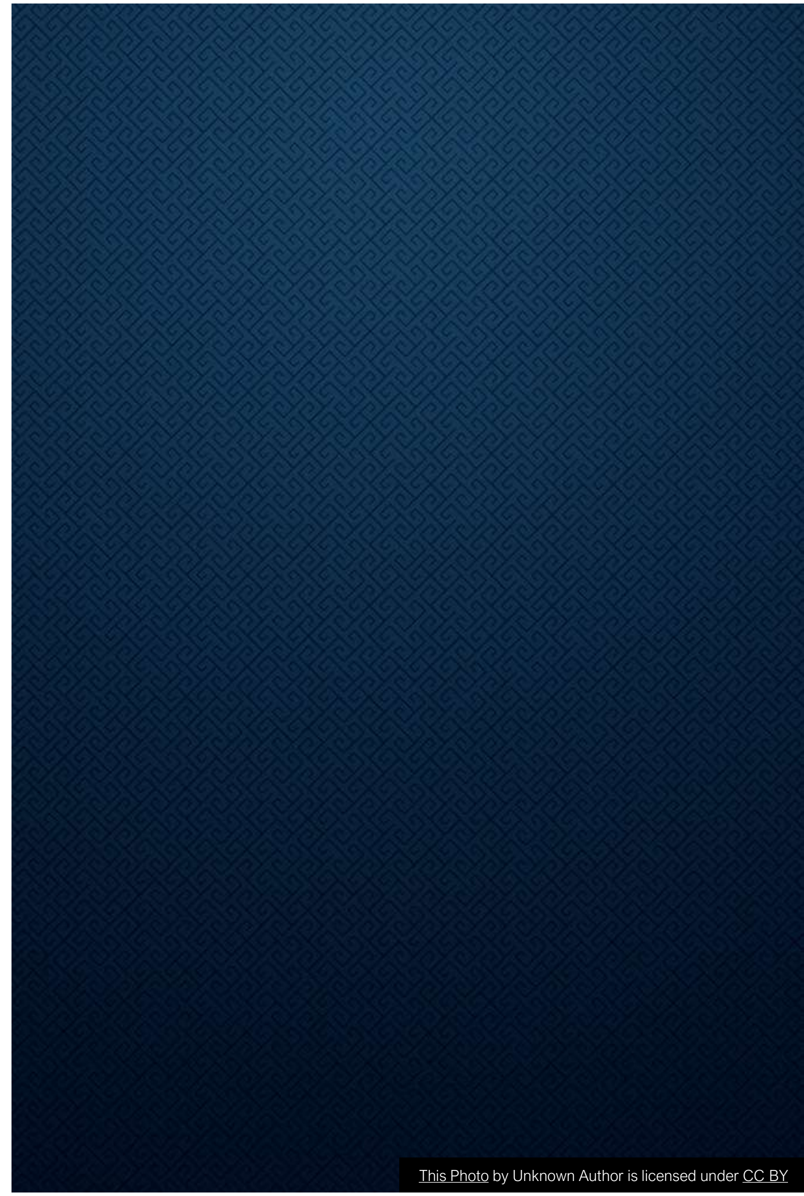
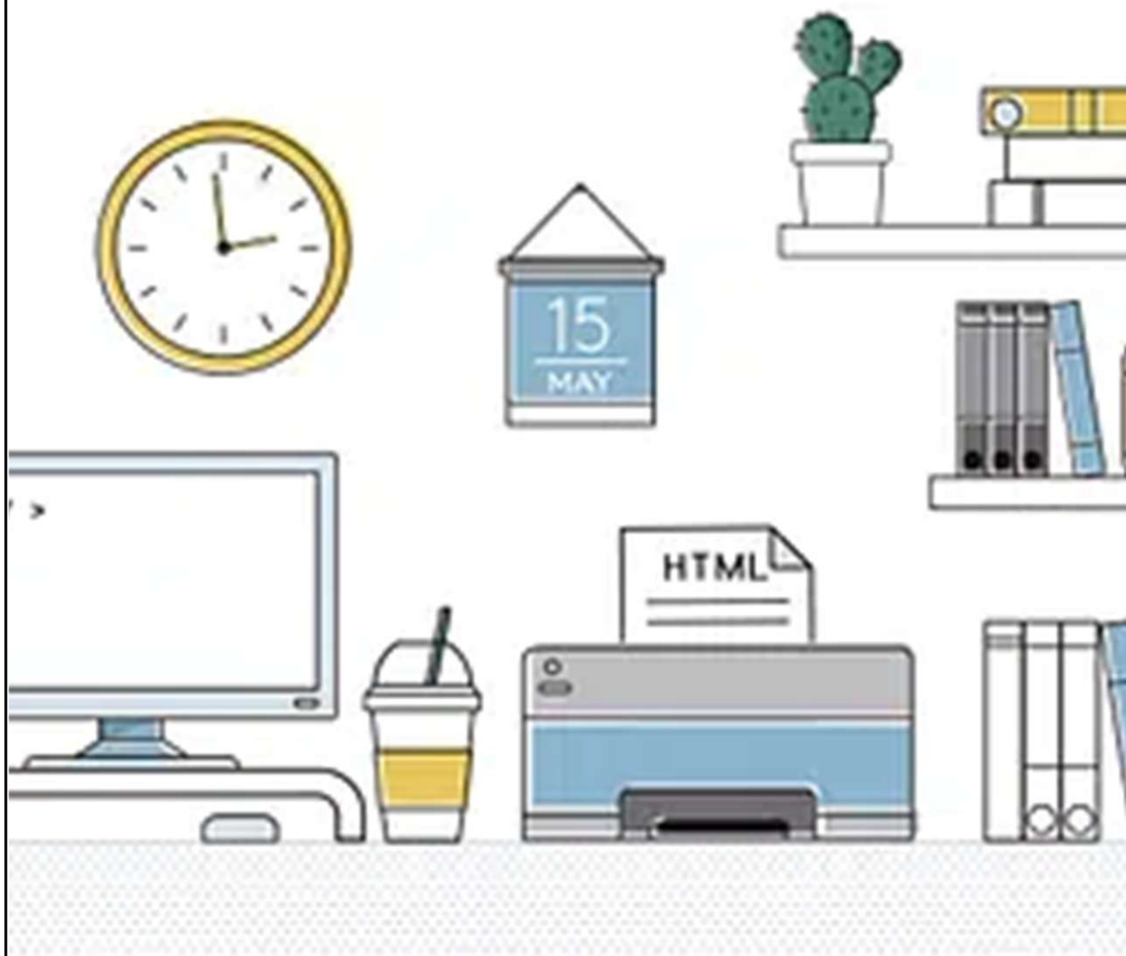


AGENDA

- Overview
- Get to know each other
- Electronic payments: What are they? Audience participation please!!
- Reconciliation: Tying it all together
- Best practice
- Q & A

OVERVIEW

- During this presentation we will focus on:
- Credit Card and Electronic Payments
- Best Practice for recording payments received
- Reporting and Reconciling the posting of payments
- Reconciling the deposit of these payments with your bank
- And answering the “Why is all of this important?”



GETTING TO KNOW EACH OTHER

What is your role in your Town?

Do you accept credit cards for payment?

What credit card third party processor do you use?

Do you receive other payments electronically? (Example: payments from State of Vermont through vendor portal)

What do you hope to learn today?

Town Clerk?

Town Treasurer?

Both?

Finance Director?

Selectboard?

Town Manager?

RECONCILING YOUR BANK STATEMENT

The goal in reconciling your bank statement is to be able to easily match transactions in your accounting system to the transactions on the bank statement.

One of the most frustrating things when reconciling is to see a transaction on a bank statement: Example: Deposit of 2346.56 with one date of June 24, but in your accounting system you see several deposits from “around” that date, but when you add them together, they don’t equal the 2346.56.

Checks are always the simplest part of the reconciliation. One check, one transaction. Done

Deposits, Cash and Checks, all deposited at the same time after a “Cash Up” for the day, are also pretty straightforward.

Deposits, Cash and Checks, separate, can get dicey. We often see towns deposit checks regularly and those deposits are straightforward to match. But sometimes the cash gets deposited once or twice a month, so the bank deposits are not as easy to match with a daily cash up. Example: 5 different days cash totals in your accounting system can equal 1 deposit at the bank

Then we get to credit cards and other E Checks.

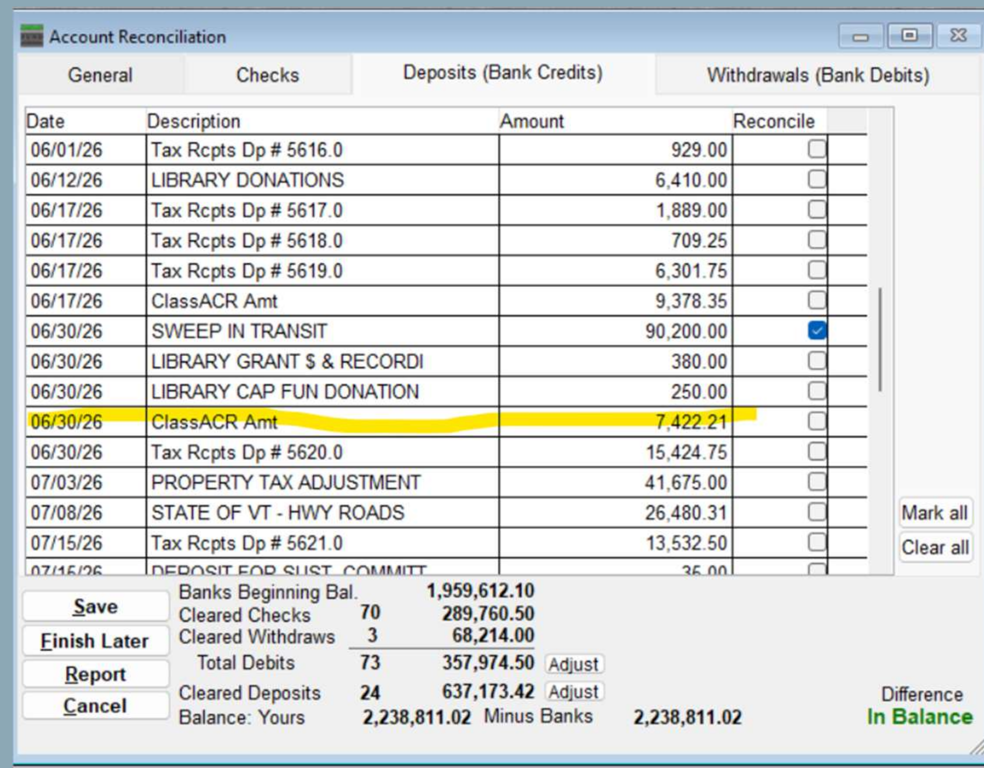
Deposits become more difficult when matching bank transactions with your accounting system transactions. That is what we are here to talk about today.

BANK RECONCILIATION EXAMPLE

Example:
Accounting system has deposit of 7,422.21 but on the bank statement you are seeing 4 deposits but added up they don't equal this deposit.

We find out that some of those 4 are part of this 7,422.21 but included in it is a payment that doesn't clear until the July bank statement.

Now what?



ELECTRONIC PAYMENTS

CREDIT CARDS
ECHECKS
OTHERS?

CREDIT CARD PAYMENTS

Payments by credit card can be for many different things, property taxes, town clerk fees, trash stickers etc.

Some municipalities take credit card payments only online, others only in person and others a combination of both.

If you take credit cards, what do you all do?

Third party credit card processors have different ways of communicating to you when a payment is made.

- Email is the most popular.
- Reports in the credit card portal
- Obvious one is when you process in person, you immediately know someone has paid by credit card.

The next slide will explore when the best timing is to record a credit card payment transaction in your accounting system.

RECORDING CREDIT CARD PAYMENTS

Recording a receipt that is paid by credit card is necessary but recording a receipt by credit card and making sure that the "batch" deposit for the credit card receipts is equally as important.

If you record your payments from an email, example: Joe Smith pays property taxes, and you receive an email notifying you of that payment and you immediately go in and record the receipt in your accounting software. Then another person pays for a dog license, and you follow the same procedure. If you post them both in your system immediately, without giving thought to when they will be deposited into the bank account, and how they will be batched. This could cause a reconciliation issue later down the road.

Will those two payments end up on a batch deposit in your bank account?

Or will they end up as two separate deposits in the bank depending on when the credit card processor deposits them?

Will it possibly end up as two deposits at bank in two different months?

It is very important for reconciling your bank statement that the way you process the payments in your system match the batch processing that the credit card company is following.

Each batch processed in your accounting system should be reconciled with a cash receipt report, or something similar to keep as a supporting document to your bank transaction.

RECORDING CREDIT CARD PAYMENTS

Procedures that I have seen that seem to work best:

Third party credit card company: Each morning print out a batch report of the credit cards processed and post into your accounting software as a batch deposit. Example on next page

Create a Credit Card in Transit asset account: As the credit card payments are deposited to the bank, make a journal entry equal to the bank deposit from the in-transit account to your bank asset account.

Biggest mistake.

Processing the credit card payments either through email or in person, batching them as deposit for the day but not considering how and when the credit card company will be depositing the money into the bank account and how they will be batched.

This makes reconciling almost impossible: Bank deposits do not equal credit card deposits, and you can never reconcile the month.

NEMRC Notes: If you use the NEMRC Cash Receipts module, make sure you are grouping credit cards as a separate deposit by class. This will also help you in making sure batches are posting properly.

EXAMPLE OF BATCH REPORT

September 03, 2026 Online	Credit / Debit [redacted] Included Items: Water / Sewer	$195.00 1 Item	-	$195.00
September 03, 2026 Online	Credit / Debit [redacted] Included Items: Clerk	$20.00 2 Items	-	$20.00
September 03, 2026 Online	E-Check [redacted] Included Items: Water / Sewer	$5,012.43 5 Items	-	$5,012.43

OTHER E PAYMENTS

E Check: Digital version of a paper check that moves money directly from a payer's bank account to a payee's bank account.

ACH Payment: Digital, bank to bank money transfer sent through the Automated Clearing House. Great example are payments from the State of Vermont.

What other type of E Payments might you receive?

Bank ach payments example.

State of Vermont: Highway State Aid

Amount 35,000.00

Broken out between Class1, Class 2 and Class 3

WHY IS THIS IMPORTANT?

Comments that we have heard:

I don't do the reconciling; my job is to just record payments and make sure the property tax account is showing a record of payment.

We know all the payments are there, so is it really that important to have them match exactly? I mean the reconciliation is only off by a little bit.

You are part of a giant jigsaw puzzle with the goal being to create a completed project. The puzzle puts together a beautiful picture. The bank transactions complete an accurate and usable financial statement. With even one piece missing you are not getting the full picture!!!

I DON'T KNOW ABOUT YOU BUT I WILL THROW OUT AN ENTIRE PUZZLE IF I AM MISSING ONE PIECE.

Q&A