

PART 7

CLASSIFICATION AND DEFINITION OF CLEARING ACCOUNTS

CLASSIFICATION OF CLEARING ACCOUNTS

In an accounting system maintained on a cash basis, it becomes necessary to establish certain ledger accounts to provide an accounting control of money which has been disbursed from the fund in which it was initially receipted but which is still property of the school corporation. If the money was disbursed for the purchase of an asset of another nature, such as an investment, or placed in the custody of a trust or special disbursing officer as in the case of a petty cash fund, it must be accounted for in a manner which will separate it from its original fund as cash but not to permit it to lose its identity as an asset of the school corporation.

There are also instances in which the school corporation serves as a trust officer and must maintain control of certain items of cash which are not available to the school corporation to disburse for current operating purposes but which must be transmitted to a payee for a designated purpose at a later date to fulfill a liability of such trust. Examples of these are payroll deduction accounts. To provide accounts for controlling these items without disrupting the single entry cash accounting of the system, the clearing accounts were established.

DEFINITION OF CLEARING ACCOUNTS

Clearing Accounts serve as control accounts for certain areas of the accounting system. Therefore, they must be supported by receipt and disbursement entries in the general ledger and subsidiary ledgers or other supporting records. The clearing accounts are subsidiary records only and should not be used in lieu of proper and prescribed reporting of receipts, disbursements and balances of funds of the school corporation in accordance IC 5-11-1-2. The accounts are defined within each classification dependent on the purpose they serve. These purposes are detailed herein and include Petty Cash, Cash Change Investments, Prepaid Food, and Payroll Deductions.

The necessary account titles are shown in the clearing account section of the master chart of accounts on the following pages.

MASTER CHART OF ACCOUNTS CLEARING ACCOUNTS

Trust Accounts

8000-8099 Petty Cash Funds
8100-8199 Cash Change Funds
8400 Prepaid School Lunch Account Fund
8401-8499 Unassigned Trust Funds
8500-8599 Investment Funds
8600-8999 Unassigned Trust Funds

Clearing Accounts

9000-9499 Payroll Withholdings Funds
9500-9999 Other Clearing Funds

DESCRIPTION AND ACCOUNTING FOR CLEARING ACCOUNTS

The basic accounting procedure provides for maintaining clearing accounts on prescribed Form No. 508, following the ledger of receipts, as memorandum accounts to provide control of assets acquired through the reduction of other assets in the fund ledger and to control the liabilities incurred through payroll deductions.

The following discussion is a brief explanation of each of these accounts and an outline of the procedure for maintaining each.

TRUST ACCOUNTS

Accounts in the 8000 series are those accounts in which are recorded the activities produced by holding one asset of the school corporation for another purpose, the value of which will eventually be returned to the fund from which it was exchanged.

8000-8099 Petty Cash Funds. The use of a Petty Cash Fund is authorized for the purpose of paying small or emergency expenses of an administrative or operating nature. An appropriation must be available before establishing a Petty Cash Fund.

8100-8199 Cash Change Funds. The use of a Cash Change Fund is authorized for the purpose of making change during events where any officer or employee of the corporation is charged with the duty of collecting fees or other cash revenues.

8200-8399 Unassigned Trust Funds.

8400 Prepaid School Lunch Account Fund. The use of a Prepaid School Lunch Fund is to be used when the school corporation accepts money on behalf of a student or staff to be placed on deposit for later use in purchasing items from the school food service program.

8401-8499 Unassigned Trust Funds.

8500-8599 Investments. This clearing account must be maintained if investments are made from any fund of the school corporation. It is a control of amounts invested from all of the funds of the school corporation and any balance in it must be supported by sufficient pages of prescribed Form No. 350 to show the amount invested from each individual fund.

8600-8999 Unassigned Trust Funds.

CLEARING ACCOUNTS

Accounts in the 9000 series are those accounts in which transactions provide disbursements for current operating purposes but at the same time create a liability to the school corporation. The liability is released when remittances are made to the proper authority.

9000-9499 Payroll Withholdings Funds. The accounts provide a control record for the payroll deductions with which all school corporations are concerned during the time they are a liability to the school corporation; that is, from the time they are deducted from the employees' wages until they are transmitted to the proper payee for the purpose withheld. In connection with this it should be noted that total salaries, including deductions, are recorded in the expenditure accounts for salaries and carried to the proper program and fund accounts but that only the net payroll is recorded as a disbursement from the All Funds-Control account. Thus, when the deductions are transmitted to the payee, they must be disbursed from the Clearing Account concerned and from the All Funds-Control account.

Posting to all payroll deduction accounts should be made from the totals of duplicate payroll checks (check register) with one posting entry to each account for each payroll writing.

9500-9999 Unassigned Clearing Funds