

ILLUSTRATED ENTRIES

In order to show the interrelationship of the balance sheet accounts and the method of posting them, some typical journal entries are illustrated below for the General Fund. Entries would be similar for other budgetary funds.

The first group of entries are those that would be required to initially set up the double-entry system.

The second group illustrates various transactions. These entries are presented in summary form for an entire period. Actual entries would be made from totals of postings to subsidiary ledgers or journals on a monthly basis.

The third group illustrates the method of closing the nominal or temporary accounts at the end of the year.

The following accounts have been selected from the chart of accounts to present the illustrated entries:

Asset and Budgetary Accounts That Carry Debit Balances

101	Cash
101.1	Petty Cash
101.2	Cash Change
141	Inventories - Materials and Supplies
151	Investments - Noncurrent
171	Estimated Revenues
24	#Expenditures
243	#Encumbrances

Liability, Budgetary and Fund Balance Accounts That Carry Credit Balances

172	#Revenues
202	Accounts Payable
241	#Appropriations
244	Fund Balance Reserved for Encumbrances - Current Year
245	Fund Balance Reserved for Encumbrances - Prior Year
246	Fund Balance Reserved for Inventories

# These are control accounts for which detailed subsidiary accounts are provided in the budgetary accounting system previously prescribed.

ILLUSTRATED JOURNAL ENTRIESOpening Entries

(1)	Cash	10,000	
	Petty Cash	100	
	Cash Change	500	
	Fund Balance		10,600
	To set up cash balances and fund balance.		

		2019
(2)	Investments – Noncurrent Fund Balance To set up cost of investments not previously recorded.	5,000 5,000
(3)	Inventories - Materials and Supplies Reserved for Inventories To set up initial materials and supplies inventory (These accounts are optional and would not ordinarily be used).	2,000 2,000
(4)	Fund Balance Accounts Payable Reserve for Encumbrances - Prior Year Set up prior year encumbrances and accounts payable to be carried forward to current year. This entry would be made only when double entry records are established for the first time. The Reserve for Encumbrance Account will ordinarily be carried forward from the previous year.	1,500 1,000 500

The above entries set up the basic General Ledger for the first time.

Transaction Entries

(5)	Estimated Revenues Appropriations Fund Balance To establish estimated revenues and appropriations at the beginning of the budget year.	100,000 95,000 5,000
(5a)	Cash Revenues To record revenue received.	102,000 102,000
(6)	Encumbrances Fund Balance - Reserved for Encumbrances - Current Year To record purchase orders issued. Amount should be taken from Purchase Order Register or Ledger of Appropriations, Encumbrances, Disbursements and Balances.	70,000 70,000
(6a)	Fund Balance - Reserved for Encumbrance - Prior Year Expenditures Accounts Payable To record the claims filed per the Register of Claims.	400 69,000 69,400
(6b)	Expenditures Cash To record payroll paid. (May be recorded through Accounts Payable.)	22,000 22,000
(6c)	Fund Balance - Reserved for Encumbrances - Current Year Encumbrances To record encumbrances (Purchase Orders) liquidated for current year.	69,000 69,000
(7)	Accounts Payable Cash To record the payment of vendors claims.	65,000 65,000

(8)	Fund Balance - Reserved for Encumbrances - Prior Year	100	
	Fund Balance		100

**NOTE:** Rather than recording encumbrances and accounts payable throughout the year in the general ledger, the encumbered balance and the amount of accounts payable may be recorded at year end only. This would be done by the following entries:

Encumbrances	1,000	
Fund Balance - Reserved for Encumbrances		1,000
To record the outstanding encumbrance at year end.		
Expenditures	5,400	
Accounts Payable		5,400
To record unpaid bills at year end.		

If this procedure is followed cash disbursements throughout the year would be debited to expenditures. It is expected that most cities and towns will use this method initially.

(9)	Cash	2,600	
	Investments		2,500
	Revenues		100
To record liquidation of investments and interest received.			

(10)	Investments	3,000	
	Cash		3,000
To record purchase of investments.			

Closing Entries

(a)	Appropriations	95,000	
	Fund Balance		3,000
	Expenditures		91,000
	Encumbrances		1,000
(b)	Revenues	102,100	
	Estimated Revenue		100,000
	Fund Balance		2,100

**NOTE:** It may be desirable for the governmental unit to set up a separate appropriation sheet in the appropriation ledger in the new year in the amount of the encumbrance carried forward from the prior year for each expenditure classification. By doing this all expenditures would be matched with an appropriation rather than the expenditures relating to prior year encumbrances being charged directly to Reserve for Encumbrances.

GENERAL LEDGER ACCOUNTS SHOWING  
ILLUSTRATED JOURNAL ENTRIES

<u>General Ledger Account - Cash #101</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)	10,000.00		10,000.00
(5a)	102,000.00		102,000.00

<u>General Ledger Account - Cash #101</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6b)		12,000.00	90,000.00
(7)		65,000.00	25,000.00
(9)	2,600.00		27,600.00
(10)		3,000.00	24,600.00
<u>General Ledger Account - Petty Cash #101.1</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)	100.00		100.00
<u>General Ledger Account - Cash Change #101.2</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)	500.00		500.00
<u>General Ledger Account - Inventory of Materials and Supplies #141</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(3)	2,000.00		2,000.00
<u>General Ledger Account - Investments #151</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(2)	5,000.00		5,000.00
(9)		2,500.00	2,500.00
(10)	3,000.00		5,500.00
<u>General Ledger Account - Estimated Revenues #171</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(5)	100,000.00		100,000.00
(b)		100,000.00	0.00
<u>General Ledger Account - Revenues #172</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(5a)		102,000.00	(102,000.00)
(9)		100.00	(102,100.00)
(b)	102,100.00		0.00
<u>General Ledger Account - Accounts Payable #202</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(4)		1,000.00	(1,000.00)
(6a)		69,400.00	(70,400.00)
(7)	65,000.00		(5,400.00)
<u>General Ledger Account - Appropriations #241</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(5)		95,000.00	95,000.00
(a)	95,000.00		0.00
<u>General Ledger Account - Expenditures #242</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6a)	69,000.00		69,000.00
(6b)	22,000.00		91,000.00
(a)		91,000.00	0.00
<u>General Ledger Account - Encumbrances #243</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6)	70,000.00		70,000.00

<u>General Ledger Account - Expenditures #242</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6c)		69,000.00	1,000.00
(a)		1,000.00	0.00
<u>General Ledger Account – Fund Balance-Reserved for Encumbrances - Current #244</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6)		70,000.00	(70,000.00)
(6c)	69,000.00		(1,000.00)
<u>General Ledger Account – Fund Balance-Reserved for Encumbrances - Prior Year #245</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(4)		500.00	(500.00)
(6a)	400.00		(100.00)
(8)	100.00		0.00
<u>General Ledger Account – Fund Balance-Reserved for Inventories #246</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(3)		2,000.00	(2,000.00)
<u>General Ledger Account - Fund Balance #271</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)		10,600.00	(10,600.00)
(2)		5,000.00	(15,600.00)
(4)	1,500.00		(14,100.00)
(5)		5,000.00	(19,100.00)
(8)		100.00	(19,200.00)
(a)		3,000.00	(22,200.00)
(b)		2,100.00	(24,300.00)

**NOTE:** Amounts shown in parenthesis ( ) denote credit balance.

#### LIST OF BALANCE SHEET ACCOUNTS

Following is a list of balance sheet accounts and an explanation of which fund types and funds might contain account activity. The fund types and account groups are abbreviated in the following manner:

G	General Fund
SR	Special Revenue
DS	Debt Service
CP	Capital Projects
PF	Permanent Funds
EF	Enterprise Funds
IS	Internal Service
PT	Pension Trust
IT	Investment Trust
PP	Private-Purpose Trust
AF	Agency Funds