

CHAPTER XII  
DOUBLE ENTRY ACCOUNTING SYSTEM

SECTION A - ACCOUNTING BASIS

The accounting basis for recording transactions will vary according to the purpose for which each fund is established. Generally, the funds can be classified into two categories:

1. Funds using accrual basis:
  - a. Funds similar to commercial enterprises:
    1. Enterprise funds (particularly utilities)
    2. Intragovernmental service funds
  - b. Other governmental funds:\*- 1. Capital project funds
- 2. Trust and agency funds

\*Exception - an exception will be when revenues received by the fund are not susceptible to accrual in which case revenues will be recorded as collected. Revenues susceptible to accrual are those revenues that are both measurable and available.

2. Funds using modified accrual basis:
  - a. Budgetary funds:
    1. General fund
    2. Special revenue funds
    3. Debt service funds

These funds are established basically to account for governmental financial operations of a general nature. Resources of budgetary funds are derived largely from taxes.

Characteristics of the modified accrual basis include:

- a. Revenues are recorded as received in cash except:
  1. Revenues susceptible to accrual which are those revenues that are both measurable and available, with available meaning a resource that can be used during the year. Few types of revenues in budgetary funds have the characteristics of being both measurable and available.
  2. Revenues of a material amount that are not received at the normal time.

- b. Expenditures are recorded on the accrual basis except for:
  - 1. Inventory type disbursements, which may be considered expenditures at the time of purchase or at the time the items are used.
  - 2. Prepaid expenses, which are not normally recorded.
  - 3. Interest on long-term debt, which should be normally an expenditure when due.
  - 4. The encumbrance method of accounting, which may be adopted as an additional modification.

## SECTION B - TYPES OF FUNDS

- 1. General Fund - records the financial transactions for the general operation of the governmental unit, and accounts for the transactions not properly accounted for in another fund.
- 2. Special Revenue Funds - are funds used to account for revenues from specific taxes or other dedicated revenue or to finance specific activities as required by law or administrative regulations.
- 3. Debt Service Funds - are funds that are established to account for the payment of long-term debt and interest thereon.
- 4. Capital Projects Funds - are created to account for moneys used for the acquisition of designated fixed assets.
- 5. Enterprise or Utility Funds - are established to account for the acquisition, operation, and maintenance of governmental services and facilities to the public where the customers are charged for such services.
- 6. Trust and Agency Funds - are composed of resources received and held by the governmental unit for others.
- 7. Internal Service Funds - are created to finance and account for services and commodities furnished by a certain department to other departments within the governmental unit.

## SECTION C - RECORDS OF UTILITIES OR ENTERPRISES

When complete double entry systems are kept by the bookkeeping department of a utility or enterprise, it will not be necessary for the chief disbursing officer of the governmental unit to maintain similar accounts for the utility or enterprise. However, the chief disbursing officer of the governmental unit must maintain at a minimum a cash account for each fund of the utility or enterprise plus a fund balance account. This procedure will result in the cash balance(s) being equal to the fund balance(s). If this procedure is followed, the bookkeeping department of the utility or enterprise must maintain the records in accordance with generally accepted accounting principles.

It is however, acceptable for the chief disbursing officer to keep within his records a complete double entry system for a utility or enterprise, if desired.

## SECTION D - ADDITIONAL RECORDS REQUIRED

For the present time all of the existing prescribed or approved records will be continued. For some counties additional records will be necessary to summarize financial transactions to develop monthly totals for posting to the general ledger. Counties using data processing equipment can probably develop this monthly summary information with little, if any, changes in the programs. New records, or program revisions, may be necessary to provide the following:

1. General Ledger - is to be established, posted monthly on the double entry basis with a self-balancing group of accounts for each fund. The general ledger will usually contain only control accounts if detail accounts are maintained in subsidiary ledgers. See Exhibit A of this Chapter.
2. Cash Receipts Journal - is to be kept for each fund and will provide a systematic means of accumulating cash receipt information to be posted to the general ledger. If detail receipt (revenue) accounts are maintained in the present accounting records from which the receipts for each month can be obtained for posting to the general ledger, the use of this form will not be required; however, counties may use this journal in lieu of the present ledger accounts, if desired. See Exhibit B of this Chapter.
3. Accounts (Claims) Payable Journal - is designed to accumulate expenditure and accounts payable information month to month for posting to the General Ledger and Appropriation Ledger or at year end if expenditures are recorded on a cash basis throughout the year. See Exhibit C of this Chapter.
4. Cash Disbursements Journal - provides a means for summarizing cash expenditures for posting to the general ledger. If the present ledger contains appropriation, encumbrance and expenditure accounts in the ledger currently prescribed by this board, which record will provide the information for summarizing cash expenditures for posting to the general ledger, and accounts payable are recorded only at year end, this journal will not be required. See Exhibit D of this Chapter.
5. Purchase Order Register - This form provides the monthly totals of encumbrances (purchase orders issued) and purchase orders liquidated for posting to the general ledger. If encumbrances and liquidations are recorded in the present prescribed ledgers, from which the monthly totals may be obtained for posting to the general ledger, the use of this register will not be required. See Exhibit E of this Chapter.
6. General Journal - This form is to be used to make entries into the general ledger that are not made from other journals, ledgers or registers. See Exhibit F of this Chapter.
7. Assets Ledger - This ledger is to provide a record of the capital assets of the governmental unit. See Exhibit G of this Chapter.

## SECTION E - TAX DISTRIBUTION FUNDS

The accounting system provides for estimated property taxes to be received in the calendar year to be recorded in the entries of each county fund, such as the County General Fund, County Welfare Fund, County Health Fund, etc. The entry for each fund should be equal to the amount shown on line 12 or in counties adopting the local option tax to the amount on line 14 of the county budget, as finally fixed by the State Board of Tax Commissioners.

At the outset it has been determined by this board not to establish separate accounts in each fund for delinquent taxes, allowance for uncollectible taxes and other charges and credits, since budgets and tax levies are established on the basis of 100% of current taxes levied, giving consideration to collections as delinquencies, mobile home taxes, judgments, penalties, interest and other items. Experience has also shown this basis reflects the estimate of property taxes to be received during the calendar (budget) year. Later, when the system is fully developed, consideration will then be given to expanding the general ledger accounts; however, since the Abstracts and Settlement Sheets reflect all charges, credits and collections, those source documents can be used for reporting purposes, if the information is needed, without detail accounts being maintained in the general ledger.

The system also provides for local option tax-certified shares, bank and building and loan tax, license excise tax and payments in lieu of tax to be received in the calendar year, as shown in column "B" of the Estimate of Miscellaneous Revenue for each fund, to be included in the "Estimated Revenues." The entries will also include, as estimated revenues, the property tax replacement credit from local option tax, as shown on line 13 of the published budget, which will not appear in column B of the Estimate of Miscellaneous Revenue.

To account for property tax, local option tax (both certified shares and property tax replacement credit), financial institute tax, license excise tax and payments in lieu of tax, a separate fund should be established for each of these types of taxes. The following is a brief description of each fund:

#### Property Tax

There should be established in the county auditor's and county treasurer's funds ledgers a "Property Tax Distribution Fund" to which all property tax collections will be receipted and from which all distributions will be made, including distributions to county funds. In addition, there is to be a separate "Property Tax Distribution Fund" established as a trust and agency account in the general ledger of the county auditor to record the receipt and distribution of all tax collections.

The fund in the general ledger will contain the following accounts:

Assets
Cash
Liabilities
Distributable to Governmental Units

When settlement is made, or when an advance is made to a governmental unit, a quietus shall be issued and the amount distributable shall be receipted into the Property Tax Distribution Fund in the general ledger as a debit to "Cash" and a credit to "Distributable to Governmental Units." The warrant issued for the distribution will be posted as a credit to Cash and a debit to Distributable to Governmental Units. Thus, the accounts will merely represent a clearing account through which property taxes settled by the county treasurer, including advances, will be accounted for in the general ledger.

### Other Taxes

As previously stated, a separate fund shall be established in the funds ledger of the county auditor and county treasurer and in the general ledger of the county auditor for each of the following taxes:

License Excise Tax Distribution Fund  
 Payments in Lieu of Tax Distribution Fund  
 Local Option Tax - Certified Shares Distribution Fund  
 Local Option Tax - Property Tax Replacement Credit Distribution Fund  
 County Option Income Tax

The general ledger accounts for these taxes will be the same as the accounts in the Property Tax Distribution Fund, with the transactions to be posted in the same manner. The accounts shall likewise be classified as trust and agency accounts.

"Payments in Lieu of Property Tax" are made direct by quietus and, while distributed to governmental units and a separate fund established therefor, such payments are not a part of the semiannual settlement. Such receipts as demand fees, tax sale costs, surplus tax, delinquent sewage charges, Barrett Law assessments, drainage assessments and similar collections, which do not appear on the Settlement Sheet, likewise shall not be receipted into the distribution funds but shall be receipted directly to the fund or funds affected.

With all property tax and license excise tax being receipted into and distributed from the distribution funds, this will eliminate the former practice of establishing a separate fund for each type of property tax levy, such as State Forestry Tax, State Fair Board Tax, Corporation Tax, School Corporation Tax, Library Tax, etc. Instead, all tax will be accounted for in the five distribution funds and only those funds will appear in the general ledger, the funds ledgers and in the financial statements prepared by the auditor and treasurer at the close of each month.

The amount of local option tax-certified shares and local option tax-property tax replacement credit received from the Auditor of State are to be quietused directly to funds named. These amounts are not a part of the semiannual settlement but are to be distributed immediately upon receipt from the Auditor of State by the county auditor.

### SECTION F - CHART OF ACCOUNTS

The following chart of accounts is prescribed for those counties establishing a double entry accounting system. The chart includes account numbers preceded by fund numbers since the fund must be identified.

The fund numbers, the revenue account numbers and the expenditure account numbers used in this system differ somewhat from those suggested on pages 5-3 through 5-9 of the manual. To distinguish the revenue accounts, each number is prefixed by the digit "3" and to distinguish expenditure accounts each number is prefixed by the digit "4", in order to distinguish the revenue and expenditure accounts from the fund and general ledger accounts used in the system. The following further illustrates the numbering system:

- 01 to 99 Funds
- 101 to 199 Asset and Other Debit Accounts
- 201 to 299 Liabilities and Other Credit Accounts
- 301 to 399 Revenue Accounts
- \* 4100 to 4999 Expenditure Accounts

\* An exception will be the County Highway Fund, where the digit "4" will be prefixed to each of the four-digit expenditure account numbers assigned to the budget of the County Highway Department, making it a five-digit expenditure account number.

It follows that any source posting document should identify the fund and the accounts within that fund to which posting is made. For example: Property tax money received for the County General Fund will be coded 01-101-301. The first series "01" represents the General Fund, the second series "101" indicates the digit to the debit account cash, the third series "301" indicates the credit to the property tax revenue account. Another example would be a motor vehicle highway distribution check received for the County Highway Fund 02-101-317. The first series "02" represents the County Highway Fund, the second series "101" indicates the debit to the cash account, the third series "317" indicates the credit to the revenue account motor vehicle highway distribution.

The county should continue with all existing records and establish in addition a general ledger. The general ledger should include in each fund only one revenue control account and only one expenditure control account. The records currently being kept would provide the detailed information for the revenue and expenditure accounts of the general ledger.

## SECTION G - CHART OF FUNDS

<u>Fund Number</u>	<u>Fund Classifications and Titles</u>
01	General Fund County General
	Special Revenue Funds Nos. 02-19
02	County Highway
03	County Welfare Fund
04	County Welfare Title XX
05	County Health
06	County Aviation
07	County Park and Recreation
08	Cumulative Reassessment
09	Crime Control
10	Comprehensive Employment Training Act
11	Federal Revenue Sharing Trust
12	Local Road and Street
	Debt Service Funds Nos. 20-24
20	County Bond Redemption
21	County Hospital Bond Redemption

25	Capital Projects Funds Nos. 25-29
	Cumulative Bridge
	Enterprise Funds Nos. 30-35
	Internal Service Funds Nos. 36-39
	Trust and Agency Funds Nos. 40-89
40	County Welfare Trust
43	County Poor
44	County Poor Bond Redemption
45	County Payroll
46 thru 59	Payroll Withholding Funds
60	Principal Congressional
61	Interest Congressional
62	Principal Cemetery Trust
63	Interest Cemetery Trust
64	Surplus Tax
65	Tax Sale Redemption
66	Tax Sale Surplus
67	Dog Tax Collections
68	Surplus Dog
69	Fines and Forfeitures
70	Gross Tax on Real Estate
71	Inheritance Tax
72	Overweight Vehicle Fines
73	Family Violence and Victim Assistance
74	Infraction Judgments
75	Special Death Benefit
76	Property Tax Distribution
77	License Excise Tax Distribution
78	Local Option Tax - Certified Share Distribution
79	Local Option Tax - Property Tax Replacement Credit Distribution
80	Payments in Lieu of Tax Distribution
81	Sewage Charge Collections
82	Barrett Law Collections
	General Fixed Asset Group of Accounts Nos. 96-97
96	General Fixed Assets
	General Long-Term Debt Group of Accounts Nos. 98-99
98	General Long-Term Debt

## SECTION H - CHART OF ACCOUNTS

Account  
Number

## Assets - Other Than Fixed:

- 101 Cash
- 102 Petty Cash
- 103 Cash Change Funds
- 104 Cash With Fiscal Agent
- 106 Taxes Receivable
- 107 Allowance for Uncollectible Taxes
- 108 Other Revenues Receivable
- 109 Judgments Receivable
- 110 Allowance for Uncollectible Judgments
- 115 Accounts Receivable
- 116 Estimated Uncollectible Accounts Receivable
- 123 Special Assessments Receivable
- 125 Interest Receivable - Special Assessment
- 131 Due From Other Funds - \_\_\_\_\_
- 135 Interest Receivable on Investments
- 136 Accrued Interest on Investments Purchased
- 141 Inventory of Supplies
- 142 Materials Inventory
- 143 Parts Inventory
- 150 Investments in Certificates of Deposit
- 151 Investments in U.S. Government Obligations
- 152 Unamortized Premiums on Investments
- 153 Unamortized Discounts on Investments (Credit)
- 155 Prepaid Expenses
- 157 Unamortized Discounts on Bonds Sold

## Fixed Assets:

- 161 Land
- 162 Buildings
- 163 Allowance for Depreciation - Buildings (Credit)
- 164 Improvements Other Than Buildings
- 165 Allowance for Depreciation - Improvements Other Than Buildings (Credit)
- 166 Equipment
- 167 Allowance for Depreciation - Equipment (Credit)
- 168 Construction Work in Progress

## Other Debits:

- 171 Estimated Revenues
- 172 Revenues (Credit)
- 174 Improvements Authorized - Special Assessments
- 183 Amount Provided and to be Provided for Payment of Bonds

## Liabilities - Other Than Long-Term:

- 201 Accounts Payable
- 203 Judgments Payable
- 204 Annuities Payable
- 206 Contracts Payable
  - 206.1 Contracts Payable - Retained Percentage
  - 206.2 Construction Contracts Payable
- 209 Due to Other Funds - \_\_\_\_\_
- 211 Matured Bonds Payable
- 212 Matured Interest Payable
- 215 Accrued Interest Payable
- 216 Accrued Wages Payable
- 217 Accrued Taxes Payable
- 220 Customer Deposits
- 221 Due to Fiscal Agent
- 223 Revenues Collected in Advance
- 224 Unamortized Premiums on Bonds Sold
- 225 Payroll Taxes Payable
  - 225.1 Federal Withholding Tax
  - 225.2 State Withholding Tax
  - 225.3 Social Security Taxes Withheld
  - 225.4 County Withholding Tax
- 226 Other Payroll Withholdings
  - 226.1 Medical Insurance Withheld
  - 226.2 Life Insurance Withheld
- 227 Notes Payable
- 228 Distributable to Governmental Units
- 229 Distributable Judgments Collected

## Long-Term Liabilities:

- 231 Bonds Payable
  - 231.1 Bonds Payable
  - 231.2 Revenue Bonds Payable
- 232 Notes Payable

## Other Credits:

- 241 Appropriations
- 242 Expenditures (Debit)
- 243 Encumbrances (Debit)
- 244 Reserve for Encumbrances - Current Year
- 245 Reserve for Encumbrances - Prior Year
- 246 Reserve for Inventories
- 251 Contribution From Governmental Unit
- 252 Contribution From State Government
- 253 Contribution From Federal Government
- 254 Contribution From \_\_\_\_\_
- 255 Reserve for Revenue Bond Debt Service
- 271 Fund Balance

- 272 Retained Earnings
- 280 Investment in General Fixed Assets
  - 280.1 Investment From General Fund
  - 280.2 Investment From Cumulative Building Fund
  - 280.3 Investment From General Obligation Bonds
  - 280.4 Investment From \_\_\_\_\_

SECTION I - REVENUE ACCOUNTS

The following list of revenue accounts may be included in the general ledger. If they are included in the general ledger, the Account No. 172 Revenues should not be used and the following revenue accounts will take its place. If the revenue accounts are kept in the existing ledgers, then Account No. 172 Revenues will serve as a control over the revenue ledgers.

The revenue accounts and numbers are substantially the same as listed on pages 5-7, 5-8, and 5-9. The revenue account numbers have been prefixed by the digit "3" to distinguish the account numbers used in the double entry system.

Account  
Number

(301 to 310 Taxes)

- 301 Property Tax
- 303 License Excise Tax
- 304 Local Option Tax - Certified Shares
- 305 Local Option Tax - Property Tax Replacement Credit
- 306 In Lieu of Tax - Housing Authorities
- 307 County Option Income Tax

(311 to 330 Revenue From State and Federal Sources)

- 311 Alcoholic Beverage Excise License Fees
- 312 Inheritance Tax - County's Share
- 313 Intangibles Tax - County's Share
- 313 Surplus State Dog Fund
- 316 Board of Education - Tuition Support
- 317 Motor Vehicle Highway Distribution
- 318 Local Road and Street Distribution
- 319 Highway Engineer's Salary
- 329 Care of Federal Prisoners
- 321 Civil Defense - Federal Matching Funds
- 322 \_\_\_\_\_
- 323 \_\_\_\_\_
- 324 \_\_\_\_\_
- 325 \_\_\_\_\_
- 326 \_\_\_\_\_
- 327 \_\_\_\_\_
- 328 \_\_\_\_\_

- 329 Welfare Department
  - 329.1 Dependent Children in Custody of Relatives
  - 329.2 Burial Allowance
  - 329.8 Federal Child Welfare
  - 329.10 \_\_\_\_\_
  - 329.11 \_\_\_\_\_
- 330 Other State and Federal Revenue
- (331 to 380 Revenue From Local Sources)
  - 331 Clerk of Circuit Court
  - 332 County Auditor
  - 333 County Treasurer - Demand Fees
  - 334 County Treasurer - Other Fees
  - 335 County Treasurer - Tax Sale Costs
  - 336 County Recorder
  - 337 County Sheriff
  - 338 County Surveyor
  - 339 Prosecuting Attorney
  - 340 Plan Commission
  - 341 Building Department
  - 342 County Home - Care of Residents
  - 343 County Home - Other Revenue
  - 344 County Health Department (Health Fund)
  - 345 Rental of County Property
  - 346 Sale of County Property
  - 347 Unclaimed Surplus Tax
  - 348 Unclaimed Tax Sale Surplus
  - 349 \_\_\_\_\_
  - 379 (Reserved for Other Detailed Sources)
  - 380 Other Revenue From Local Sources
- (381 to 399 Revenue From Other Sources)
  - 381 Change of Venue
  - 382 Examination of Records
  - 383 Tax Refunds
  - 384 Interest on Investments
  - 385 Repayments of Welfare Assistance
    - 385.1 Old Age Assistance and Burials
    - 385.2 Assistance to Dependent Children in Custody of Relatives and Burials
    - 385.3 Disabled Assistance and Burials
    - 385.4 Blind Assistance and Burials
    - 385.5 Refunds of Medicaid
    - 385.6 Other Repayments
  - 386 \_\_\_\_\_
  - 387 Refunds - Prior Year Expenditures
  - 388 Reimbursements
  - 389 Emergency Medical Service
  - 390 \_\_\_\_\_
  - 398 (Reserved for Other Detailed Sources)
  - 399 Other Revenue

## SECTION J - EXPENDITURE ACCOUNTS

The system provides for expenditure accounts to be kept in the existing ledgers with Account No. 242, Expenditures, to be kept in the general ledger to serve as a control over the expenditure ledgers.

The chart of expenditure accounts and numbers will be the same as shown on pages 5-8 and 5-9 of this manual and as shown on the budget forms.

In the County General Fund, expenditures will be made for more than one department. In this case a department number shall be assigned and will be shown immediately following the fund number, as illustrated on pages 5-3 and 5-4 of this manual.

## SECTION K - ILLUSTRATED ENTRIES - GENERAL FUND

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

01-101 Cash  
01-102 Petty Cash  
01-103 Cash Change  
  
01-141 \*Inventory of Supplies  
01-151 Investments  
  
01-171 Estimated Revenue  
  
01-242 #Expenditures  
01-243 #Encumbrances

Liability, Budgetary, and Fund Balance Accounts That Carry Credit Balances

01-172 #Revenue  
 01-201 Accounts Payable  
 01-225 Payroll Deductions Payable

01-241 #Appropriations  
 01-244 Reserve for Encumbrances - Current Year  
 01-245 Reserve for Encumbrances - Prior Year  
 01-246 \*Reserve for Inventories

01-271 Fund Balance

\* Optional Accounts.

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

## SECTION L - ILLUSTRATED JOURNAL ENTRIES - GENERAL FUND

Opening Entries

(1)	01-101	Cash	50,000	
	01-102	Petty Cash	100	
	01-103	Cash Change	500	
	01-271	Fund Balance		50,600
		To set up cash balances and fund balance.		
(2)	01-151	Investments	5,000	
	01-271	Fund Balance		5,000
		To set up cost of investments not previously recorded.		
(3)	01-141	Inventory of Supplies	2,000	
	01-246	Reserve for Inventories		2,000
		To set up initial supplies inventory. (These accounts are optional and would not ordinarily be used.)		
(4)	01-271	Fund Balance	1,500	
	01-201	Accounts Payable		1,000
	01-245	Reserve for Encumbrances - Prior Year		500
		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.		

Transaction Entries

(5)	01-171	Estimated Revenue	1,000,000	
	01-241	Appropriation		985,000
	01-271	Fund Balance		15,000
		To establish estimated revenue and appropriations at the beginning of the budget year.		

(6)	01-101	Cash	500,000	
	01-172	Revenue		500,000
		To record property tax revenue for the year.		
(7)	01-101	Cash	502,000	
	01-172	Revenue		502,000
		To record the other revenue for the year.		
(8)	01-271	Fund Balance	10,000	
	01-241	Appropriation		10,000
		To recognize the additional appropriations made during the year.		
(9)	01-243	Encumbrances	700,000	
	01-244	Reserve for Encumbrances - Current Year		700,000
		To record purchase orders issued. Amount should be taken from Purchase Order Register of Ledger of Appropriations, Encumbrances, Disbursements and Balances.		
(10)	01-245	Reserve for Encumbrances - Prior Year	400	
	01-242	Expenditures	690,000	
	01-201	Accounts Payable		690,400
		To record the claims filed for payment.		
(11)	01-242	Expenditures	225,000	
	01-101	Cash		225,000
		To record payroll paid. (May be recorded through Accounts Payable.)		
(12)	01-244	Reserve for Encumbrances - Current Year	690,000	
	01-243	Encumbrances		690,000
		To record encumbrances (Purchase Orders) liquidated for current year.		
(13)	01-201	Accounts Payable	650,000	
	01-101	Cash		650,000
		To record the payment of vendors' claims.		

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	10,000	
Reserve for Encumbrances		10,000
To record the outstanding encumbrances at year end.		
Expenditures	41,400	
Accounts Payable		41,400
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 counties will use this method initially.

(14)	01-245	Reserve for Encumbrances - Prior Year	100	
	01-271	Fund Balance		100
		This entry cancels the encumbrances brought forward from the prior year and credits fund balance with the excess of the encumbrance brought forward over the actual expenditures made against the encumbrance.		
(15)	01-101	Cash	2,600	
	01-151	Investments		2,500
	01-172	Revenue		100
		To record liquidation of investments and interest received.		
(16)	01-151	Investments	3,000	
	01-101	Cash		3,000
		To record purchase of investments.		
<u>Closing Entries</u>				
(17)	01-241	Appropriations	995,000	
	01-271	Fund Balance		70,000
	01-242	Expenditures		915,000
	01-243	Encumbrances		10,000
(18)	01-172	Revenue	1,002,100	
	01-171	Estimated Revenue		1,000,000
	01-271	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.

#### SECTION M - GENERAL LEDGER ACCOUNTS SHOWING ILLUSTRATED JOURNAL ENTRIES

<u>Cash #01-101</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)	50,000		50,000
(6)	500,000		500,000
(7)	502,000		1,052,000
(11)		225,000	827,000
(13)		650,000	177,000
(15)	2,600		179,600
(16)		3,000	176,600
<u>Petty Cash #01-102</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)	100		100
<u>Cash Change #01-103</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)	500		500

<u>Supplies Inventory #01-141</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(3)	2,000		2,000
<u>Investments #01-151</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(2)	5,000		5,000
(15)		2,500	2,500
(16)	3,000		5,500
<u>Estimated Revenue #01-171</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(5)	1,000,000		1,000,000
(18)		1,000,000	0
<u>Revenue #01-172</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(6)		500,000	(500,000)
(7)		502,000	(1,002,000)
(15)		100	(1,002,100)
(18)	1,002,100		0
<u>Accounts Payable #01-201</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(4)		1,000	(1,000)
(10)		690,400	(691,400)
(13)	650,000		(41,400)
<u>Appropriations #01-241</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(5)		985,000	(985,000)
(8)		10,000	(995,000)
(17)	995,000		0
<u>Expenditures #01-242</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(10)	690,000		690,000
(11)	225,000		915,000
(17)		915,000	0
<u>Encumbrances #01-243</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(9)	700,000		700,000
(12)		690,000	10,000
(17)		10,000	0
<u>Reserve for Encumbrances - Current #01-244</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(9)		700,000	(700,000)
(12)	690,000		(10,000)
<u>Reserve for Encumbrances - Prior Year #01-245</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(4)		500	(500)
(10)	400		(100)
(14)	100		0
<u>Reserve for Inventories #01-246</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(3)		2,000	(2,000)

<u>Fund Balance #01-271</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
(1)		50,600	(50,600)
(2)		5,000	(55,600)
(4)	1,500		(54,100)
(5)		15,000	(69,100)
(8)	10,000		(59,100)
(14)		100	(59,200)
(17)		70,000	(129,200)
(18)		2,100	(131,300)

NOTE: Amounts shown in parenthesis ( ) denotes credit balance.
----------------------------------------------------------------

#### SECTION N - SPECIAL REVENUE FUNDS

The transactions of the special revenue funds would be recorded quite similar to those illustrated for the General Fund.

#### SECTION O - CAPITAL PROJECTS FUNDS

Capital projects funds would generally have the following chart of accounts. These accounts are taken from the chart included in this section of the manual. Other accounts from the chart may be added as needed.

101	Cash
131	Due From Other Funds
151	Investments
171	Estimated Revenue
172	Revenues
201	Accounts Payable
206	Contracts Payable
241	Appropriations
242	Expenditures
243	Encumbrances
245	Reserve for Encumbrances
271	Fund Balance

Capital projects funds are used to account for the construction and acquisition of fixed assets. The revenues are generally from bond issues, grants received for construction, appropriations for construction, etc. The expenditures are for the acquisition and construction of fixed assets.

It should be kept in mind that payments for fixed assets are recorded as expenditures in the capital projects funds. The fixed assets, such as land, buildings, land improvements, etc., acquired are recorded in the general fixed asset group of accounts.

## SECTION P - TRUST AND AGENCY FUNDS

Accounting for trust and agency funds is generally a matter of properly recording the cash receipts and disbursements. An exception would be employee pension funds which must be on the accrual basis. Most trust and agency funds are not subject to budgetary control and will not require the recording of estimated revenue and appropriations.

With some exceptions the following accounts will accommodate the recording of trust and agency fund transactions:

101	Cash
151	Investments
172	Revenues
216	Accrued Wages Payable
225	Payroll Taxes Payable
226	Other Payroll Withholdings
242	Expenditures
271	Fund Balance

## SECTION Q - GENERAL FIXED ASSETS GROUP OF ACCOUNTS

Although the general fixed assets group of accounts is not a fund in a strict sense, it is a group of accounts in which are recorded acquisition of all fixed assets. Listed below are the "General Fixed Assets Group of Accounts":

Assets

161	Land
162	Buildings
164	Improvements Other Than Buildings
166	Equipment

Fund Balance (Investment in General Fixed Assets)

280.1	Investment From General Fund
280.2	Investment From Cumulative Building Fund
280.3	Investment From Bond Issue
280.4	Investment From _____

The entries in these accounts are made in addition to the normal posting to the regular budgetary fund accounts. For example, the purchase of equipment costing \$10,000 would be recorded in the General Fund as follows:

01-242	Expenditures	\$ 10,000.00
01-101	Accounts Payable*	\$ 10,000.00

\*May be credited to cash if accounts payable are recognized at year end only.

The corresponding entry in the general fixed assets group of accounts is:

96-166	Equipment	\$ 10,000.00
96-280.1	Investment From General Fund	\$ 10,000.00

## SECTION R - GENERAL LONG-TERM DEBT

Listed below are the "General Long-Term Debt" accounts:

Other Debits

98-183 Amount Provided and to be Provided for Payment of Bonds

Liabilities

98-231.1 General Obligation Bonds Payable

Entries in these accounts are made in addition to the normal posting in the Debt Service Fund. For example, the payment of bond principal from the Debt Service Fund of \$5,000 should be recorded in the General Long-Term Debt Fund by the following entry:

98-231.1	General Obligation Bonds Payable	\$ 5,000.00
98-183	Amount Provided and to be Provided for Payment of Bonds	\$ 5,000.00





SUGGESTED FORMAT ONLY  
 County should adopt forms for their own individual needs.

**CASH RECEIPTS JOURNAL**  
**FUND \_\_\_\_\_**

	Date	Received From	Receipt Number	Dr. 101 Amount of Receipt	(1)	(2)	(3)	(4)	(5)	(6)			(7)	(8)
										Credits to Other Accounts				
										Account	Acct. No.	Amount		
1.														1.
2.														2.
3.														3.
4.														4.
5.														5.
6.														6.
7.														7.
8.														8.
9.														9.
10.														10.
11.														11.
12.														12.
13.														13.
14.														14.
15.														15.
16.														16.
17.														17.
18.														18.
19.														19.
20.														20.
21.														21.

SAMPLE

This Cash Receipts Journal should be used for each county fund except the County General Fund. The receipts should be entered individually. The columns should be totaled monthly and the totals posted to the General Fund. The most common types of revenue of the particular fund should be written in the headings of the three credit columns along with the revenue account numbers.

EXHIBIT B-1

SUGGESTED FORMAT ONLY  
 Governmental units should adopt forms for their own individual needs.

**ACCOUNTS (CLAIMS) PAYABLE JOURNAL**  
**FUND \_\_\_\_\_**

1.	Date	Name of Vendor	Claim Voucher Number	Amount of Claim Credit Accounts Payable		Personal Services Debit		Supplies Debit		Other Services and Charges Debit		Capital Outlays		Debit		Others			1.		
				Sub Acct.	Amount	Sub Acct.	Amount	Sub Acct.	Amount	Sub Acct.	Amount	Sub Acct.	Amount	Sub Acct.	Amount	Sub Acct.	Amount	Account		Account Debit	
																				Sub Acct.	Amount
ACCOUNTS (CLAIMS) PAYABLE JOURNAL																				1.	
2.																				2.	
3.																				3.	
4.																				4.	
5.																				5.	
6.																				6.	
7.																				7.	
8.																				8.	
9.																				9.	
10.																				10.	
11.																				11.	
12.																				12.	
13.																				13.	
14.																				14.	
15.																				15.	
16.																				16.	
17.																				17.	
18.																				18.	
19.																				19.	

SAMPLE

1. Maintain a separate Accounts (Claims) Payable Journal for each fund.\*
  2. Enter each claim when it is received from the vendor on this Journal and for budgeted funds make simultaneous entries on the appropriate Form 24A Ledger of Appropriations, Encumbrances Disbursements and Balances as an expenditure and also liquidate the respective purchase orders.
  3. Total columns at end of month and post to General Ledger accounts.
  4. Utility or enterprise Accounts (Claims) Payable Journals can provide detailed information, or be posted in summary only with the detail to be provided by the utility or enterprise records.
  5. File claims numerically by funds.
  6. This form may also be used to record Accounts Payable at year end when expenditures are recorded on a cash basis throughout the year.
- \* For funds, such as the general fund, that have major departments, a separate Accounts (Claims) Payable Journal should be kept for each department.
- Notes: (a) The expenditure section of the General Ledger will ordinarily contain only control accounts for the major budgetary classifications. The control accounts will be supported by detail accounts in the Ledger of Appropriations, Encumbrances, Disbursements and Balances.  
 (b) Regarding entry per item 2 above - If it is known that a purchase discount is to be taken, enter only the net amount as the amount of the claim. If a discount is not recognized at the time the claim is entered, but is taken when payment is made, it will be necessary to make a journal entry for the amount of the discount by:  
 Debit Accounts Payable  
 Credit the Proper Expenditure Account

EXHIBIT C

SUGGESTED FORMAT ONLY  
 Governmental units should adopt forms  
 for their own individual needs.

**CASH DISBURSEMENTS JOURNAL**  
**FUND** \_\_\_\_\_

1.	Date	Payee	Warrant or Check		Accounts Payable Debit	Personal Services Debit		Supplies Debit		Other Services and Charges Debit		Capital Outlays Debit		Account	Debit		1.	
			Number	Account Cash Credit		Sub Acct.	Amount	Sub Acct.	Amount	Sub Acct.	Amount	Sub Acct.	Amount		Sub Acct.	Amount		Sub Acct.
2.																		2.
3.																		3.
4.																		4.
5.																		5.
6.																		6.
7.																		7.
8.																		8.
9.																		9.
10.																		10.
11.																		11.
12.																		12.
13.																		13.
14.																		14.
15.																		15.
16.																		16.
17.																		17.
18.																		18.
19.																		19.

CASH DISBURSEMENT JOURNAL

- Maintain a separate Cash Disbursements Journal for each fund.
- Enter warrants individually or by groups. The Accounts Payable Column total will show the debits for the payments of claims that previously have been credited to Accounts Payable per the Accounts (Claims) Payable Journal.
- Total columns at end of month and post to General Ledger accounts.

Notes: (a) If all expenditures are processed through accounts payable and entered in the Accounts (Claims) Payable Journal, the use of this Cash Disbursements Journal could be eliminated.  
 (b) The General Ledger cash accounts will provide a cash balance only at the end of the month. Supplementary cash records will be needed to provide daily balances, which can be provided by Form No. 24B, Fund Ledger and Ledger of Receipts.

SAMPLE

EXHIBIT D

SUGGESTED FORMAT ONLY  
 Governmental units should adopt forms for their own individual needs.

**PURCHASE ORDER REGISTER**  
 FUND \_\_\_\_\_

	Date	Name of	Purchase Order Number	January	February	March	April	May	June	July	August	September	October	November	December	
1.																1.
2.																2.
3.																3.
4.																4.
5.																5.
6.																6.
7.																7.
8.																8.
9.																9.
10.																10.
11.																11.
12.																12.
13.																13.
14.																14.
15.																15.
16.																16.
17.																17.
18.																18.
19.																19.
20.																20.
21.																21.
22.																22.
23.																23.
24.																24.
25.																25.
26.																26.
27.																27.
28.																28.
29.																29.
30.																30.
31.																31.
32.																32.
33.																33.
34.																34.
35.																35.
36.																36.
37.																37.

SAMPLE

EXHIBIT E

PURCHASE ORDER REGISTER

- Maintain a separate Purchase Order Register for each fund, or for each major department of a fund, for which budgets are maintained.
- At the beginning of each year list individually the outstanding purchasing orders of the prior year (the sum should equal the Encumbrances and the Reserve For Encumbrances as shown by the General Ledger).
- List each new purchase order on a separate line.
- Record the total of the orders issued each month and record in the General Ledger as:  
 Dr. Encumbrances  
 Cr. Reserve for Encumbrances
- In the monthly columns of the register enter the purchase orders that are liquidated that month - this would be at the time the claim voucher is received and is entered on the Accounts (Claims) Payable Journal. Total the respective column at the end of the month and make the following entry:  
 Dr. Reserve For Encumbrances  
 Cr. Encumbrances

<b>GENERAL JOURNAL</b>								
(Binding Margin)	Date 19__	EXPLANATION	ACCOUNT NO.	✓	DEBIT	CREDIT		
	1							1
	2							2

SAMPLE

EXHIBIT F

SUGGESTED FORMAT ONLY

Governmental unit should adopt forms for their own individual needs.

**ASSET LEDGER**

Governmental Unit: \_\_\_\_\_ (1)

Type of Asset: \_\_\_\_\_ (2)

Fund From Which Purchased: \_\_\_\_\_ (3)

Asset Number (4)	Location of Asset (5)	Description	Date of Purchase	Cost of Asset	Est. Life	Date of Disposal	Amount Received on Disposal	Asset Replaced by or Other Remarks

SAMPLE

EXHIBIT G

- NOTES: (1) Insert Name of Unit and Department.  
 (2) Insert Furniture and Fixtures, Buildings, Transportation, Etc.  
 (3) Insert General Fund, Motor Vehicle Highway, Federal Revenue Sharing, Etc.  
 (4) Insert Identification Number Assigned by Unit, if any.  
 (5) Insert Department or Location Code Where Asset is Generally Kept.