



## The Balance Sheet

Balance Sheet otherwise known as the Statement of Financial Position

### **Categorized by Account Type**

#### **Assets** – Items owned

Normally carries a positive or debit balance

A debit transaction increases the ending balance

A credit transaction decreases the ending balance

Asset accounts include:

Bank Accounts

Investment Accounts

Receivables

Inventory/Supplies

“Due From” other funds

Pre-paid Expenses

Control Accounts - Current Year Expenditure Control

Unliquidated Encumbrance Control

Prior Year Encumbrance Expense

#### **Liabilities** – Financial obligations or amounts owed to others

Normally carries a negative or credit balance

A debit transaction decreases the ending balance

A credit transaction increases the ending balance

Liability accounts include:

Payroll deductions taken but not paid

“Due To” other funds

Payables

Short & Long Term Debt

Control Accounts – Current Year Revenue Control

Appropriations Control

#### **Equities** – Reserves and Fund Balance Accounts

The difference between Assets minus Liabilities

Normally carries a negative or credit balance

A debit transaction decreases the ending balance

A credit transaction increases the ending balance

Equity accounts include:

Reserve Accounts

Undesignated Fund Balance

(Retained Earnings in Enterprise Funds)



## Local Government Corporation Basic Fund Accounting

*Note: The State of TN Chart of Accounts for cities does not have a separate Equity section. Those accounts are included with Liabilities. Additionally, a county Balance Sheet and Trial Balance will display the year-to-date activity of revenue and expenditures through a consolidated revenue controlling account and expenditure controlling account whereas the city will not. The city Trial Balance will display the year-to-date activity of each individual revenue and expenditure account.*

Balance Sheet Accounts are increased or decreased by transactions involving:

**Revenues** – Income or collections enhancing financial resources  
Normally carries a negative or credit balance  
A debit transaction decreases the ending balance (YTD Totals)  
A credit transaction increases the ending balance (YTD Totals)  
Recorded from Trustee Reports or Daily Cash Reports or manual GL entries  
Revenue sources include:  
    Tax Levies  
    Charges for Services Provided  
    Sale of Assets  
    Fund Transfers In

**Expenditures** – The cost of goods or services  
Normally carries a positive or debit balance  
A debit transaction increases the ending balance (YTD Totals)  
A credit transaction decreases the ending balance (YTD Totals)  
Recorded from issuance of payroll & vendor checks and manual GL entries  
Expenditures originate from:  
    Purchases made  
    Salaries/Wages Paid  
    Capital Outlays  
    Fund Transfers Out

***If auditors and elected officials put so much emphasis on the budget and budget reports, why is the Balance Sheet so important?*** The budget is merely a projection of what funds are expected to be received and how they are authorized to be spent. State law and other fiduciary requirements stipulate that governmental entities must adopt and “live” within realistic budgetary projections. When it’s all said and done, the year is over, and the budget has or has not been met, what you have left to use next year and what you owe is carried forward on the Balance Sheet. That’s why it is considered your “Statement of Financial Position”. Good or bad, what you carry into next fiscal year is the Balance Sheet accounts and balances, not the budget. In a sense, the budget is simply a tool to help insure a healthy Balance Sheet.





## Quick Reference Guide – County

<i>Account Type</i>	<i>COA Account Range</i>	<i>Normal Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Notes</i>
Assets	10000 – 19999	Debit	Debit	Credit	Ending Balances carry over from year to year
Liabilities	20000 – 29999	Credit	Credit	Debit	Ending Balances carry over from year to year
Equities	30000 – 39999	Credit	Credit	Debit	Ending Balances carry over from year to year
Revenues	40000 – 49999	Credit	Credit	Debit	Accumulate throughout the year but zero out to start new fiscal year
Expenditures	50000 – 99999	Debit	Debit	Credit	Accumulate throughout the year but zero out to start new fiscal year

<i>Transaction Types</i>	
AJ	Audit Adjustment
AP	Accounts Payable (full accrual)
BB	Beginning Balance Entry
BG	Budget Entry (reverse DR & Cr)
CD	Cash Disbursement (Checks)
CE	Controlling Entries (computer generated only)
CR	Cash Receipts
DP	Deposit Entries
EC	Purchase Order – Entered
JE	Journal Entries
PA	Payroll Summary Entry (computer generated)
PO	Purchase Order - Liquidated



**Quick Reference Guide - City**

<i>Type</i>	<i>COA Account Range</i>	<i>Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Notes</i>
Assets	10000 - 19999	Debit	Debit	Credit	Ending Balances carry over from year to year
Liabilities	20000 - 29999	Credit	Credit	Debit	Ending Balances carry over from year to year
Revenues	30000 - 39999	Credit	Credit	Debit	Accumulate throughout the year but zero out to start new fiscal year
Expenditures	40000 - 99999	Debit	Debit	Credit	Accumulate throughout the year but zero out to start new fiscal year

<i>Transaction Types</i>	
AJ	Audit Adjustment
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BB	Beginning Balance Entry
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Understanding Your Balance Sheet

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TEST COUNTY SCHOOLS

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Balance Sheet  
MAY 31, 2008

141 GENERAL PURPOSE SCHOOL

Sub Cost Sub  
Fnd-Funct-Obj - Fnd-Centr-Obj

Account Name

ASSETS

141-11130		CASH IN BANK
141-11140		CASH WITH TRUSTEE
141-11300-	- -TR	INVESTMENTS
141-11440		DUE FROM OTHER FUNDS
141-11440-	- -10	DUE FROM OTHER FUNDS
141-11440-	- -90	DUE FROM OTHER FUNDS
141-11440-	- -CAFE	DUE FROM OTHER FUNDS
141-11500		PROPERTY TAXES RECEIVABLE
141-11510		ALLOWANCE FOR UNCOLLECTABLE PROPERTY
141-14100		ESTIMATED REVENUES
141-14200		UNLIQUIDATED ENCUMBRANCES (CONTROL)
141-14500		EXPENDITURES - CURRENT YEAR (CONTROL)
141-14600		EXP CHGD TO RESERVE FOR PRIOR YRS ENC
		TOTAL ASSETS

**Assets**

- Cash accounts
- Receivables
- Inventory
- Supplies
- Prepaid Expenses
- "Due From's"
  
- Normally a debit balance (no minus signs)

Debit to Increase  
Credit to Decrease

	Amount
	412,282.59-
	890,658.12
	10,000.00
	367,701.23
	11,173.17
	4,040.76-
	28,071.46
	1,460,000.00
	104,356.24
	6,613,153.00
	113,540.94
	5,578,854.26
	2,310.79
	-----
	15,596,142.56

LIABILITIES

141-21310		INCOME TAX WITHHELD AND UNPAID
141-21320		SOCIAL SECURITY TAX
141-21325		EMPLOYEE MEDICARE DEDUCTION
141-21330		RETIREMENT CONTRIBUTIONS
141-21341		NATIONAL TEACHER ASSOCIATES
141-21342		EMPLOYEE MEDICAL INSURANCE
141-21343		EMPLOYEE LIFE INSURANCE
141-21345		USABLE LIFE
141-21346		DELTA DENTAL
141-21351		403B TAX SHELTERED ANNUITIES

**Liabilities**

- Unpaid Payroll deductions
- "Due To's"
- Payables
  
- Normally a credit balance (has a minus signs)

Debit to Decrease  
Credit to Increase

	2,588.69
	1,652.01
	642.94
	33,827.84-
	776.75
	50,803.41-
	220.23-
	1,234.81
	3,645.53
	1,338.98



### Understanding Your Balance Sheet

141-21352 141-21353 141-21360 141-21380 141-21390 141-21395 141-21500 141-21500-     -     -10 141-21500-     -     -20 141-21500-     -     -23 141-21500-     -     -41 141-21500-     -     -50 141-21500-     -     -79 141-21500-     -     -90 141-21500-     -     -91 141-21500-     -     -CAFE 141-22100 141-28100 141-28500 141-28510	IRA & NON-QUALIFIED ANNUITIES HORACE MANN LIFE INSURANCE GARNISHMENTS AND LEVIES CREDIT UNION DEDUCTIONS PROFESSIONAL DUES UNITED WAY DUE TO OTHER FUNDS DUE TO OTHER FUNDS DUE TO OTHER FUNDS DUE TO OTHER FUNDS DUE TO OTHER FUNDS DUE TO OTHER FUNDS DUE TO OTHER FUNDS DUE TO OTHER FUNDS DUE TO OTHER FUNDS DUE TO OTHER FUNDS DUE TO OTHER FUNDS DEFERRED REVENUE - CURRENT PROPER APPROPRIATIONS (CONTROL) REVENUES (CONTROL) TRANSFERS FROM OTHER FUNDS (CONTROL)	<p style="text-align: center;"><b><u>Liabilities (Cont.)</u></b></p> <ul style="list-style-type: none"> <li>- Unpaid Payroll deductions</li> <li>- "Due To's"</li> <li>- Payables</li>   <li>- Normally a credit balance (has a minus signs)</li>   <li>Debit to Decrease</li> <li>Credit to Increase</li> </ul>	150.00- 125.81 300.00 13,080.03- 1,914.86- 30,127.76- 51,872.81- 87,016.20- 21,754.60- 1,778.42- 1,357.82- 1,399.00- 45,591.00- 163,150.30- 7,496.55- 53,760.97- ,460,000.00- ,006,463.00- 5,705,399.80- 378,677.18- ----- 15,103,536.26-
	TOTAL LIABILITIES		
	EQUITIES		
141-34110 141-34120 141-34290 141-34330 141-34330 141-34379 141-34380 141-39000 141-39000	RESERVED FOR ENCUMBRANCES - CURRENT YEAR RESERVED FOR ENCUMBRANCES - PRIOR YEAR OTHER LOCAL EDUCATION RESERVES RESERVED FOR CAPITAL OUTLAY BUDGET RESERVED FOR CAPITAL OUTLAY RESERVED FOR CAREER LADDER - EXT CONTRAC RESERVED FOR CAREER LADDER PROGRAM UNDESIGNATED FUND BALANCE BUDGET UNDESIGNATED FUND BALANCE	<p style="text-align: center;"><b><u>Equities</u></b></p> <ul style="list-style-type: none"> <li>- Reserves</li> <li>- Undesignated Fund Balance</li> <li>- Retained Earnings</li>   <li>- Normally a credit balance (has a minus signs)</li>   <li>Debit to Decrease</li> <li>Credit to Increase</li> </ul>	113,540.94- 2,559.29- 10,000.00- 172,767.03- 172,767.00 5,898.00- 4,900.01- 576,251.03- 220,543.00 ----- 492,606.30- ----- 0.00
	TOTAL EQUITIES		
	Fund Is In Balance		



### Understanding Your Balance Sheet

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TEST COUNTY SCHOOLS

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Balance Sheet  
MAY 31, 2008

141 GENERAL PURPOSE SCHOOL

Fnd-Funct-Obj	Sub Cost	Sub	Account Name	Amount
141-11130			CASH IN BANK	412,282.59-
141-11140			CA	890,658.12
141-11300-	-	-TR	IN	10,000.00
141-11440			DUE FROM OTHER FUNDS	367,701.23
141-11440-	-	-10	DUE FROM OTHER FUNDS	11,173.17
141-11440-	-	-90	DUE FROM OTHER FUNDS	4,040.76-
141-11440-	-	-CAFE	DUE FROM OTHER FUNDS	28,071.46
141-11500			PROPERTY TAXES RECEIVABLE	1,460,000.00
			COLLECTABLE PROPERTY TAX	104,356.24
			S	6,613,153.00
			UNLIQUIDATED ENCUMBRANCES (CONTROL)	113,540.94
			EXPENDITURES - CURRENT YEAR (CONTROL)	5,578,854.26
			EXP CHGD TO RESERVE FOR PRIOR YRS ENC	2,310.79
			TOTAL ASSETS	15,596,142.56
			LIABILITIES	
141-21310			INCOME TAX WITHHELD AND UNPAID	2,588.69
141-21320			SOCIAL SECURITY TAX	1,652.01
141-21325			EMPLOYEE MEDICARE DEDUCTION	642.94
141-21330			RETIREMENT CONTRIBUTIONS	33,827.84-
141-21341			NATIONAL TEACHER ASSOCIATES	776.75
141-21342			E	50,803.41-
141-21343			E	220.23-
141-21345			USABLE LIFE	1,234.81
141-21346			DELTA DENTAL	3,645.53
141-21351			403B TAX SHELTERED ANNUITIES	1,338.98
141-21352			IRA & NON-QUALIFIED ANNUITIES (ROTH)	150.00-
141-21353			HORACE MANN LIFE INSURANCE	125.81



### Understanding Your Balance Sheet

141-21360			GARNISHMENTS AND LEVIES	300.00
141-21380			CREDIT UNION DEDUCTIONS	13,080.03-
141-21390			PROFESSIONAL DUES	1,914.86-
141-21395			UNITED WAY	30,127.76-
141-21500			DUE TO OTHER FUNDS	51,872.81-
141-21500-	-	-10	DUE TO OTHER FUNDS	87,016.20-
141-21500-	-	-20	DUE TO OTHER FUNDS	21,754.60-
141-21500-	-	-23	DUE TO OTHER FUNDS	1,778.42-
141-21500-	-	-41	DUE TO OTHER FUNDS	1,357.82-
141-21500-	-	-50	DUE TO OTHER FUNDS	1,357.82
141-21500-	-	-79	DUE TO OTHER FUNDS	45,591.00-
141-21500-	-	-90	DUE TO OTHER FUNDS	163,150.30-
				7,496.55-
				53,760.97-
			DEFERRED REVENUE - CURRENT PROPERTY TAXE	1,460,000.00-
141-28100			APPROPRIATIONS (CONTROL)	7,006,463.00-
141-28500			REVENUES (CONTROL)	5,705,399.80-
141-28510			TRANSFERS FROM OTHER FUNDS (CONTROL)	378,677.18-
				-----
			TOTAL LIABILITIES	15,103,536.26-
			EQUITIES	
141-34110			RESERVED FOR ENCUMBRANCES - CURRENT YEAR	113,540.94-
141-34120			RESERVED FOR ENCUMBRANCES - PRIOR YEAR	2,559.29-
141-34290			OTHER LOCAL EDUCATION RESERVES	30,000.00-
141-34330			RESERVED FOR CAPITAL OUTLAY	27,000.00-
141-34330			BUDGET RESERVED FOR CAPITAL OUTLAY	5,898.00-
141-34379			RESERVED FOR CAREER LADDER - EXT CONTRAC	4,900.01-
141-34380			RESERVED FOR CAREER LADDER PROGRAM	576,251.03-
141-39000			UNDESIGNATED FUND BALANCE	220,543.00
141-39000			BUDGET UNDESIGNATED FUND BALANCE	-----
				492,606.30-
				-----
			Fund Is In Balance	0.00
				=====

Offsetting Amounts

Offsetting debits and credits  
might indicate an account  
number error

28500 - Consolidated account for all YTD Revenues

34110 - Total outstanding Current Year PO's

34120 - Total outstanding Prior Year PO's

39000 - Total Budget (BG) entries made to Undesignated Fund Balance

Just because you have \$576,000 in UFB doesn't mean you have \$576,000 to spend!



### How Transactions Affect Balance Sheet Account Balances

Fnd-Funct-Obj - Sub Cost Sub Fnd-Funct-Obj - Fnd-Centr-Obj	Account Name	Amount
<b>ASSETS</b>		
141-11130	CASH IN BANK	412,282.59-
141-11140	CASH WITH TRUSTEE	890,658.12
141-11300- - -TR	INVESTMENTS	10,000.00
141-11440	DUE FROM OTHER FUNDS	367,701.23
141-11440- - -10	DUE FROM OTHER FUNDS	11,173.17
141-11440- - -90	DUE FROM OTHER FUNDS	4,040.76-
141-11440- - -CAFE	DUE FROM OTHER FUNDS	28,071.46
141-11500	PROPERTY TAXES RECEIVABLE	1,460,000.00
141-11510	ALLOWANCE FOR UNCOLLECTABLE PROPE	104,356.24
141-14100	ESTIMATED REVENUES	6,613,153.00
141-14200	UNLIQUIDATED ENCUMBRANCES (CONTROL)	113,540.94
141-14500	EXPENDITURES - CURRENT YEAR (CONTROL)	5,578,854.26
141-14600	EXP CHGD TO RESERVE FOR PRIOR YRS ENC	2,310.79
	TOTAL ASSETS	15,596,142.56

**Assets**

- Normally a debit balance  
(no minus signs)

Debit to Increase  
Credit to Decrease

**The ending balance of the above asset accounts are affected in a positive manner by the recording of funds received.**

**1. County Offices – Record Monthly Trustee Report**

CR Transaction Type -      Debit Cash With Trustee \$ Credit Revenues \$

**2. City Offices – Record Daily Cash Receipts**

CR Transaction Type -      Debit Cash on Hand \$ Credit Revenues \$

DP Transaction Type -      Debit Cash in Bank \$ Credit Cash on Hand \$

**Legend**

= Increase Balance

= Decrease Balance

In both examples above the end result is that the cash accounts continue to grow with debits until money is spent. That is why they “normally” have a debit balance. A credit balance in cash accounts usually indicates that we have spent more than we have collected.

Additionally, in the above transactions you see that as money is received, revenue accounts are credited. As more revenues are received the credit balances continue to grow. That is why revenues “normally” have a credit balance. Other than corrections and audit adjustments the majority of all transactions to revenue accounts are credits.

**The ending balance of the above asset accounts are affected in a negative manner by the recording of funds spent.**



**3. Vendor Checks** are written for invoices received:

CD Transaction Type -      Debit Expenditure Accounts \$      Credit Cash in Bank \$

**If using accrual accounting:**

*(when invoice/item was received)*

AP Transaction Type -      Debit Expenditure Accounts \$      Credit Accounts Payable \$

*(when checks are written)*

CD Transaction Type -      Debit Accounts Payable \$      Credit Cash in Bank \$

**4. When running payroll**

PA Transaction type -	Debit <b>Expenditure</b> Account for Gross Wages \$ 1,000		
	Credit Social Security	\$ 62.00	<b>Liabilities</b>
	Credit Medicare	\$ 14.50	
	Credit FIT/WH	\$ 75.00	
	Credit TCRS/RET	\$ 50.00	
	Credit all other voluntary deductions	\$ 95.00	
	Credit <b>Cash in Bank</b> for total Net Check	<u>\$ 703.00</u>	
	<i>Total Debits &amp; Credits</i>	<u>\$1,000</u>	<u>\$ 1,000</u>

In the examples above expenditure accounts are debited (increased). That is why they “normally” have a debit balance. With each check written the debit balance of expenditure accounts continue to grow.

In each example the Cash Account is credited (reduced). As money is received cash accounts are increased with debits, as money is spent they are decreased with credits

The liability accounts for accrual accounting and voluntary deductions taken from employee paychecks increase with credits. Therefore they “normally” have a credit balance. As liabilities are paid out in the form of vendor checks they are decreased with debits.



LIABILITIES

141-21310		INCOME TAX WITHHELD AND UNPAID	2,588.69
141-21320		SOCIAL SECURITY TAX	1,652.01
141-21325		EMPLOYEE MEDICARE DEDUCTION	642.94
141-21330		RETIREMENT CONTRIBUTIONS	33,827.84-
141-21341		NATIONAL TEACHER ASSOCIATES	776.75
141-21342		EMPLOYEE MEDICAL INSURANCE	50,803.41-
141-21343		EMPLOYEE LIFE INSURANCE	220.23-
141-21345		USABLE LIFE	1,234.81
141-21346		DELTA DENTAL	3,645.53
141-21351		403B TAX SHELTERED ANNUITIES	1,338.98
141-21352		IRA & NON-QUALIFIED ANNUITIES	150.00-
141-21353		HORACE MANN LIFE INSURANCE	125.81
141-21360		GARNISHMENTS AND LEVIES	300.00
141-21380		CREDIT UNION DEDUCTIONS	13,080.03-
141-21390		PROFESSIONAL DUES	1,914.86-
141-21395		UNITED WAY	30,127.76-
141-21500		DUE TO OTHER FUNDS	51,872.81-
141-21500-	-	DUE TO OTHER FUNDS	87,016.20-
141-21500-	-	DUE TO OTHER FUNDS	21,754.60-
141-21500-	-	DUE TO OTHER FUNDS	53,760.97-
141-22100		DEFERRED REVENUE - CURRENT PROPERTY TAXE	1,460,000.00-
141-28100		APPROPRIATIONS (CONTROL)	7,006,463.00-
141-28500		REVENUES (CONTROL)	5,705,399.80-
141-28510		TRANSFERS FROM OTHER FUNDS (CONTROL)	378,677.18-
			-----
		TOTAL LIABILITIES	15,103,536.26-

Liabilities

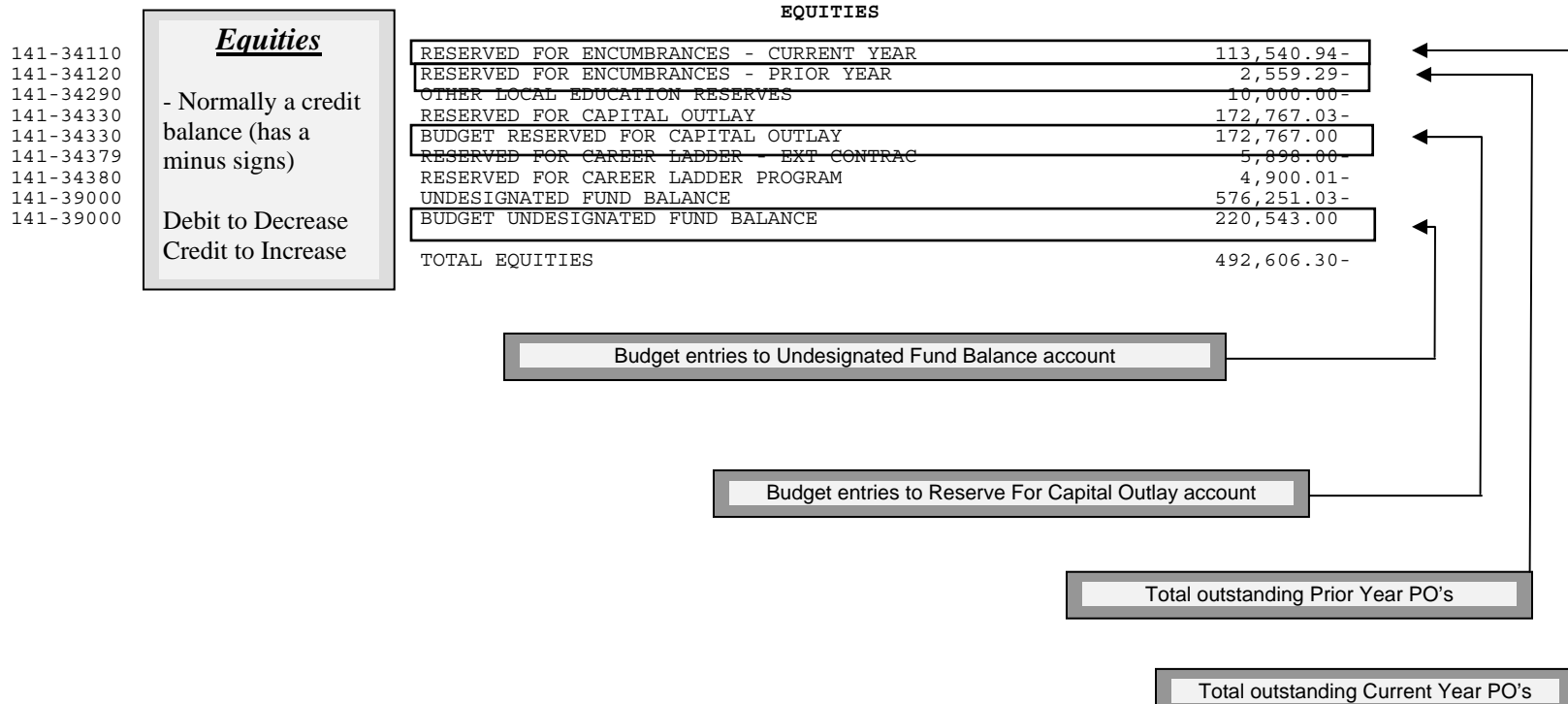
- Normally have a credit  
balance (has a minus sign)

Debit to Decrease  
Credit to Increase

As we have seen, during the AP accrual process, liability accounts are credited (increased). As invoices are accrued the expense account is debited (increased) and liability account for accounts payable is credited (increased). Then a check debiting accounts payable and crediting the bank account completes the cycle.

When payroll is processed, liability accounts are credited (increased) for voluntary deductions taken. A check to the voluntary deduction vendors debiting (decreasing) those liabilities complete that accounting cycle.

Both the AP and Payroll transactions usually occur prior to liquidation by vendor checks therefore they “normally” have a credit balance. A debit balance usually indicates (1) pre-paid liability (2) checks have been written for more than has been withheld, (3) a posting error.



**The ending balances of the above Equity accounts are affected by Budget entries, Purchase Orders, Year End process and manual transactions.**

Unless manipulating designated Reserve Accounts, direct entries to these accounts are generally restricted to budget entries, automatic software entries and Audit Adjustments.

The Bank Reconciliation Excel Spreadsheet (seen on the next page) has been placed on the USB drive given at Resource 2009.



# Local Government Corporation

## Basic Fund Accounting

Monthly Bank Reconciliation						
Bank Statement Date:	1/31/2009					
Ending Balance from Bank Statement for Bank	<b>111 First TN Bank</b>				<b>\$13,277,820.76</b>	
Add Deposits on Computer but not on Bank Statement						
	Deposit Date	Amount	Deposit Date	Amount		
	1/29/2009	\$503,560.96	1/31/2009	\$2,462.41		
	2/2/2009	\$149,885.10	1/29/2009	\$6,016.00		
				<b>Total Deposits in Trans</b>	<b>\$661,924.47</b>	
Subtract Deposit on Bank Stmt not on computer (unposted interest earned)						
	Deposit Date	Amount	Deposit Date	Amount		
	1/29/2009	\$24,850.00		\$0.00		
					<b>\$24,850.00</b>	
					<b>Adjusted Bank Statement</b>	<b>\$13,914,895.23</b>
Subtract Outstanding Checks:						
	Check Number	Amount	Check Number	Amount		
	87223	\$1,756.80	87226	\$876.00		
	87225	\$24,899.22	87227	\$16,745.00		
				<b>Total Outstanding Checks</b>	<b>\$44,277.02</b>	
					<b>Computed Book Balance</b>	<b>\$13,870,618.21</b>
					<b>Balance from Computer Report</b>	<b>\$13,870,591.21</b>
					<b>Difference</b>	<b>\$27.00</b>

*Note: Anytime the "Difference" is evenly divisible by 9, the error more often than not, is a transposition. For instance, \$572 is entered as \$527, (the position of the 2 and the 7 were transposed.) The difference of 572 minus 527 is 45. 45 Is evenly divisible by 9 by 5.*



**Current Year Purchase Order Transactions**

**1. Increase or Enter PO**

EC transaction type- Debit transaction to expenditure acct

Debit amount appears in Unliquidated Enc Control (14200)

Credit amount appears in Current YR Enc (34110)

**2. Reduce or Delete PO –**

PO transaction type - Credit transaction type to expenditure acct

Credit amount appears in Unliquidated Enc Control (14200)

Debit amount appears in Current YR Enc (34110)

**3. Liquidate PO by Invoice Payment – Same as 2 but add**

CD transaction type - Debit expense account, Credit cash w/ Trustee

*except*

If on full accrual an AP entry Debits account payable, Credits Cash w/ Trustee and PO entries are made when invoice is entered not when check is written

***General Notes for Current Year PO's***

- Encumbrance Reserve (34110) & Encumbrance Control (14200) should always have the same balances. One will be a debit balance and the other a credit balance

**Year End Process**

- Encumbrance Reserve (34110) & Encumbrance Control (14200) are non-existent accounts created only when a Balance Sheet or Trial Balance is requested so there are no EOY transactions
- A Beginning Balance (BB) Credit entry is made to EC PY Reserve (34120) and Debit entry to 39000, for the amount of all Purchase Orders rolled from current year to prior year
- Encumbrance Prior Year Control (14600) starts the beginning of each year with a zero balance
- PE Debit entries are made to expense accounts for rolled PO's dated July
- Undesignated Fund Balance 39000 is reduced by the amount of outstanding PO's



**Prior Year Purchase Order Transactions**

**4. Deleting Prior Year PO –**

CE Credit transaction to Undesignated Fund Balance (39000)

CE Debit transaction to EC PY Reserve (34120)

PE entry Debiting Expenditure Acct

**5. Full Liquidation PY PO w/ check –**

CD entry Debit transaction to EC PY Control (14600)

CD entry Credit transaction to Cash w/ Trustee (11140)

PE entry Debiting AND Crediting transaction to expenditure account

**6. Full Liquidation PY PO w/ check but invoice amount \$427 is less than PO amount \$500**

CD entry – Debiting 14600 \$427                      Crediting 11140 \$427

CE entry – Debiting 34120 \$73                      Crediting 39000 \$73

PE entry – Debit Liquidated Amount (\$500) to Exp Acct 51300-435

PE entry – Credit Expensed Amount (\$427) to Exp Acct 51300-435

**7. Full Liquidation PY PO w/ check but invoice amount (\$950) is greater than PO amount (\$900) overage amount is charged to current year expenditures**

7a. CD entry –    Debiting 14600 \$900  
                            Debiting Expenditure Acct \$50                      Crediting 11140 \$950

PE entry –    Debiting Expenditure Acct \$900                      Crediting Expenditure Acct \$900

**OR** (at user's discretion charge overage amount to 14600 -not recommended but allowed)

7b. CD entry – Debiting 14600 \$950                      Crediting 11140 \$950

PE entry – Debiting Expenditure Acct \$900 & Crediting Expenditure Acct \$900



*General Notes for Prior Year PO's*

- Difference between Encumbrance PY Reserve (34120) and Encumbrance PY Control (14600) should be the actual outstanding amount of all PY PO's UNLESS they have elected to charge overages (ex. 7b) to 14600
- Balance of Encumbrance PY Reserve (34120) should only change throughout the year if prior year PO's are deleted.(Debit 34120 & Credit 39000 for amount deleted) In a perfect world if all PY PO's are liquidated by checks as issued, 34120 balance would remain the same throughout the year and only change during the year end process.
- Encumbrance PY Control (14600) normally only has debit entries. Credit entries would only be voided checks or JE's for audit adjustments, etc.