

## CHAPTER 6 ACCOUNTING PRINCIPLES AND CHART OF ACCOUNTS

### SECTION A - ACCOUNTING PRINCIPLES

The major principles of accounting which underlie the Uniform System contained in this manual include:

1. Records shall be kept on a calendar year basis and in full compliance with all legal requirements.
2. Records shall be kept on a single entry cash basis, although an optional double entry accounting system is provided in Chapter XII.
3. Accounting shall be based on a separation of funds.
4. The uniform classification of expenditure accounts shall be used in budgeting, accounting and reporting.
5. Budgetary control of receipts and disbursements shall be maintained.
6. Unexpended balances of appropriations, other than amounts encumbered by contracts, shall lapse at the close of the year.

#### Legal Requirements

The principle that accounting records must comply with the law needs no explanation.

Regardless of the source of a receipt or the purpose of a disbursement, all funds of the county must be accounted for in the records of the county auditor and reconciled with the records of the county treasurer.

The State Board of Accounts is empowered to prescribe the accounting system, as well as accounting forms and records, which must be uniform in all counties. [IC 5-11-1-2] It is, therefore, incumbent on all county auditors that records be kept in the prescribed manner.

#### Single Entry Cash Basis

The ledgers (records) shall account for receipts and disbursements on a cash basis. Accruals of income or expenses are not provided, except to the extent of encumbrances incurred and recorded. This applies only to transactions involving funds and appropriations carried in the general ledger. It does not apply to the tax duplicate and similar records, discussed elsewhere in the manual, where provision is made for accrual of amounts due and payable.

#### Separation of Funds

The system provides for separation of accounts by funds in order to comply with statutory requirements and accepted accounting principles.

The county treasurer is likewise required to separately account for each fund. At the close of each month independent financial statements must be prepared by the auditor and treasurer, showing the receipts, disbursements and balances of the several funds, and the records of the two offices reconciled.

#### Uniform Classification of Expenditure Accounts

Expenditures from budgeted funds shall be classified in accordance with the major budget classifications and minor objects prescribed for counties.

The budget classifications and account numbers are discussed in Section E of this chapter and are more fully covered in Chapter VIII. The accounts, as prescribed, are to be used in (1) budgeting, (2) accounting and (3) reporting, to provide maximum information and uniformity in these three stages.

Some county departments, such as the department of public welfare and highway department, are required to keep separate accounting records; however, this in no way lessens the record keeping requirements imposed on the county auditor.

#### Budgetary Control

The budget laws require adoption of a balanced budget for each fund subject to appropriation by the council. The budget shall include all anticipated revenues and expenses, with appropriations limited to the revenues available in each fund.

It is the duty of the county auditor to see that no disbursements are made in excess of or in the absence of an appropriation, where an appropriation is required for payment of the obligation. Instances in which disbursements may be made without appropriation are set out in Chapter VIII.

The term "budgetary control," as used herein, also applies to each fund, in that the county auditor shall not issue a warrant on a fund in excess of the balance in such fund, thereby permitting the fund to become overdrawn.

#### Unexpended Appropriations

Unexpended and unencumbered appropriations lapse at the close of the calendar year and are not to be carried forward to the succeeding year's ledger.

For proper budget control every effort should be made to have claims filed, allowed and paid before the close of the year, so the expenses are reflected in the year in which the services or commodities were furnished or used.

Claims of a prior year, unless encumbered by contract, should not be carried over and paid from the succeeding year's budget. Such a practice is contrary to the budget law. It is recognized, however, that expenses may be incurred during the latter part of December, after the last date for filing and allowing claims, which by operation of law can only be paid from the succeeding year's budget, unless purchase orders are issued and the current year's appropriations are encumbered.

Where an appropriation is lawfully encumbered by contract (purchase order or other contractual document), the appropriation to the extent of the encumbrance should be carried forward and added to the same appropriation account for the succeeding year. The manner of accounting for encumbrances is discussed in Chapter VI.

## SECTION B - CHART OF ACCOUNTS

A chart of accounts is a listing of account titles, with numerical symbols, employed in the compilation of financial data. It also serves to facilitate processing of claims, warrants and other documents and as a convenience in posting ledgers.

A numerical coding system has been established for use in accounting for funds, revenues, appropriations and expenditures, which is adaptable to all counties having a manual or mechanized accounting system, as distinguished from electronic data processing. The coding system and its application is more fully discussed below and on the pages that follow in this chapter.

The chart of accounts described herein will be used in all counties unless a double entry accounting system is implemented requiring the chart of accounts specified in Chapter XII.

Those counties utilizing electronic data processing may find it necessary to adopt a chart of accounts and numerical coding system different from that set out herein. This is particularly true with respect to fund account numbers and departmental account numbers which are consolidated in the chart of accounts described herein, but which may have to be separated in an electronic data processing system to provide a separate series of account numbers for funds and a separate series of account numbers for departments. The number of digits used in coding revenue and expenditure accounts may also need to be expanded in an electronic data processing system and, if necessary, this is permissible; however, all such systems must provide for separate accounting for each fund, and for the revenues, appropriations and expenditures related to such fund. Also, the basic numerical system prescribed for appropriation and expenditure accounts, as set out in the prescribed budget forms, must be used in all counties, whether the records are kept manually or by electronic data processing.

## SECTION C - FUND AND DEPARTMENTAL ACCOUNT NUMBERS

A three-digit number has been established to account for each fund and, within the County General Fund, the appropriations and disbursements for each department.

Under this coding system, the County General Fund has been assigned account number 100, with the second and third digits identifying the specific office or department within that fund. All other funds have been assigned numbers in groups beginning with 200, as they appear on the monthly financial statement, for convenience in preparing that statement.

The following illustrates the manner in which the fund and departmental account numbers should be assigned, although the actual numbers may differ between counties because of the various departments and funds which exist:

- 100 County General Fund
  - 101 Clerk of Circuit Court
  - 102 County Auditor
  - 103 County Treasurer
  - 104 County Recorder
  - 105 County Sheriff
  - 106 County Surveyor
  - 107 County Coroner
  - 108 Prosecuting Attorney
  - 109 County Assessor
  - 110 Bean Blossom Township Assessor/Trustee

- 111 Benton Township Assessor/Trustee
- 112 Bloomington Township Assessor
- 113 Clear Creek Township Assessor/Trustee
- 114 Indian Creek Township Assessor/Trustee
- 115 Perry Township Assessor
- 116 Polk Township Assessor/Trustee
- 117 Richland Township Assessor
- 118 Salt Creek Township Assessor/Trustee
- 119 Van Buren Township Assessor
- 120 Washington Township Assessor/Trustee
- 121 County Election Board
- 122 Registration of Voters
- 123 County Cooperative Extension Service
- 124 Plan Commission
- 125 Board of Review
- 126 Drainage Board
- 127 Veterans Service Officer
- 128 Weights and Measures Inspector
- 129 Board of Education
- 130 Board of County Commissioners
- 131 Court House
- 132 Jail
- 133 County Home
- 134 Children's Home
- 135 Juvenile Detention Home
- 136 Circuit Court
- 137 Superior Court No. 1
- 138 Superior Court No. 2
- 139 Superior Court No. 3
- 140 Probate Court
- 141 Criminal Court
- 142 Juvenile Court
- 143 Probation Department
- 200 Other County Funds
- 201 County Highway
- 202 County Bond Redemption
- 203 Cumulative Bridge
- 204 County Welfare
- 205 County Welfare Trust
- 207 \*County Poor
- 208 \*County Poor Bond Redemption
- 209 County Hospital Operating
- 210 County Hospital Bond Redemption
- 211 County Hospital Cumulative
- 212 \*General Drain Improvement
- 213 \*Drainage Maintenance
- 214 County Health
- 215 County Aviation
- 216 County Park and Recreation
- 217 Local Road and Street Fund
- 218 County Payroll
- 219 Withholding Tax - Federal
- 220 Withholding Tax - State

- 221 Withholding - OASI
- 222 Withholding - Insurance
- 223 Withholding - Public Employees Retirement
- 224 Withholding Tax - County Local Option
- 225 Principal Congressional
- 226 Interest Congressional
- 227 \*Principal Cemetery Trust
- 228 \*Interest Cemetery Trust
- 229 Surplus Tax
- 230 Tax Sale Redemption
- 231 Tax Sale Surplus
- 232 Dog Tax Collections
- 233 Surplus Dog
- 234 Cumulative Reassessment
- 235 County Welfare Administration
- 236 County Hospital Care for the Indigent
- 237 Supplemental Public Defender Services Fund
- 238 Guardian Ad Litem and Special Advocate Services Fund
- 239 County Medical Assistance to Wards Fund
- 240 Children With Special Health Care Needs Fund
- 241 County Extradition Fund
- 242 Plat Book Fund

\*The detail fund accounts under these fund controls should be identified through the assignment of sub-account numbers, using either a point system or second series of digits. For example, detail township poor relief accounts may be identified either as 207.1, 207.2, 207.3 or as 207-01, 207-02, 207-03, etc.

- 300 State Funds (Funds distributed or payable to the State)
  - 301 Fines and Forfeitures
  - 302 Gross Tax on Real Estate
  - 303 Inheritance Tax
  - 304 Overweight Vehicle Fines
  - 305 Family Violence and Victim Assistance
  - 306 Infraction Judgments
  - 307 Special Death Benefit
  - 308 State Fair Board Tax
  - 309 State Forestry Tax
  
- 400 Local Tax Distribution Funds
  - 401 Township Tax
  - 402 Township Civil Bond Tax
  - 403 Township Recreation Tax
  - 404 Township Fire Fighting Tax
  - 405 Township Cumulative Fire Equipment Tax
  - 406 Library Tax
  - 407 School General Tax
  - 408 School Debt Service Tax
  - 409 School Cumulative Building Tax
  - 410 Corporation Tax
  - 411 Corporation Bond Tax
  - 412 Corporation Cumulative Building Tax
  - 413 Motor Vehicle Highway - Street Tax

- 414 Park and Recreation Tax
- 415 Police Pension Tax
- 416 Firemens' Pension Tax
- 417 Conservancy District Tax
  
- 500 Federal Funds
  - 501 Crime Control (LEA)
  - 502 Federal Revenue Sharing Trust
  
- 600 Other Funds
  - 601 Sewage Charge Collections
  - 602 Barrett Law Collections
  - 603 Dog Tax Collections

As stated, the foregoing is only to illustrate the manner in which the code numbers should be assigned to each fund and, in the case of the County General Fund, the numbers assigned to each office or department within that fund. It is not necessary, except for the County General Fund (100 series), that the funds bear the same numbers as those listed herein; however, to facilitate posting ledgers and preparing the monthly financial statement they should be arranged in substantially the order listed.

The "500" group for Federal Funds is to be used where a federal grant requires that a separate fund be established. This group should not be confused with federal reimbursements on specific projects or programs where expenditures are made from a county fund and the fund reimbursed from a federal grant.

#### SECTION D - REVENUE ACCOUNT NUMBERS

Under this prescribed uniform accounting system it is required that detail revenue (receipt) accounts be kept for the County General Fund, the County Welfare Fund and any other fund having a number of sources of receipts.

A two-digit series of account numbers has been established to identify the source of each type of receipt, within the following categories:

- 01-10 Taxes
- 11-30 Revenue From State and Federal Sources
- 31-80 Revenue From Local Sources
- 81-90 Revenue From Other Sources
- 91-99 Other Receipts

In small counties where the receipts from any source are limited in number it will be permissible to delete a separate account for each source with the receipts being accounted for as "other revenue" or "other receipts" under each of the foregoing classifications. Also, it will be permissible in any county to maintain a single ledger account for "taxes" providing the source of such tax is indicated on that ledger sheet in keeping with the detail revenue accounts. It will be required, however, that detail receipt accounts be kept within the County General Fund and the County Welfare Fund for those sources of receipts having a number of transactions, such as those covering monthly receipts from county officials, since such details are necessary in connection with the preparation of budgets, preparing the annual financial report and in the audit of the records of county offices and departments.

The chart of accounts which follows illustrates the manner in which the detail revenue accounts might be assigned. It will not be required under the system that the same numbers be assigned as shown in the chart of accounts, since the sources of receipts will vary considerably from one county to another; however, as stated, the revenue should be categorized in the manner set out in the chart of accounts, with detail revenue or receipt accounts maintained in substantially the manner shown.

- 01 to 10 Taxes
  - 01 Property Tax
  - 02 \_\_\_\_\_
  - 03 License Excise Tax
  - 04 Local Option Tax
  - 05 In Lieu of Tax - Housing Authorities
  - 06 Financial Institutions Tax
  
- 11 to 30 Revenue From State and Federal Sources
  - 11 Alcoholic Beverage Excise License Fees
  - 12 Inheritance Tax - County's Share
  - 13 Intangibles Tax - County's Share
  - 14 Surplus State Dog Fund
  - 15 \_\_\_\_\_
  - 16 Board of Education - Tuition Support
  - 17 Motor Vehicle Highway Distribution
  - 18 Local Road and Street Distribution
  - 19 Highway Engineer's Salary
  - 20 Care of Federal Prisoners
  - 21 Civil Defense - Federal Matching Funds
  - 22 \_\_\_\_\_
  - 23 \_\_\_\_\_
  - 24 \_\_\_\_\_
  - 25 \_\_\_\_\_
  - 26 \_\_\_\_\_
  - 27 \_\_\_\_\_
  - 28 \_\_\_\_\_
  - 29 Welfare Department
    - 29.1 Dependent Children in Custody of Relatives
    - 29.2 Burial Allowance
    - 29.3 Federal Child Welfare
    - 29.4 \_\_\_\_\_
    - 29.5 \_\_\_\_\_
  - 30 Other State and Federal Revenue
  
- 31 to 80 Revenue From Local Sources
  - 31 Clerk of Circuit Court
  - 32 County Auditor
  - 33 County Treasurer - Demand Fees
  - 34 County Treasurer - Tax Sale Costs
  - 35 County Recorder
  - 36 County Sheriff
  - 37 County Surveyor
  - 38 Prosecuting Attorney
  - 39 Plan Commission
  - 40 Building Department
  - 41 County Home - Care of Residents

- 42 County Home - Other Revenue
- 43 County Health Department (Health Fund)
- 44 Rental of County Property
- 45 Sale of County Property
- 46 Unclaimed Surplus Tax
- 47 Unclaimed Tax Sale Surplus
- 48 to 79 (Reserved for Other Detail Sources)
- 80 Other Revenue From Local Sources
  
- 81 to 90 Revenue From Other Sources
  - 81 Change of Venue
  - 82 Examination of Records
  - 83 Tax Refunds
  - 84 Interest on Investments
  - 85 Repayments of Welfare Assistance
    - 85.1 Old Age Assistance and Burials
    - 85.2 Assistance to Dependent Children in Custody of Relatives and Burials
    - 85.3 Disabled Assistance and Burials
    - 85.4 Blind Assistance and Burials
    - 85.5 Refunds of Medicaid
    - 85.6 Other Repayments
  - 86 Warrants Returned to Fund
  - 87 \_\_\_\_\_
  - 88 \_\_\_\_\_
  - 89 Other Refunds and Reimbursements
  - 90 Other Revenue
  
- 91 to 99 Other Receipts
  - 91 Investments Matured or Sold (Principal)
  - 92 Repayment of Petty Cash and Change Funds
  - 93 Repayment of Loans and Advances to Other Funds
  - 94 Temporary Loans and Advances (Principal)
  - 95 Repayment of Poor Relief Advances
  - 96 \_\_\_\_\_
  - 97 \_\_\_\_\_
  - 98 \_\_\_\_\_
  - 99 Other Receipts

#### SECTION E - EXPENDITURE ACCOUNT NUMBERS

Under the prescribed budget system, the following four (4) major budget classifications have been established:

- 100 Personal Services
- 200 Supplies
- 300 Other Services and Charges
- 400 Capital Outlays

Each of the above major budget classifications is further divided into minor expense classifications, herein referred to as "expenditure accounts."



The major budget classifications are described in Chapter VIII entitled "Budgets and Appropriations" and, since the expenditure account numbers are listed in the budget forms, they are not included in the manual.

In addition to the expenditure account numbers listed in the budget forms, account numbers have also been assigned to "non-budgeted expenditures," covering items which may be disbursed without appropriation. The following numbers have been assigned to these accounts:

500	Non-Budgeted Expenditures
510	Investments Purchased
520	Petty Cash and Change Fund Advances
530	Loans and Advances to Other Funds (Except Poor Relief)
540	Repayment of Temporary Loans and Advances (Principal)
550	Poor Relief Advances
560	Refunds of Repayments (Welfare Department)
561	Old Age Assistance and Burials
562	Assistance to Dependent Children in Custody of Relatives and Burials
563	Disabled Assistance and Burials
564	Blind Assistance and Burials
565	Refunds of Medicaid
566	Other Refunds of Repayments
570	Refunds of Revenue
580	_____
590	Other (Detail)
591	_____
592	_____
593	_____

It is important that detail accounts for all disbursements be maintained within each budgeted fund, so that the total of all such accounts will agree with the disbursements entered in the fund control account. Therefore, where an expenditure is made for any non-budgeted purpose, it must be classified and posted to one of the accounts under the "500" classification.

#### Poor Relief Appropriations

The foregoing chart of accounts does not include a numerical coding system for appropriations for township poor relief, since the appropriations are accounted for in the Register of Poor Relief Claims, County Form PR-4; however, it is permissible to assign numbers to the appropriation accounts, if deemed desirable in any county.

#### Federal Projects

On some federal projects it may be required that detail budget and/or expenditure accounts be set up for each project budget item. The chart of accounts does not include a numerical coding system for federal projects since the detail budget accounts and their terminology will vary on each project; however, in all such instances, the detail budget accounts should be assigned expenditure account numbers in the same manner as other expenditure accounts. Also, the amount allotted under each such budget classification should be accounted for in the same manner as an appropriation from county funds, to insure that the allotment is not exceeded.

