

## PART 6

### CLASSIFICATION AND DEFINITION OF CLEARING ACCOUNTS

#### INTRODUCTION

The clearing accounts listed in this chapter are part of an all-encompassing list that is applicable to the various types of schools in the state of Indiana. Charter schools will need to determine the applicability of each clearing account per Indiana Code and guidelines from state agencies.

#### CLASSIFICATION OF CLEARING ACCOUNTS

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

There are also instances in which the school corporation serves as a trust officer and must maintain control of certain items of cash which are not available to the school corporation to disburse for current operating purposes but which must be transmitted to a payee for a designated purpose at a later date to fulfill a liability of such trust. Examples of these are payroll deduction accounts. Other transactions provide cash for current operating purposes but at the same time create a liability to the school corporation, as in the case of a loan. To provide accounts for controlling these items without disrupting the single entry cash accounting of the system, the clearing accounts were established. Because of the nature of their use in the system as outlined above, the accounts are separated into two general classifications; namely, Asset Accounts and Liability Accounts.

#### DEFINITION OF CLEARING ACCOUNTS

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

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

#### MASTER CHART OF ACCOUNTS CLEARING ACCOUNTS

- 8000 Asset Accounts
  - 8100 Petty Cash Fund
    - 8110 Receipts (To Establish Fund)
    - 8120 Disbursements (Returned to Source when Closed Out)
  - Cash Change
    - 8130 Receipts (To Establish Fund)
    - 8140 Disbursements (Returned to Source when Closed Out)

- 8200 Central Stores
  - 8210 Receipts
  - 8220 Issues
  
- 8300 Prepaid Insurance
  - 8310 Premiums Paid
  - 8320 Premiums Used
  
- 8400 Prepaid Food
  - 8410 Receipts - Prepaid Meals Received
  - 8420 Disbursements - Transfers to Appropriate Receipt Accounts in the School Lunch Fund (1611-1623)
  
- 8500 Investments
  - 8510 Receipts - Purchase of Investments
  - 8520 Disbursements - Sale of Investments
  
- 8600 Investments - Common School Fund Bonds
  - 8610 Receipts
  - 8620 Disbursements
  
- 8700 Properties
  - 8710 Land
    - 8710.1 Additions (Acquisitions)
    - 8710.2 Deletions (Disposals)
  - 8720 Structures and Improvements
    - 8720.1 Additions (Acquisitions)
    - 8720.2 Deletions (Disposals)
  - 8730 Equipment
    - 8730.1 Classroom - Additions (Acquisitions)
    - 8730.2 Classroom - Deletions (Disposals)
    - 8730.3 Pupil Transportation - Additions (Acquisitions)
    - 8730.4 Pupil Transportation - Deletions (Disposals)
    - 8730.5 Maintenance - Additions (Acquisitions)
    - 8730.6 Maintenance - Deletions (Disposals)
  
- 9000 Liability Accounts
  - 9100 Loans
    - 9110 Temporary
      - 9110.1 Receipts
      - 9110.2 Disbursements
    - 9120 Emergency
      - 9120.1 Receipts
      - 9120.2 Disbursements
    - 9130 Loans From One Fund to Another
      - 9130.1 Receipts
      - 9130.2 Disbursements
    - 9140 School Bus Loans
      - 9140.1 Receipts
      - 9140.2 Disbursements
  
  - 9200 Payroll Deductions - Regular
    - 9210 Federal Tax
      - 9210.1 Receipts
      - 9210.2 Disbursements
      - 9210.3 Cobra transfers For ARRA Stimulus

- 9220 Social Security
  - 9220.1 Receipts (Teaching)
  - 9220.2 Disbursements (Teaching)
  - 9220.3 Receipts (Non-Teaching)
  - 9220.4 Disbursements (Non-Teaching)
  - 9220.5 Receipts (Non-Cash Fringe Benefits Employee Benefit Portion of Social Security to be Matched)
  - 9220.6 Disbursements (Non-Cash Fringe Benefits Employee Benefit Portion of Social Security to be Matched)
- 9230 State Tax
  - 9230.1 Receipts
  - 9230.2 Disbursements
- 9240 County Adjusted Gross Income Tax
  - 9240.1 Receipts
  - 9240.2 Disbursements
- 9250 Teacher Retirement
  - 9250.1 Receipts
  - 9250.2 Disbursements
- 9260 Public Employees' Retirement Fund
  - 9260.1 Receipts
  - 9260.2 Disbursements
- 9270 Group Insurance
  - 9270.1 Receipts
  - 9270.2 Disbursements
  - 9270.3 Receipts (Employee Insurance Program Including (COBRA) for Continuing Coverage After Termination)
  - 9270.4 Disbursements (Employee Insurance Program Including (COBRA) for Continuing Coverage After Termination)
  - 9270.5 Receipt of (From 9210.3) Cobra Transfer for ARRA Stimulus
  - 9270.6 Disbursements of Cobra Transfer for ARRA Stimulus
- 9280 Annuities
  - 9280.1 Receipts
  - 9280.2 Disbursements
- 9290 Bonds
  - 9290.1 Receipts
  - 9290.2 Disbursements
- 9300 Other Payroll Deductions - Regular
- 9310 Garnishments
  - 9310.1 Receipts
  - 9310.2 Disbursements
- 9400 Payroll Deductions - Special
  - 9410 United Fund
    - 9410.1 Receipts
    - 9410.2 Disbursements
  - 9420 Credit Union
    - 9420.1 Receipts
    - 9420.2 Disbursements
  - 9490 Other
- 9500 State Sales Tax
  - 9510 Collected
  - 9520 Remitted to State Agency

- 9700 Long-Term Debt
  - 9710 General Obligation Bonds
    - 9710.1 Principal Of Issues Sold
    - 9710.2 Redemption Of Bonds
    - 9710.3 Interest On G.O. Bonds
    - 9710.4 Value Of Coupons Redeemed
  - 9720 Lease-Rental Obligations
    - 9720.1 Total Obligations Per Contracts
    - 9720.2 Total Annual Payments To Date

#### DESCRIPTION AND ACCOUNTING FOR CLEARING ACCOUNTS

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

Numbered accounts have been designed as shown above in each of the two separate areas, assets and liabilities, with the detail receipt and disbursement accounts also being assigned account numbers. In actual practice, however, the receipts and disbursements for each major account number will be posted to a single ledger account under that number. For example, while petty cash receipts have been assigned Account Number 8110 and disbursements Account Number 8120, all posting entries will be made to the applicable receipt and disbursement columns of the major Petty Cash Account Number 8100, so that it will reflect the balance of the account at all times.

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

#### 8000 ASSET ACCOUNTS

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

8100 Petty Cash Fund. The use of a Petty Cash Fund is authorized for the purpose of paying small or emergency expenses of an administrative or operating nature. An appropriation must be available before establishing a Petty Cash Fund and it shall not exceed \$500.00.

8110 Receipts. Receipt to account 8100 the check which was written on the General Fund (Expenditure Account 25192) to establish the Petty Cash Fund in the amount allowed by the Board of School Trustees. This amount is entered in the "Receipts" column and carried to the "Balance" column of the Petty Cash Fund Clearing Account.

8120 Disbursements. When the amount of the Petty Cash Fund is returned to the General Fund (Receipt Account 6010) it is entered in the disbursements column of the Petty Cash Fund Clearing Account 8100 and the balance reduced accordingly.

8200 Central Stores. This clearing account will be used only if the school corporation maintains a central storage warehouse for receiving all school supplies and distributing them to the various departments as they are needed. This requires the use of certain inventory, receipt and issue forms.

8210 Receipts. Record in the receipts column of the Central Stores Clearing Account the value of all supplies, based on the purchase price when received from the vendor. These receipts will increase the balance of this account.

- 8220 Issues. Record in the disbursements column of the Central Stores Clearing Account the value of supplies as they are issued to any of the various departments of the school corporation. These issues will decrease the balance of the clearing account.
- 8300 Prepaid Insurance. This clearing account will be used only if the records are kept on an accrual basis of accounting.
- 8310 Premiums Paid. Record in the receipts column of the Prepaid Insurance Clearing Account the total cost of premiums paid for more coverage than the current year (3 years, 5 years, etc.). This will increase the balance in the account.
- 8320 Premiums Used. Record in the disbursements column of this account the amount of the annual premiums for insurance when it is charged to the proper program of the fund concerned. These entries will decrease the balance of the clearing account.
- 8400 Prepaid Food
- 8410 Prepaid School Lunch Receipts. Record amounts paid (generally by credit card) but not yet identified for breakfast, lunch or after school supplement programs.
- 8420 Transfers - to school lunch fund when meals are charged. Transfers should be made at the minimum, at the end of each month.
- 8500 Investments. This clearing account must be maintained if investments are made from any fund of the school corporation. It is a control of amounts invested from all of the funds of the school corporation and any balance in it must be supported by sufficient pages of prescribed Form No. 350 to show the amount invested from each individual fund. An additional page must be set up and maintained for investments from the account balance as total monies on deposit.
- 8510 Receipts. Record in the receipts column of this account the purchase price of the investment from any school corporation fund. The check written for this purpose must be posted to the Securities Purchased Expenditure Account (60300) of the Interfund Transfer Accounts in the Nonprogrammed Services Program area (60000) in the proper fund. Also, register the investment on prescribed Form No. 350 for the fund concerned. The receipt of these investments when purchased will increase the balance in the account and equally decrease the balance in the fund account from which the investment was made. In the case of an investment from total monies on deposit, no individual fund account will be affected; only the Total of All Funds will decrease. Further accounting will be evidenced on the Treasurers Daily Balance of Cash, Depositories and Investments (Form No. 361).
- 8520 Disbursements. Record in the disbursements column of the account each sale of investments in the same amount as recorded in the receipts column at the time of purchase (purchase price). Write the investment off the Register of Investments (Form 350) in the same amount. This amount, less any discounts at time of sale, must also be recorded in the Sale of Securities Receipt Account (6570) for the Fund concerned if a Fund is affected. The interest earned shall be receipted to Receipt Account No. 1510.
- 8700 Properties. This asset account is created to provide accounts in the official records of the school corporation for recording the value of the various types of property; Land, Structures and Improvements, and Equipment. Subaccounts provide for separation of acquisitions and disposals of each type or property.

## 9000 LIABILITY ACCOUNTS

Accounts in this series are those where the activity results in a liability to the school corporation. To facilitate the handling of receipts and disbursements in these accounts, account numbers have been assigned to receipts and disbursements; however, this is for identification only and in actual practice both receipts and disbursements in each of these accounts will be posted to the same account but in separate columns. For example, both receipts and disbursements on temporary loans will be posted to Account No. 9110 and only one ledger account will be used for that account number, identified as Temporary Loans. The same procedure will be followed for Emergency Loans, Loans Between Funds and for all payroll deductions under account numbers beginning with 9200.

## 9100 Loans.

9110 Temporary Loans. All receipts and disbursements for temporary loans.

9110.1 Receipts. Record in the receipts column of Account 9110 the face value of the loans and increase the balance of the account. This amount must also be receipted to Account No. 5430 in the Fund for which received.

9110.2 Disbursements. Record in the disbursements column of Account 9110 the face value of the loan when it is repaid and reduce the balance of the account. The value of the loan must also be disbursed from Account No. 51200 and the interest thereon from Account No. 52200 of the fund concerned or from the Debt Service Fund.

## 9120 Emergency Loans.

9120.1 Receipts. Record in the receipts column the face value of the loan and increase the balance of the account. This amount must be receipted to Account No. 5440 in the fund concerned.

9120.2 Disbursements. Record in the disbursements column the face value of the loan when it is repaid and reduce the balance of the account. The value of the loan must also be disbursed from Account No. 51300 and the interest thereon from Account No. 52300 of the fund concerned.

9130 Loans Between Funds. Authorized by IC 36-1-8-4 and must be repaid within the budget year.

9130.1 Receipts. Record in the receipts column the amount of money temporarily transferred from one fund to a depleted fund for current operating purposes and increase the balance in this account. The same amount must also be receipted to Account No. 5450 of the receiving fund and disbursed from Account No. 60200 of the fund from which the loan was obtained.

9130.2 Disbursements. Record in the disbursements column the amount of money repaid and reduce the balance in this account. The same amount must be receipted to Account No. 5450 of the fund being repaid and disbursed from Account No. 60200 of the fund making the repayment. This repayment must be made in the same budget year as the loan was obtained.

9140 School Bus Loans. Control account for all receipts and disbursements concerned with a bank loan for purchase of school buses as authorized.

- 9140.1 Receipts. Record in the receipts column of account 9140 the principal of each loan for this purpose and increase the balance of the account. Each amount received here must also be receipted to Account No. 5460 in the General Fund.
- 9140.2 Disbursements. Record in the disbursements column of Account 9140 the payments on the principal of these loans and reduce the balance of the account. Each amount of repayment of the principal of these loans must be disbursed from Account No. 51400 of the General Fund or Debt Service Fund. Payments of the interest are disbursed from Account No. 52400 of the General Fund or Debt Service Fund.
- 9200 Payroll Deductions - Regular. The account provides a control record for the payroll deductions with which all school corporations are concerned during the time they are a liability to the school corporation; that is, from the time they are deducted from the employees' wages until they are transmitted to the proper payee for the purpose withheld. In connection with this it should be noted that total salaries, including deductions, are recorded in the expenditure accounts for salaries and carried to the proper program and fund accounts but that only the net payroll is recorded as a disbursement from the All Funds-Control account. Thus, when the deductions are transmitted to the payee, they must be disbursed from the Clearing Account concerned and from the All Funds-Control account.

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

9210 Federal Tax. Amounts withheld for federal income tax purposes.

- 9210.1 Receipts. Record in the receipts column all deductions from payrolls for federal income tax purposes and increase the balance.
- 9210.2 Disbursements. Record in the disbursements column each transmittal to the depository or Internal Revenue Service of withheld federal income tax, and reduce the balance accordingly.
- 9210.3 Cobra Transfers. Cobra Transfers for ARRA Stimulus;

9220 Social Security/Medicare. Amounts withheld for social security (F.I.C.A.)/ Medicare purposes. Accounts must be established separately for teaching and for non-instructional personnel.

- 9220.1 Receipts (Teaching). Record in the receipts column all deductions for social security from the payrolls for teaching personnel.
- 9220.2 Disbursements (Teaching). Record in the disbursements column all transmittals of these amounts to the Internal Revenue Service (Social Security/Medicare).
- 9220.3 Receipts (Non-Teaching). Record in the receipts column all deductions for social security from the payrolls for non-teaching personnel.
- 9220.4 Disbursements (Non-Teaching). Record in the disbursements column all transmittals of these amounts to the Internal Revenue Service (Social Security/Medicare).

- 9230 State Tax. Amounts withheld for Indiana Adjusted Gross Income Tax purposes.
- 9230.1 Receipts. Record in the receipts column all deductions for state income tax and increase the balance accordingly.
  - 9230.2 Disbursements. Record in the disbursements column all transmittals to the Indiana Department of State Revenue, Withholding Tax Section, of withheld state income tax amounts. Each disbursement should clear out the balance for the period covered.
- 9240 County Adjusted Gross Income Tax. Amounts withheld for County Adjusted Gross Income Tax (CAGIT) purposes.
- 9240.1 Receipts. Record in the receipts column all payroll deductions for this purpose, whether for county of residence or principal place of employment.
  - 9240.2 Disbursements. Record in the disbursements column all transmittals to the Department of State Revenue for the deposit of the amounts withheld for this purpose.
- 9250 Teacher Retirement. Amounts withheld from payrolls for teachers' retirement fund.
- 9250.1 Receipts. Record in the receipts column all deductions from payrolls for teachers' retirement fund.
  - 9250.2 Disbursements. Record in the disbursements column all transmittals to the Indiana State Teachers' Retirement Fund of withheld payroll deductions for this purpose. Each disbursement should clear out the balance for the period covered.
- 9260 Public Employees' Retirement Fund. Amounts withheld from payrolls of persons participating in this program to pay the employee contribution.
- 9260.1 Receipts. Record in the receipts column all deductions from payrolls of employee contributions to this fund.
  - 9260.2 Disbursements. Record in the disbursements column all transmittals to the Indiana Public Employees' Retirement Fund of withheld payroll deductions for this purpose. Each disbursement should clear out the balance for the period covered.
- 9270 Group Insurance. Amounts withheld from payrolls of persons participating in the group insurance program to pay the premiums.
- 9270.1 Receipts. Record in the receipts column all deductions from payrolls for this purpose.
  - 9270.2 Disbursements. Record in the disbursements column all transmittals to the insurance company of withheld payroll deductions for payment of premiums on the coverage. Each disbursement should clear out the balance for the reporting period.
  - 9270.3 Receipts (Including COBRA). For continuation coverage after termination.
  - 9270.4 Disbursements for (Including COBRA) Payments. For continuation coverage after termination.

9270.5 Receipt of (From 9210.3) Cobra Transfer for ARRA Stimulus.

9270.6 Disbursements of Cobra Transfer for ARRA Stimulus.

9280 Annuities. Amounts withheld from payrolls for persons participating in the tax sheltered annuity program.

9280.1 Receipts. Record in the receipts column the deductions from payrolls for this purpose.

9280.2 Disbursements. Record in the disbursements column all transmittals to the participating company of withheld payroll deductions for this purpose.

9290 Bonds. Amounts withheld from payrolls for persons purchasing United States Government Bonds through the payroll deduction program.

9290.1 Receipts. Record in the receipts column all payroll deductions for this purpose.

9290.2 Disbursements. Record in the disbursements column all transmittals to the issuing agency for purchase of bonds from payroll deductions.

9300 Other Payroll Deductions - Regular. Accounts 9310 to 9390 are reserved for possible future "Regular" payroll deduction applications if such develop.

9310 Garnishments. Amount withheld from payrolls for court ordered garnishment.

9310.1 Receipts. Record in the receipts column all garnishment payroll deductions.

9310.2 Disbursements. Record in the disbursement column all transmittals to the party named.

9400 Payroll Deductions - Special. If employees request in writing, payroll deductions may be withheld for special purposes. Accounts have been reserved in this series for maintaining a record of such deductions. Account Numbers 9410 and 9420 have been assigned designated uses for the school corporations which deduct for these purposes. Account Numbers 9430 through 9490 remain available for assignment as needs arise.

9410 United Fund. Amounts withheld from payrolls for persons requesting deductions for the purpose of fulfilling a pledge.

9410.1 Receipts. Record in the receipts column all payroll deductions for this purpose.

9410.2 Disbursements. Record in the disbursements column all transmittals to the United Fund headquarters of amounts withheld from payrolls for this purpose.

9420 Credit Union. Amounts withheld from payrolls for persons requesting deductions for deposit to a credit union account.

9420.1 Receipts. Record in the receipts column all payroll deductions for this purpose.

9420.2 Disbursements. Record in the disbursements column all transmittals to the credit union of amounts withheld from payrolls for this purpose.

9490 Other. Not categorized.

9500 Sales Tax. Amounts collected from eligible selling activities and held in trust until the required date for reporting and remitting to the State Department of Revenue. The use of this account will occur most often in vocational schools.

9510 Collected. Amounts collected from the customer in the selling activity.

9520 Remitted to the State Agency. Amounts remitted to the Sales Tax Division of the Department of State Revenue.

9700 Long-Term Debt. This liability account is created to provide accounts in the official records of the school corporation for recording obligations which will require annual or semiannual payments for a period of years. Subaccounts are provided for different types of obligations; also for increases in the amounts of these obligations and for liquidations or payments to date.