Uniform Accounting Procedures Manual

TABLE OF CONTENTS

Introduction

Required Basic Accounting Records

Internal Control Requirement

Chapter 1--Uniform Chart of Accounts

Chapter 2--Bank Accounts, Deposits and Reconciliation

Chapter 3--Receipts

Chapter 4--Current Tax Collections

Chapter 5--Receipts Journal

Chapter 6--Disbursements Journal

Chapter 7--Journal Entry

Chapter 8--General Ledger

Chapter 9--Treasurer's Cash Ledgers

Chapter 10--Capital Assets

Chapter 11--Periodic Reports

Chapter 12--Computerized Systems
INTRODUCTION

The uniform accounting procedures and classification of accounts for counties and local units of government in Michigan has been developed under the authority of Act 2, Public Acts of 1968, as amended, and Act 71, Public Acts of 1919, as amended.

This manual contains the basic financial records, documents and procedures that are applicable to all counties and local units of government in Michigan. Included in this manual is a short Chart of Accounts that should be sufficient for most small units of government. The Department of Treasury has also issued a full Uniform Chart of Accounts that may be obtained from the following address:

Michigan Department of Treasury
Local Audit and Finance Division
P.O. Box 30728
Lansing, Michigan 48909-8228
(517) 373-3227

No single unit of government will use all of the funds, activities, and accounts contained in the Chart of Accounts. Smaller units will use only a few. But when one is used, it will be for the same purpose by each unit using it.

REQUIRED BASIC ACCOUNTING RECORDS

Every county and local unit of government in Michigan, from the smallest to the largest, must establish and maintain the following basic accounting records.

1. The Uniform Chart of Accounts;
2. Printer prenumbered official receipts;
3. Prenumbered official checks;
4. A detail receipt journal;
5. A detail disbursement journal; and
6. A general ledger.

The minimum requirements are discussed in detail in the various chapters of this manual.

The focus of the manual is a manual accounting system in its simplest form. However, even a complex computerized accounting system must include the minimum records and procedures discussed. Computerized systems are discussed separately in Chapter 12.

As an accounting system becomes more detailed and complex, additional records and procedures will be necessary to provide the information desired. A separate payroll accounting system and records, detail subsidiary ledgers for revenue and expenditure accounts immediately come to mind. However, this manual will not address the more
detailed systems that may be necessary to provide the additional information.

**INTERNAL CONTROL REQUIREMENT**

Management is responsible for establishing and maintaining a system of internal controls over the accounting procedures as well as over all assets belonging to the governmental unit. Internal controls are policies and procedures designed to provide reasonable assurance that assets are safeguarded against unauthorized use and disposition.

Management may be the governing body in small units of government or may be appointed administrative officials in larger governments. However, the governing body in larger units of government is still responsible to assure that adequate internal controls are in place and should be receiving reports from management that will assist in that determination.

The following matters are minimum internal controls that must be in place in every unit of government in Michigan. City or village charter provisions may alter some of the procedures and will be noted by a "see charter" notation. Many of the matters are discussed in more detail in the various chapters of this manual.

**RECEIPTS**

- Numerically controlled (printer prenumbered) three part official receipts with the name of the local unit printed on the receipt must be issued for all revenues.
- Receipt books issued to other departments must be accounted for numerically.
- The use of "dime store" receipts is strictly prohibited.
- "Cash" or "check" as the method of payment must be indicated on the receipt.
- The receipt must identify the individual receiving payment.
- The receipt must allow for immediate revenue account classification in conformance with the Uniform Chart of Accounts.
- Checks must be restrictively endorsed at the point and time of collection.
- When possible, someone other than the person who writes receipts or posts the accounting records must be responsible to verify that collections received in the mail are properly receipted.
- When possible, collections must be reconciled by an individual not involved in the receipt process.
- Tax collections must be received by the treasurer or a person designated by the treasurer. (see charter)

**BANK ACCOUNTS AND DEPOSITS**

- All deposits are to be made intact. Intact means that the deposit must include the checks and cash received for a specific numerical sequenced receipt group.
- Deposits must be made timely and reconciled to official receipts.
- Deposit tickets must list checks, by name or number and amount.
- All bank accounts must be in the name of the governmental unit and the local unit
treasurer. Use of the local unit’s tax ID number should be strictly controlled by the treasurer.

- Tax collections must be deposited in a separate bank account in the name of the treasurer.
- All bank accounts should have an ending date of the end of each month.
- Bank signature cards should be kept current and the authorized signers limited.

**DISBURSEMENTS**

- Dual signatures are required for all checking accounts (except the separate tax collection checking account). The dual signatures MUST be the clerk (or deputy clerk) and the treasurer (or deputy treasurer). (see charter)
- The separate tax collection bank account statutorily only requires the signature of the treasurer. However, the treasurer must provide the clerk with summaries of tax receipts and copies of all checks written so the clerk can enter the information into the local unit’s accounting system.
- Appropriate documentation (supporting invoices) must be attached for all disbursements.
- Original bills, not copies, must be used for documentation.
- All disbursements must be approved by the legislative body prior to disbursement unless addressed otherwise in the charter. The legislative body may establish a formal policy to authorize payments prior to approval to avoid finance or late charges and to pay appropriated amounts and payroll (including related payroll taxes and withholdings). This policy must be very limited and a list of payments made prior to approval must be presented to the legislative body for approval.
- Checks should not be returned to the originating office for distribution.
- Bank accounts must be promptly (within the month following the bank statement date) reconciled by an individual not involved in the receipt/bank deposit process. In small units of government when segregation of duties is not possible, a second official must review the reconciliation.
- Adequate security must be provided over unused checks.
- Checks must NOT be signed prior to being completely filled out.
- All functions (i.e. deposit, write checks, issue checks, reconcile account) regarding a checking account should NOT be performed by the same individual.
- Numerically controlled, pre-numbered checks must be used.
- Actual checks must be returned to the local unit (record retention requirement). Under the Records Media Act electronically stored checks should meet this requirement.

**CHAPTER 1**

**UNIFORM CHART OF ACCOUNTS**

All counties and local units of government in Michigan must use the Uniform Chart of Accounts. A full account number consists of 9-digits.
a) The first three digits (101) represent the **fund**. *General Fund*
b) The next three digits (253) are the **activity**. *Treasurer*
c) The final three digits (729) represent the account number of the **revenue, expenditure object, asset or liability**. *Supplies*

The level of detail at which each local unit applies the above structure is at the discretion of the individual unit, according to its own needs. For instance, Police may be a single activity at one unit and at another unit, separate activities (the open activity numbers after the Police activity) or the Police activity could be pointed off to provide for administration, traffic control, road patrol, community policing, etc.

The amount of expense involved or the size of a department will help determine when to use a separate activity or combine several. For instance, all fire department expenses may be accounted for under Activity #340, or the various activities (#336 to 344) may be used if the expenditures are substantial or there are several divisions of a department. Smaller local units would undoubtedly use only Activity #340.

**Sample Expanded Number**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>101</td>
</tr>
<tr>
<td>Police</td>
<td>301.10</td>
</tr>
<tr>
<td>Administration</td>
<td>.10</td>
</tr>
<tr>
<td>Supplies</td>
<td>729</td>
</tr>
</tbody>
</table>

The extent of the expansion of the account numbers is at the discretion of the unit of government.

**Funds**—A fund is an independent accounting entity with a self-balancing set of accounts, created for the purpose of carrying on a specific activity. It has accounts for assets, liabilities, reserves, equities, and revenue and expenditures.

There are three fund types and several categories of funds:

**Governmental Fund Type**

- General Fund
- Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Permanent Funds
Proprietary Fund Type
Enterprise Funds
Internal Service Funds
Fiduciary Fund Type
Pension (and other employee benefit) Trust Funds
Investment Trust Funds
Private Purpose Trust Funds
Agency Funds

Balance Sheet Accounts--These are the asset, liability, and fund equity accounts that make up the balance sheet of each individual fund. These accounts are not closed out at the end of an accounting period. Again, the local unit will use only the accounts that are necessary for each separate fund.

Activities--An activity is an office or department to which specific expenses are to be allocated. A group of related activities intended to accomplish a major service or regulatory program is a function.

Activity numbers are mandatory for expenditures. See expenditure section later.

When designating the 9-digit account code, it is not necessary to use an activity number for balance sheet or revenue accounts that are defined by GASB Statement 34 as being general in nature. Three zeros (000) will be inserted when activity numbers are not used.

Revenue defined by GASB Statement 34 as a program revenue must use an activity number.

The major activities are listed in this manual in function order. We have grouped these activities into ten functions. Functions to be used are:

<table>
<thead>
<tr>
<th>Function</th>
<th>Activity Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>101-299</td>
</tr>
<tr>
<td>Public Safety</td>
<td>301-439</td>
</tr>
<tr>
<td>Public Works</td>
<td>441-599</td>
</tr>
</tbody>
</table>
Revenue Accounts—Revenue accounts include MANDATORY accounts and OPTIONAL accounts. All units must use accounts listed as mandatory, if the unit receives such revenue. The MANDATORY accounts are the revenue sources required for financial reporting. Optional account numbers are provided within the MANDATORY revenue source categories to provide greater detail of the revenue for use by units desiring to further classify their revenues.

The mandatory revenue accounts are listed below:

<table>
<thead>
<tr>
<th>Number</th>
<th>Revenue Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>401</td>
<td>Taxes</td>
</tr>
<tr>
<td>450</td>
<td>Licenses and Permits</td>
</tr>
<tr>
<td>501</td>
<td>Federal Grants</td>
</tr>
<tr>
<td>539</td>
<td>State Grants</td>
</tr>
<tr>
<td>580</td>
<td>Contribution from Local Units</td>
</tr>
<tr>
<td>600</td>
<td>Charges for Services</td>
</tr>
<tr>
<td>655</td>
<td>Fines and Forfeits</td>
</tr>
</tbody>
</table>
These are considered revenues by source for budgeting and financial reporting purposes.

Optional possibilities are indicated in the Uniform Chart of Accounts and offer the local unit more detail. If the reporting of revenue is expanded to optional accounts, the optional account numbers as listed must be used.

**Expenditure Accounts**—Expenditure accounts include MANDATORY accounts and OPTIONAL accounts. All units must use accounts listed as mandatory for each of its various activities having such an expenditure. Optional numbers are provided within most major categories for use by units desiring to further classify expenditures for various activities. Units may assign their own names or titles to these optional account numbers but must observe major category headings in making such assignments.

In the disbursements journal, expenditures are grouped by activity or department. Each activity would use as many or as few of the expenditure accounts as necessary to provide the required budgetary control and financial reporting data. There are six mandatory accounts for expenditures. They are:

<table>
<thead>
<tr>
<th>Number</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>701</td>
<td>Personal Services</td>
</tr>
<tr>
<td>726</td>
<td>Supplies</td>
</tr>
<tr>
<td>800</td>
<td>Other Services and Charges</td>
</tr>
<tr>
<td>970</td>
<td>Capital Outlay</td>
</tr>
<tr>
<td>990</td>
<td>Debt Service</td>
</tr>
<tr>
<td>999</td>
<td>Transfer Out</td>
</tr>
</tbody>
</table>

**CHAPTER 2**

**BANK ACCOUNTS, DEPOSITS AND RECONCILIATION**

**Bank Accounts**
All local unit bank accounts must include the name of the local unit, the name of the account, and the name of the treasurer.

Athens Township - General Fund Account (name of treasurer)
Athens Township - Current Tax Collection Account (name of treasurer)

**Bank Deposits**

The local unit treasurer is the legal custodian of all local unit funds and must make all deposits in the various local unit bank accounts. The local unit board designates the banks to be used. Other local unit officials receiving local unit money must deposit their collections with the local unit treasurer in the manner set forth under receipting procedures. Such officials do not make deposits to the local unit bank accounts.

The local unit treasurer must make bank deposits intact. Intact means that the deposit must include the checks and cash received for a specific numerical sequenced receipt group. Deposits must be made as frequently as possible, daily where warranted, and at least weekly in smaller local units.

It is not proper to withhold a portion of collections for use as a change fund. All collections must be deposited in the bank. If a change fund is required, an imprest (petty) cash account should be authorized by the local unit board and recorded in the general ledger.

Bank deposits of funds received should be made at least weekly and more often if the amounts received are substantial.

**Improper Bank Accounts**

Except where specifically provided by statute, it is not proper to operate a local unit bank account independent of the local unit treasurer. The local unit board may NOT designate other local unit officials such as a board or commission to operate a cemetery, police department, fire department, etc., and permit such board or commission to open its own bank account, deposit its own collections, and pay its own bills or charges. The treasurer must receive and deposit all local unit money and pay out the money upon proper order.

**Cashing or Accepting Checks**

Do not cash payroll checks or personal checks. Any personal check accepted must be made payable to the local unit and must be in the exact amount of taxes or other local unit charge being paid.

**Bank Reconciliation**
All bank accounts must be reconciled to the local unit accounting records monthly. The clerk's records must agree with or reconcile to the treasurer's and the bank's records. A reconciliation sheet should be prepared in duplicate for each month with one copy for the clerk and one copy for the treasurer. Canceled checks are to be filed with the bank statement to which they apply.

**Required Bank Accounts**

The following bank accounts are required by the Department of Treasury:

<table>
<thead>
<tr>
<th>Bank Account</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Account</td>
<td>This bank account may include the General Fund and any other fund except those that require separate bank accounts.</td>
</tr>
<tr>
<td>Current Tax Collection Account</td>
<td>For real and personal property taxes collected by a township or city treasurer from July 1 through February 28 (county, school and township taxes). Tax collection fees must be deposited in this account. Dog license collections may be deposited in this account or in the General Fund as a liability. THIS ACCOUNT MUST BE REDUCED TO A ZERO OR IMPREST BALANCE AS SOON AS POSSIBLE AFTER TAX SETTLEMENT IN MARCH EACH YEAR.</td>
</tr>
<tr>
<td>Act 51 Road/Street Account</td>
<td>The Local and Major Street funds may share a separate bank account with each other. These funds control the expenditure of motor fuel taxes that are earmarked by law and the State Constitution for street and highway purposes.</td>
</tr>
<tr>
<td>Bond Issues, Debt Fund and Capital Projects Fund</td>
<td>Separate investment and/or bank savings accounts are required for each debt issue debt fund and capital project fund as specified within the specific bond ordinance or resolution. A common debt imprest (zero balance) checking account may be used for payment of debt service and a common capital project imprest (zero balance) checking account may be used for payment of construction costs.</td>
</tr>
</tbody>
</table>

The Department of Treasury will not object to other bank accounts deemed necessary by
CHAPTER 3
RECEIPTS
(Other than Current Tax Collections)

All receipts of a local unit must include the local unit name, department (when applicable) and must be printer pre-numbered. Where local conditions permit, all money should be collected by the local unit treasurer. The treasurer must issue an official pre-numbered, pre-printed (with the local unit name listed), and made in triplicate for each collection including checks and money orders received from individuals, the state, the county, other local units, and checks between funds, etc. (ALL MONEY MUST BE RECEIPTED).

| original copy | for the payor |
| duplicate copy | for the clerk |
| triplicate copy | retained by the treasurer (must not be removed from the receipt book). If computerized receipts are issued, all receipts triplicate copies should be printed and retained in numerical order. |

All copies of voided or canceled receipts (except the clerk’s copy) must be retained in the receipt book. The clerk must receive his/her copy, properly marked "VOID."

Each receipt must clearly indicate the name of the payer, the amount paid, the purpose of payment, the fund name and number, account number, and the signature of the local unit official receiving the money. Receipts should also indicate check or money order number or indicate "cash."

After receipting for each payment received, an entry should be made into a receipts journal. This journal is described in more detail later in this manual.

Posting of Receipts

The cash receipts journal is maintained by the clerk in a township or village (a city receipts journal is maintained according to the city charter) and the treasurer in a county. Each receipt is posted to the receipts journal in numerical order to the proper bank account, fund and revenue account. In a manual system, monthly totals by fund are posted from this journal to the general ledger revenue control account. The general ledger is the responsibility of the clerk.

Money Received By Officials Other Than Treasurer

Where the situation dictates, local unit officials other than the treasurer may also receive
money. This should be limited, if at all possible, and should be permitted only where it is very inconvenient to make payments to the treasurer. The fewer individuals handling money, the better the control and the easier it is to post and maintain records.

Each time an official receives local unit money, they must issue an official pre-numbered receipt in triplicate.

**Other Cash Journals**

Where the volume of receipts and revenue account numbers warrant, the department receiving cash should maintain a cash receipts journal, posting each receipt and extending it to the proper fund and account. Totals from such a journal would be used in preparing the monthly transmittal advice. Note: only the official receipt prepared by the township treasurer will be posted to the official cash receipts journal from which monthly postings are made to the general ledger.

**Transmittal Advice**

At least monthly, the official receiving money must deposit all money with the treasurer. A form known as a "Transmittal Advice" should be prepared in triplicate (duplicate if the official is the clerk) by the official for each deposit made with the treasurer. The form will indicate the name of the office or department, the period covered, inclusive numbers of receipts, the funds and accounts to which collections belong, and any necessary explanatory detail.

The original copy of the Transmittal Advice, together with a copy of each receipt written and the total amount collected must be remitted to the treasurer. The duplicate copy is for the clerk, and triplicate is filed by the official who made the collections and prepared the form. Note: In small local units where relatively few receipts and accounts are involved, the receipt copies may serve as the transmittal advice, at the discretion of the treasurer.

Upon receipt of the collections, the treasurer will prepare the official pre-numbered receipt in triplicate in favor of the office depositing the collections (clerk, building inspector, etc.). The original is given to the individual remitting the money, who should file it with the copy of the transmittal advice. The duplicate is for the clerk. The triplicate is retained by the treasurer who should enter the receipt number on their copy of the transmittal advice. The treasurer's receipt must reflect, at minimum, the amount belonging to each fund--account numbers should also be reflected, if not too numerous for the receipt. The clerk, using their copy of the receipt (and the transmittal advice copy if necessary), will make the necessary entry in the receipts journal, to the proper fund and account, in the same manner as any other receipt received from the treasurer.
Collections for May 20XX

Receipts Number 75 to 115 inclusive

General Fund (101):  
- Account 504 Building Permits 150.00  
- Account 677 Rent of township hall 50.00  
- Account 693 Refund from vendor 25.00

Sub-total 225.00

Cemetery Fund (209)  
- Account 643 Sale of lots 200.00

Total Collections 425.00

I hereby certify that the foregoing is a complete amount of all fees and monies collected for the period herein stated and that all items are verified in detail by documents on file and by credits duly entered on the books of account of the undersigned:

Signed: _____________________ Date: ________

CHAPTER 4  
CURRENT TAX COLLECTIONS

PROPERTY TAX ACCOUNTING PROCEDURES

During the period of July 1 through February 28, current (summer) property tax collections are made by the treasurer, as provided by statute.

During the period of December 1 through February 28, current (winter) property tax and dog
license collections are made by the treasurer, as provided by statute.

Tax collections are receipted for by the use of the property tax bill copies and dog licenses by the receipt form issued by the county treasurer. The official receipt that is used for other local unit collections is not issued for individual tax collections or dog licenses.

Record of Tax Collections

The treasurer must maintain a Tax Collection Receipts Journal of the property tax collections. At least one entry per day for the total amount collected must be made. If desired, the treasurer may enter each individual tax receipt in the journal, however, it is not mandatory. The form of the journal may vary, but it must provide for an immediate determination of the amount collected for each tax collected.

Upon completing the daily posting of the Tax Collection Receipts Journal, an official receipt must be written for the day's collections. A copy of the official receipt is given to the clerk for entry into the local unit's accounting records.

Depending on the dollar amount of collections and the availability of a vault or other means of safekeeping, deposits should be made on a daily basis or at least weekly. Deposits must be made intact.

Record of Tax Collection Distributions

The treasurer must maintain a Tax Collection Disbursements Journal of the checks written to distribute property tax collections. Distribution to the county treasurer and other tax assessing unit treasurers of the tax collections on hand on the first and fifteenth day of each month within 10 business days after the first and fifteenth day of each month (unless another distribution schedule has been agreed to by all parties). A copy of the checks written are given to the clerk for entry into the local unit's accounting records.

Sample City or Township Tax Collection Receipts Journal

<table>
<thead>
<tr>
<th>Date</th>
<th>Receipt Numbers</th>
<th>Total</th>
<th>County</th>
<th>Township</th>
<th>S.E.T.</th>
<th>Ace School</th>
<th>Admin Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/1</td>
<td>1-5</td>
<td>8,080.00</td>
<td>1,000.00</td>
<td>500.00</td>
<td>1,500.00</td>
<td>5,000.00</td>
<td>80.00</td>
</tr>
<tr>
<td>12/2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/3</td>
<td>6-30</td>
<td>16,160.00</td>
<td>2,000.00</td>
<td>1,000.00</td>
<td>3,000.00</td>
<td>10,000.00</td>
<td>160.00</td>
</tr>
<tr>
<td>Sub Total</td>
<td></td>
<td>24,240.00</td>
<td>3,000.00</td>
<td>1,500.00</td>
<td>4,500.00</td>
<td>15,000.00</td>
<td>240.00</td>
</tr>
<tr>
<td>12/6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Receipt Numbers</td>
<td>Total</td>
<td>County</td>
<td>Township</td>
<td>S.E.T.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-----------------</td>
<td>---------</td>
<td>--------</td>
<td>----------</td>
<td>--------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/10</td>
<td>31-60</td>
<td>12,120.00</td>
<td>1,500.00</td>
<td>750.00</td>
<td>2,250.00</td>
<td>7,500.00</td>
<td>120.00</td>
</tr>
<tr>
<td>Sub Total</td>
<td></td>
<td>12,120.00</td>
<td>1,500.00</td>
<td>750.00</td>
<td>2,250.00</td>
<td>7,500.00</td>
<td>120.00</td>
</tr>
<tr>
<td>Month to Date</td>
<td></td>
<td>36,360.00</td>
<td>4,500.00</td>
<td>2,250.00</td>
<td>6,750.00</td>
<td>22,500.00</td>
<td>360.00</td>
</tr>
</tbody>
</table>
Frequently Asked Questions

1. What must be given to the clerk (or other accounting official) regarding tax collection?

A copy of the treasurer's official receipt and copies of the checks written from the tax collection checking account.
2. Should clerks (or other accounting official) be involved in any aspects of tax collection and tax distributions?

Only to the extent necessary to maintain the unit's general ledger for the Tax Collection Fund.

3. Who must sign the Tax Collection Fund checks?

The treasurer is the only statutorily required signature on the tax collection checking account.

4. Should copies of tax receipts be given to the clerk (or other accounting official)?

The treasurer is responsible for the tax collection process and the tax collection records. The copy of the official receipt for the daily collections is sufficient for the clerk (or other accounting official) to maintain the general ledger.

5. Should there be monthly reports to the Board regarding tax collections?

There is no statutory requirement for such a report. However, the treasurer's monthly or periodic financial report to the Board could include tax collection information.

6. If there is no agreement with the schools, county, etc., how is the interest earned on the tax collection bank account to be distributed?

1988 Attorney General Opinion 6489 states that interest earned on school taxes while in the possession of a local treasurer belongs to the school district. Absent an agreement to the contrary, interest earned in the tax collection fund belongs proportionately to the units to which the tax collections are distributed.

7. Can anyone else (not the treasurer) take money to the bank?

The treasurer and deputy treasurer or a specifically authorized person may perform the banking function. The treasurer remains responsible for all money belonging to the unit.

The person handling money must be bonded.

CHAPTER 5
RECEIPTS JOURNAL

It is not mandatory that the local unit treasurer maintain a detailed receipts journal if the clerk is maintaining such a journal.
To properly maintain this journal, it is absolutely essential that: (1) all local unit money be ultimately deposited with the treasurer; and (2) the treasurer issue an official receipt in triplicate for each collection whether received from an individual, the state, the county or another local unit department.

Any other local unit department or office receiving money must maintain its own cash receipts register. Money received, receipted for and posted to such register is deposited with the treasurer at least monthly.

In a manual system, the receipt journal format contains many columns extending across the entire face of the journal when opened. Sample columnar headings are explained as follows:

**COLUMNAR HEADINGS**

<table>
<thead>
<tr>
<th>Date</th>
<th>The date that appears on the receipt and is the date the remittance was received.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>The name of the individual, agency or another local unit fund or department from which the payment is received.</td>
</tr>
<tr>
<td>Receipt Number</td>
<td>The printer’s receipt number appearing on each receipt. RECEIPTS MUST BE ENTERED IN NUMERICAL ORDER.</td>
</tr>
<tr>
<td>Trust and Agency Fund</td>
<td>The amount of the receipt for the Trust and Agency Fund must be entered in this column together with the applicable liability account number. At the end of the month, the total for each liability account is credited to the general ledger liability control accounts in fund 701 - Trust and Agency Fund. The total of all Trust and Agency liability accounts for the month is debited to the cash account in fund 701.</td>
</tr>
<tr>
<td>Control 101</td>
<td>This is the control or total column for all money received for the General Fund. The amount of the receipt for the General Fund must be entered in this column. Posting to this column will also appear in the several detail revenue columns for the General Fund. The monthly total of this column will be debited to cash account 001 and credited to revenue control account 400 in the fund 101 - General Fund. Any receipt applicable to an asset or liability account must be credited directly to the specific asset or liability account and deducted from the total before posting to revenue control. (Example: Cashing a certificate of deposit; the credit would be account 003, not to revenue.)</td>
</tr>
</tbody>
</table>

**Revenue Account Columns**
<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>All General Fund Tax revenue is posted to this column together with the applicable detail tax revenue account numbers as desired.</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>All General Fund License and Permit revenue is posted in this column together with the applicable detail license and permit revenue account numbers as desired.</td>
</tr>
<tr>
<td>Federal Grants</td>
<td>All General Fund Federal Grant revenue is posted to this column together with the applicable detail federal grant revenue account numbers as desired.</td>
</tr>
<tr>
<td>State Grants</td>
<td>All General Fund State Grant revenue is posted to this column together with the applicable detail state grant revenue account numbers as desired.</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>All General Fund Charges for Services revenue is posted to this column together with the applicable detail charge for services revenue account numbers as desired.</td>
</tr>
<tr>
<td>Fines and Forfeits</td>
<td>All General Fund Fines and Forfeits revenue is posted to this column together with the applicable detail fines and forfeits revenue account numbers as desired.</td>
</tr>
<tr>
<td>Interest and Rents</td>
<td>All General Fund Interest and Rent revenues is posted to this column together with the applicable detail interest and rent revenue account numbers as desired.</td>
</tr>
<tr>
<td>Blank Column</td>
<td>Any other revenues for the General Fund, not specifically provided for in the foregoing columns, are posted to this column, together with the applicable revenue account numbers.</td>
</tr>
</tbody>
</table>

**Note:** The combined total of the foregoing revenue columns must equal the total posted to the "control 101" column.

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parks and Recreation Fund 208</td>
<td>This column is used only when a local unit has a separate Parks and Recreation Fund, in which case revenues belonging to such a fund are posted to this column, together with the applicable revenue account numbers. At the end of the month, the column total is posted as a debit to cash account 001 and as a credit to Revenue Control Account 400 in the Parks and Recreation Fund. Account totals are posted to each of the revenue accounts in the general ledger, fund 208 - Parks and Recreation.</td>
</tr>
</tbody>
</table>
Any other Special Revenue Funds are presented in a similar fashion as shown above.

| Blank Columns | These columns may be used to record revenues belonging to separate funds not provided for in any other columns on the journal being used. |

If the optional revenue accounts are used by the local unit, the applicable revenue account numbers must also be indicated in the "Account" column.

**Monthly Totals**

At the end of each month, the various columns are totaled and cross-footed to make certain that the journal is in balance. Where more than one account is contained in a single column, it may be necessary to summarize the column to reflect the total for each separate account. Postings are then made to the general ledger in the proper fund and accounts within the fund.

**Year To Date Totals**

At the end of each month (except the first month of the fiscal year), the current month's totals in the various columns are added to the previous month's totals (or year to date totals). This then provides total revenue by fund for the year to be included on the monthly financial reports.

**Treasurer's Cash Control Journal**

When the clerk maintains the receipts journal, it is necessary that the treasurer maintain a cash control journal where each receipt and each check is posted to the applicable fund and the cash balance reflected. The cash balance for each fund must be checked with the clerk's cash balance at the end of each month. (The treasurer must also post any journal entries affecting fund cash accounts, such as transfers of appropriations, etc., in order to reflect the proper cash balance).

**CHAPTER 6**

**DISBURSEMENTS JOURNALS**

While all receipts may be posted in a single journal, it is necessary to use a separate disbursements journal for each of the separate bank accounts. This is because a different check and numerical sequence is required for each bank account. To enter such checks in the same journal would make it difficult to follow the numerical sequence for each series of checks and would complicate bank reconciliations.

In a manual system, the disbursement journal format contains many columns extending across the entire face of the journal when opened. Sample columnar headings for the
common checking account are explained as follows:

### COLUMNAR HEADINGS

<table>
<thead>
<tr>
<th>Date</th>
<th>The date that appears on the check.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>The name of the firm, individual, agency, or other local unit fund to which payment is being made.</td>
</tr>
<tr>
<td>Check Number</td>
<td>The printer’s check number appearing on each check. CHECKS MUST BE ENTERED IN NUMERICAL ORDER.</td>
</tr>
<tr>
<td>Bank</td>
<td>The amount of each check written on the Common (general) Checking Account is entered in this column. Several funds may use this one bank account (General, Parks and Recreation, etc.). Where several funds are involved, this columnar total would not be posted to the general ledger, but would be used to verify bank account withdrawals and various fund footings.</td>
</tr>
<tr>
<td>Control 101</td>
<td>This is the control column for all moneys paid from the general fund. Postings to this column will also appear in the &quot;bank&quot; column and in the several activity columns of the general fund. The monthly total of this column will be posted in the general ledger credited to cash account 001 and debited to expenditure control account 700 in the fund 101 - General Fund. Any payment applicable to an asset or liability account must be debited directly to the specific asset or liability account and deducted from the total before posting to expenditure control. (Example: Purchasing a certificate of deposit; the debit would be account 003, not to expenditures.)</td>
</tr>
</tbody>
</table>

### Activity Account Columns

<table>
<thead>
<tr>
<th>Governing Body</th>
<th>All General Fund board or council expenditures are posted to this column together with the applicable mandatory expenditure or detail expenditure account numbers as desired.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervisor</td>
<td>All General Fund supervisor’s office expenditures are posted in this column together with the applicable mandatory expenditure or detail expenditure account numbers as desired.</td>
</tr>
</tbody>
</table>
### Clerk
All General Fund clerk’s office expenditures are posted in this column together with the applicable mandatory expenditure or detail expenditure account numbers as desired.

### Treasurer
All General Fund treasurer’s office expenditures are posted in this column together with the applicable mandatory expenditure or detail expenditure account numbers as desired.

### Building and Grounds
All General Fund building and grounds expenditures are posted in this column together with the applicable mandatory expenditure or detail expenditure account numbers as desired.

### Blank Column
Any other expenditures for the General Fund, not specifically provided for in the foregoing columns, are posted to this column, together with the applicable Activity and Expenditure account numbers.

### Trust and Agency
Various payroll deductions are entered in these columns for subsequent payment to the Trust and Agency fund. These are credit columns, with the appropriate expenditure account being debited for the gross amount of the payroll check. The expenditure account total, less these columns, must equal the check amount posted to the "bank" column. At the end of each payroll, a check is drawn on this account to the Trust and Agency Fund - the check is posted to the "bank" column and the various Trust and Agency columns are debited, reducing them to zero. (The check for the deductions is then receipted into the Trust and Agency Fund).

### Monthly Footings and Summaries
At the end of each month, the various columns are totaled and cross-footed to make certain that the journal is in balance. Where more than one account is contained in a single column, it may be necessary to summarize the column to reflect the total for each separate account. Postings are then made to the general ledger in the proper fund and accounts within the fund.

### CHAPTER 7
#### JOURNAL ENTRY
In addition to monthly postings from the receipts and disbursements journals, it is often necessary to make adjustments or other entries to the general ledger.
Examples include:

- Transfers of money from one fund or account to another within the same bank account (appropriations from the general fund to the library fund, police fund, fire fund, etc.)
- Wire transfers and electronic fund transfers (EFTs).
- Establishing certain accounts receivable and accounts payable.
- Corrections of errors.
- Closing revenue and expenditure accounts to fund balance at the end of the year.
- Other adjusting entries.

Journal entries should be sequentially numbered, (i.e. 99-1, 99-2, etc.).

Each journal entry must contain adequate explanation and supporting documentation.

Form Preparation

The form should normally be prepared in duplicate with one copy for the clerk (or other accounting official) and one for the treasurer. This will permit both officials to maintain the required cash balances of the various funds.

It is advisable to use a separate form for each transaction to avoid confusion and multiple explanations.

Opening Entries

After opening entries are posted to the general ledger, monthly postings would then be made from the receipts and disbursements journals.

Note: It is emphasized that no entry is to be made in the general ledger without a posting reference. The only basis for general ledger entries are the receipts journal, the disbursements journal, and the journal entry form.
<table>
<thead>
<tr>
<th>Account Number</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Explanation**

Prepared By ___________________________ Date ________________

---

**JOURNAL ENTRY**

Number________

Date __________

Account Number | Description | Debit | Credit |
----------------|-------------|-------|--------|
|                |             |       |        |
|                |             |       |        |
|                |             |       |        |
|                |             |       |        |

**Explanation**

Prepared By ___________________________ Date ________________

---

**CHAPTER 8**
GENERAL LEDGER

The general ledger is the gathering place for all local unit financial data. Properly maintained, it is a valuable tool of management.

The general ledger is the single binder (manual system) in which all funds and accounts of the local unit are maintained. Each fund consists of a self-balancing group of accounts and constitutes a general ledger in itself. The accounting record for all local unit funds is maintained within a single binder and is the local unit’s general ledger.

General Ledger Sheet

At the top of a typical general ledger sheet, there are spaces for sheet number, account number, and account name. Columns are provided for: (1) posting or instrument date; (2) memorandum, or explanation of entry; (3) posting reference; (4) column for debits; (5) column for credits; and (6) column for either the debit or credit balance, as the case may be.

The same sheet is used for recording assets, liabilities, reserves, fund balances, revenue control, expenditure control, and entries to any necessary subsidiary accounts within these categories. A separate sheet must be used for each account.

Order of Appearance

Funds must appear in the general ledger in the same order in which they appear in the Uniform Chart of Accounts. Within each fund, the asset, liability, revenue, expenditure and other accounts must also appear in the same order as listed in the manual.

General Ledger Entries

Entries in the general ledger are made only from: (1) the receipts journal; (2) the disbursements journal; and (3) the journal entry form. Only monthly totals are posted from the receipts and disbursements journals, while each journal entry form is posted individually.

Whenever a posting is made to a general ledger account, the balance must be computed and entered. This will reflect the balance of any given account as of the current posting.

Where there are control accounts and subsidiary accounts, care must be exercised to ensure that all necessary postings are made. After each monthly posting, controls and subsidiaries must be proved as well as taking a trial balance of the control accounts within each fund.

Detailed Fund Accounting

For the general fund and other operating funds where the local unit board is solely
responsible for approving disbursements, the detailed accounts for revenues and expenditures are maintained within the receipts journal and disbursements journal. As a local unit’s accounting becomes more comprehensive, detailed subsidiary revenue and expenditure accounts in the general ledger may be required.

Where another board or commission is responsible for a fund’s operation, that board or commission may maintain its own detail revenue, expenditures and general ledger. In such a case, the local unit’s general ledger must contain at least the following accounts for that fund:

Cash
Certificates of Deposit
Investments
Receipts Control (no detail)
Disbursements Control (no detail)
Fund Balance

It is emphasized that each and every local unit fund must appear in the local unit’s general ledger.

Local Unit Accounting Record Responsibility

In small local units the clerk will maintain the financial records such as the general ledger, receipts journal and disbursements journal. The local unit treasurer receipts for, deposits and disburses (counter-signs checks) all local unit money and maintains such records as are necessary to properly account for the cash and investment balances.

Where a separate board or commission is responsible for an operation, a separate fund is maintained. However, separate boards or commissions do not operate separate funds and bank accounts independent of the local unit clerk and treasurer. The separate board or commission will be responsible for a general ledger containing all assets, liabilities, reserves, fund balance, revenues, expenditures, and detailed accounts where required. Where this is done, all collections must be deposited at least monthly with the treasurer who is the legal custodian of local unit funds for deposit and credit to the proper fund. Payments from any such special fund are made only on the order of the separate board or commission.

Upon receipt of these special collections, the treasurer will issue an official receipt in triplicate for each deposit, indicating only the total amount received and the fund to be credited. The clerk will post the copy of the receipt in the receipts journal to the proper fund and subsequently to the general ledger. This will furnish the clerk with a record of cash plus investments that will agree or reconcile with the cash and investment figures in the general ledger of the separate department.

Investments are purchased by the treasurer, a separate board or commission does not
purchase its own investments or certificates of deposit.

Separate Funds

Most local units, regardless of size, will have two basic funds, the General Fund and the Trust and Agency Fund (townships will have an additional fund, the Current Tax Collection Fund).

The number of separate funds should be limited to those required by statute, or when necessary to account for restricted revenues. Generally, a separate fund should not be established as a means of controlling a general fund appropriation. Budgets can be effectively controlled by separate activity (department) accounts within the general fund. The following guidelines should be followed when determining whether or not a separate fund is necessary:

A separate fund must be used when required by statute, local ordinance, separate tax levy, the Department of Treasury, or when necessary to account for restricted money. Each local unit will select and use funds applicable to its specific operation.

Any local unit which desires to establish a fund not provide for in the Uniform Chart of Accounts may assign fund numbers listed as "open" in the Chart of Accounts. The local unit should try to use numbers that keep similar funds together.

CHAPTER 9
TREASURER'S CASH LEDGERS

The treasurer must maintain a cash ledger for each fund and for each bank account reflecting the beginning balance, receipts, disbursements, and the ending balance each month. The fund cash accounts in the general ledger must balance with the Treasurer’s bank account ledgers.

COLUMNAR HEADINGS

<table>
<thead>
<tr>
<th>Date</th>
<th>The date that appears on the receipt or check and is the date the remittance was received or the check was written.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt Number /Check Number</td>
<td>The printer’s receipt/check number appearing on each receipt or check. RECEIPTS AND CHECKS MUST BE ENTERED IN NUMERICAL ORDER.</td>
</tr>
<tr>
<td>Fund Name</td>
<td>The name of the fund for which the money is received or from which the payment is made.</td>
</tr>
</tbody>
</table>
Debit (Receipts) | The amount of the receipt or debit amount from a journal entry.
Credit (Checks) | The amount of the check or credit amount from a journal entry.
Balance | The calculated balance of the fund cash or bank account.

Wire transfers and EFTs would be entered through the use of a journal entry.

These ledgers must be totaled and balanced each month. The monthly fund total debits must be the same total as the clerk's receipt journal and the monthly fund total credits must be the same total as the clerk's disbursement journal.

If a separate bank account is maintained for one specific fund, separate fund and bank account journals are not required.

Small local units that maintain their records on the cash basis may consider these cash journals as sufficient for the requirement of a general ledger.

These ledgers must be reconciled to the banks and to the general ledger cash accounts each month.

CHAPTER 10
CAPITAL ASSETS

Capital Assets

Capital assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Infrastructure Assets

Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets.

General Fixed Assets
General fixed assets are those capital assets of a governmental unit which are necessary for the unit to perform its governmental function. These are capital assets normally acquired through funds other than enterprise and internal service funds. Examples of general fixed assets include the general government buildings, vehicles, office machines and equipment (computers, typewriters, adding machines, etc.), and office furniture.

**Recording Process**

It is essential that capital assets be recorded within the local unit general ledger. The amount in the general ledger must be supported by detail subsidiary ledgers. Infrastructure assets that are associated with a specific enterprise or internal services fund are recorded in the appropriate fund.

The recording of capital assets makes it possible to provide for protective custody and to fix responsibility for proper use and custody of such assets. It also permits proper disclosure on financial statements, for no financial report is complete without reflecting the capital assets of a local unit.

The first step in recording general fixed assets is a complete inventory, at least by the following classes:

- land and improvements
- buildings and improvements
- machinery and equipment
- construction in progress

If desired, land and land improvements may be recorded separately, as may buildings and building improvements. Machinery and equipment may be further classified as office machines, office furniture, automobile, etc. Construction in progress is used until a construction project is completed, at which time the proper asset classification is increased and construction in progress eliminated.

Valuation of capital assets is at cost. Donations are recorded at their fair value at the time of receipt.

Once the capital assets are inventoried and valued by various classifications or groupings, they are ready for recording in the general ledger.

**Subsidiary Records**

Once general fixed assets are recorded in the general ledger, subsidiary records must be maintained for each item:

- classification (land, building, equipment, etc.)
At any time, the total of the individual costs must equal the amount recorded in the general ledger. Such a test must be made periodically (at least annually).

A periodic inventory (at least annually) must be made to ensure that all recorded items are on hand, and that all items on hand have been properly recorded.

**CHAPTER 11**

**PERIODIC FINANCIAL REPORTS**

The local unit's legislative body must be provided periodic financial reports from the treasurer and clerk. Charters may alter who provides the various reports. These reports will assist the board or council in determining whether the financial activity of the various funds is within the adopted budgets, the sufficiency of the cash balances to meet the needs of the current period, whether there is sufficient cash available to cover unforeseen expenditures, etc. The required periodic reports and suggested frequency should include the following:

**Treasurer**

- Summary report of cash activity by fund  
  Monthly

- Summary report of cash activity by bank account, certificate of deposit and investment account  
  Monthly

**Clerk or Accounting or Controller or Finance Department**

- Balance sheet by fund  
  Monthly
• Detail revenue by fund--budget to actual  Monthly
• Detail expenditures by fund--budget to actual  Monthly
• List of bills to be approved for payment  Each Meeting
• Separate list of bills paid prior to approval pursuant to a board or council approved policy  Each Meeting

Officials of an authority should provide their board with the same reports.

CHAPTER 12
COMPUTERIZED SYSTEMS

Computerized accounting records must provide the same information that a manual system provides as discussed throughout this manual. Hard copies of the detail accounting transactions must be produced at least monthly and must be maintained by the clerk and/or treasurer.

The computerized accounting system may be as simple as a spreadsheet program for the various ledgers and journals discussed in the manual. This type of system is only advisable for very small local units.

Computerized accounting programs are available from accounting software vendors, many of which offer a number of "modules" developed specifically for Michigan local units. The local unit only needs to purchase the "modules" needed by the local unit.

Also, packaged accounting software is available at many electronic departments and stores. However, these packaged programs are not generally written to accommodate governmental accounting and may need significant procedural development to be able to produce the results needed by local units.

Copyright © 2006 State of Michigan