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# Treasurers Account Book

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Bureau of  
Municipal Services

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PennDOT

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# P R E F A C E

It is important to maintain accurate and up-to-date records; the automated version should provide the capability, if maintained as required. All records must be available for inspection (including automated versions) by local residents, representatives of the Department of Transportation, Department of the Auditor General and others as may be required.

Comments and suggestions on this publication may be directed to the Pennsylvania Department of Transportation, Bureau of Municipal Services, PO Box 8211, Harrisburg, PA 17105-8211, or emailing us at [ra-penndot\\_boms@state.pa.us](mailto:ra-penndot_boms@state.pa.us).

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## INSTRUCTIONS FOR NAVIGATING THE FORMS AND ADDING OR REMOVING A SHEET TO THE EXCEL FORMATTED BOOK

### Navigation of the excel formatted book

To select and go to a sheet without having to use the sheet tabs:

1. Right click on either of the inner tabs located at the left of the horizontal navigation bar
2. Click on: **more sheets** – This will allow you to review all the sheets contained in the book. Arrow down to the sheet you desire and left click on it

### Adding Sheets to the book

1. If more than the two supplied sheets will be required for a particular account category you will need to copy the sheet prior to using one of the two provided.
2. Open the sheet from which you wish to create a copy.
3. Right click on the desired sheet tab and left click: **move or copy**.
4. In the: **Before sheet** box select where you want the copy to be placed.
5. Click to place a check mark in the: **Create a copy** check box and then click OK.

# DEFINITIONS

The terms used in the following instructions are consistent with generally accepted accounting principles for governmental accounting purposes as defined below. These definitions are based upon the terminology of the 1980 publication of the Municipal Finance Officers Association of the United States and Canada entitled Governmental Accounting, Auditing, and Financial Reporting, and Statement No. 4 of the Accounting Principles Board issued in October 1970.

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**JOURNAL**: A book of original entry.

- › **General Journal** - A journal in which are entered all entries not recorded in special journals.
- › **Special Journal** - A journal in which are entered all entries of a particular type. Examples include CASH RECEIPTS, JOURNALS, CASH DISBURSEMENTS JOURNALS, PURCHASE JOURNALS, etc.

**LEDGER**: A group of accounts in which the financial transactions of an entity are recorded, often in a summary form, by classification.

- › **General Ledger** - A book, file, or document that contains the accounts needed to reflect the financial position and the results of operations of an entity. In double entry bookkeeping, the debits and credits in the general ledger are equal; i.e.: the debit balances equal the credit balances.
- › **Subsidiary Ledger** - A group of subsidiary accounts, the sum of the balances of which is equal to the balance of the related control account.

**POSTING**: Taking the individual credits or debits (or their total by account) from the journals and entering them in the Ledger.

**ASSETS**: Economic resources of an entity that are recognized and measured in conformity with generally accepted accounting principles. Assets also include certain deferred charges that are not resources but that are recognized and measured in conformity with generally accepted accounting principles.

**LIABILITIES**: Economic obligations of an entity that are recognized and measured in conformity with generally accepted accounting principles and must be liquidated, renewed, or refunded at some future date.

Liabilities also include deferred credits that are not obligations but are recognized and measured in conformity with generally accepted accounting principles. This term does **not** include encumbrances.

**SIMPLIFIED BOOKKEEPING:** A system of bookkeeping described in this book that is a “single entry” system. It treats all receipts as revenues and all disbursements as expenditures. The records of financial position using this system omits assets, liabilities, and fund equity. It also does not require balanced debit and credit entries for every entry.

**DOUBLE ENTRY SYSTEM:** A system of bookkeeping that not only records revenues and expenditures but that simultaneously records increases and reductions in the fund equity as a result of these transactions by requiring for every entry made to the debit side of an account or accounts and entry for a corresponding amount or amounts to the credit side of another account or accounts. A basis of accounting recognized for governments by the National Council on Governmental Accounting.

**CHART OF ACCOUNTS:** A listing of account numbers prepared to promote common terminology and classification usage consistently throughout the budget, the accounts, and the financial reports of each fund. The chart of accounts to be used is prepared and distributed by the Department of Community and Economic Development.

# INSTRUCTIONS

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The Journal/Ledger system provided by the Department of Transportation continues the system used in the past and is compatible with DCED's Chart of Accounts.

The system is prepared on 8 1/2" x 11" paper to fit in standard three-ring notebooks. The Journal/Ledger forms are designed for use with either simplified or double entry bookkeeping systems.

The instructions, together with the Chart of Accounts, should provide enough information to set up your accounts for the coming year. If you have difficulty or need additional information, contact your Department of Transportation District Office or Department of Community and Economic Development Regional Office.

The instructions are presented in three parts:

1. **The Chart of Accounts** - This section explains the numbering system designed by the Department of Community and Economic Development. These numbers will be used on all State forms.
2. **Simplified Bookkeeping** - This section provides instructions for setting up your accounts, if you do **not** use double entry bookkeeping.
3. **Double Entry Bookkeeping** - This section provides guidance to those who wish to use the Journal/Ledger forms in a Double Entry Bookkeeping system.

*(Note: If you plan to change to double entry bookkeeping at this time, an explanation of the double entry system can be found in any accounting textbook. An excellent discussion is also found in **Simplified Municipal Accounting** (Chicago: Municipal Finance Officers' Association, 1953, and **Manual of Accounting and Related Financial Procedures for Pennsylvania Municipalities** (Harrisburg: DCED, 1969.)*

## THE CHART OF ACCOUNTS

The [Chart of Accounts](#) distributed by the Department of Community and Economic Development is to be used with the Treasurer Account Book. The numbering system has been established for all communities to report and use the same account structure. The numbers are divided into three parts: the prefix, the number, and the suffix, as shown below.

**THE ACCOUNT NUMBER SYSTEM**

**For Example: 01.409.20\***

PREFIX	NUMBER	SUFFIX
Identifies Fund	Identifies the kind of account and its purpose	Identifies the specific expenditure
01. = General Fund*	409 = General Government Buildings and Plant	.20 = Supplies

**\* NOTE:** Although 01. refers to the General Fund, usually the number is not actually written because this fund is used so frequently. Thus, the number 409.20 is understood to be in the General Fund.

**PREFIX NUMBERS**

The first two digits of the number are the prefix numbers. They identify the fund. In the above example of 01.409.20. the “01” indicates this is the General Fund.” \* Prefix numbers for other funds that you may require are based upon the following:

- 01. General Fund \*
- 02. Street Lighting Tax Fund *(a special revenue fund)*
- 03. Fire Protection Tax Fund *(a special revenue fund)*
- 04. Special Revenue Fund *(as required)*
- 05. Special Revenue Fund *(as required)*
- 06. Water Fund *(an enterprise fund)*
- 07. Electric Fund *(an enterprise fund)*
- 08. Sewer Fund *(an enterprise fund)*
- 09. Enterprise Fund *(as required)*
- 10. Special Assessment Bond Fund - Series of \_\_\_\_\_  
*(a special assessment fund)*
- 11. Special Assessment Bond Fund - Series of \_\_\_\_\_  
*(a special assessment fund)*
- 12. Special Assessment Bond Fund - Series of \_\_\_\_\_  
*(a special assessment fund)*
- 13. Special Assessment For Street Lighting
- 14. Special Assessment for Fire Protection Fund
- 15. General Obligation Bond Fund - Series of \_\_\_\_\_  
*(a capital projects fund)*
- 16. General Obligation Bond Fund - Series of \_\_\_\_\_  
*(a capital projects fund)*
- 17. General Obligation Bond Fund - Series of \_\_\_\_\_  
*(a capital projects fund)*
- 18. Capital Projects Fund *(as required)*



- 19. Capital Projects Fund *(as required)*
- 20. Sinking Fund - Series of *(a debt service fund)*
- 21. Sinking Fund - Series of *(a debt service fund)*
- 22. Sinking Fund - Series of *(a debt service fund)*
- 23. Debt Service Fund (as required)
- 24. Debt Service Fund (as required)
- 25. Debt Service Fund (as required)
- 26. Debt Service Fund (as required)
- 27. Debt Service Fund (as required)
- 28. Debt Service Fund (as required)
- 29. Debt Service Fund (as required)
- 30. Capital Reserve Fund (a capital projects fund)
- 35. Highway Aid Fund (a special revenue fund)
- 40. Revolving Fund
- 50. Firefighters' Relief Fund (an agency fund)
- 55. Firefighters' Pension Fund (a pension trust fund)
- 60. Police Pension Fund (a pension trust fund)
- 65. Municipal (non-uniformed) Pension Fund (a pension trust fund)
- 70. General Fixed Assets Account Group
- 80. General Long-Term Debt Account Group
- 85. Federal Revenue Sharing Fund (a special revenue fund)
- 90. Payroll Fund (an agency fund)

The "01.–General Fund" and the "35.–Highway Aid Fund" are the minimum funds required for every Municipality. Other funds may be established as needed. The funds you select should be tailored to your specific Municipality's requirements.

## NUMBER

The middle part of the number provides two things: the kind of an account, (*i.e. Revenue, Expenditure, etc.*) and what the particular account represents. For example, in the number 409.20\* the 409 refers to Expenditures for the General Government Buildings and Plant. Since the number starts with a four, (4) means it is an expenditure.

All 400 accounts are expenditure or other financing transaction accounts;

All 300 accounts are revenue and other financing source accounts;

All 200 accounts indicate liabilities and fund equities;

All 100 accounts indicate assets and other debits.

The 100 and 200 accounts refer to assets, liabilities, and fund equities and are primarily for use with double entry accounting systems. The 300 and 400 accounts refer to expenditures and revenues.

## SUFFIX

The last two digits of the account number define a specific account. In the example above, 409.20, the .20 refers to Supplies. Putting the whole number together, it identifies:

- The General Fund
- 409 General Government Buildings and Plant
- .20 for Supplies

A specific suffix number always means the same thing when it is used with Expenditure Accounts (*400 accounts*). For example, 403.20 refers to Tax Collection (403) "Supplies" (.20) while 456.20 refers to the library (456) but still identifies "Supplies" (.20). (*Further information on the meaning of the suffix numbers may be obtained in the Chart of Accounts.*) When used with Revenue Accounts (*300 accounts*), the suffix numbers have different meanings. You must refer to the Chart of Accounts in each case to find out what the suffix means.

## SIMPLIFIED BOOKKEEPING

(If you do NOT plan to use Double Entry Bookkeeping, READ THIS SECTION)

For each fund the Municipality administers, two types of information are recorded:

- Receipts and Disbursements.

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  **FUND RECEIPTS**

	RECEIVED FROM	NET AMT. Dr.		REC'T. #	DATE	DISTRIBUTION		
						ACCOUNT #	AMOUNT Cr.	
	<b>BROUGHT FORWARD</b>							
1								1
2								2
3								3

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  **FUND DISBURSEMENTS**

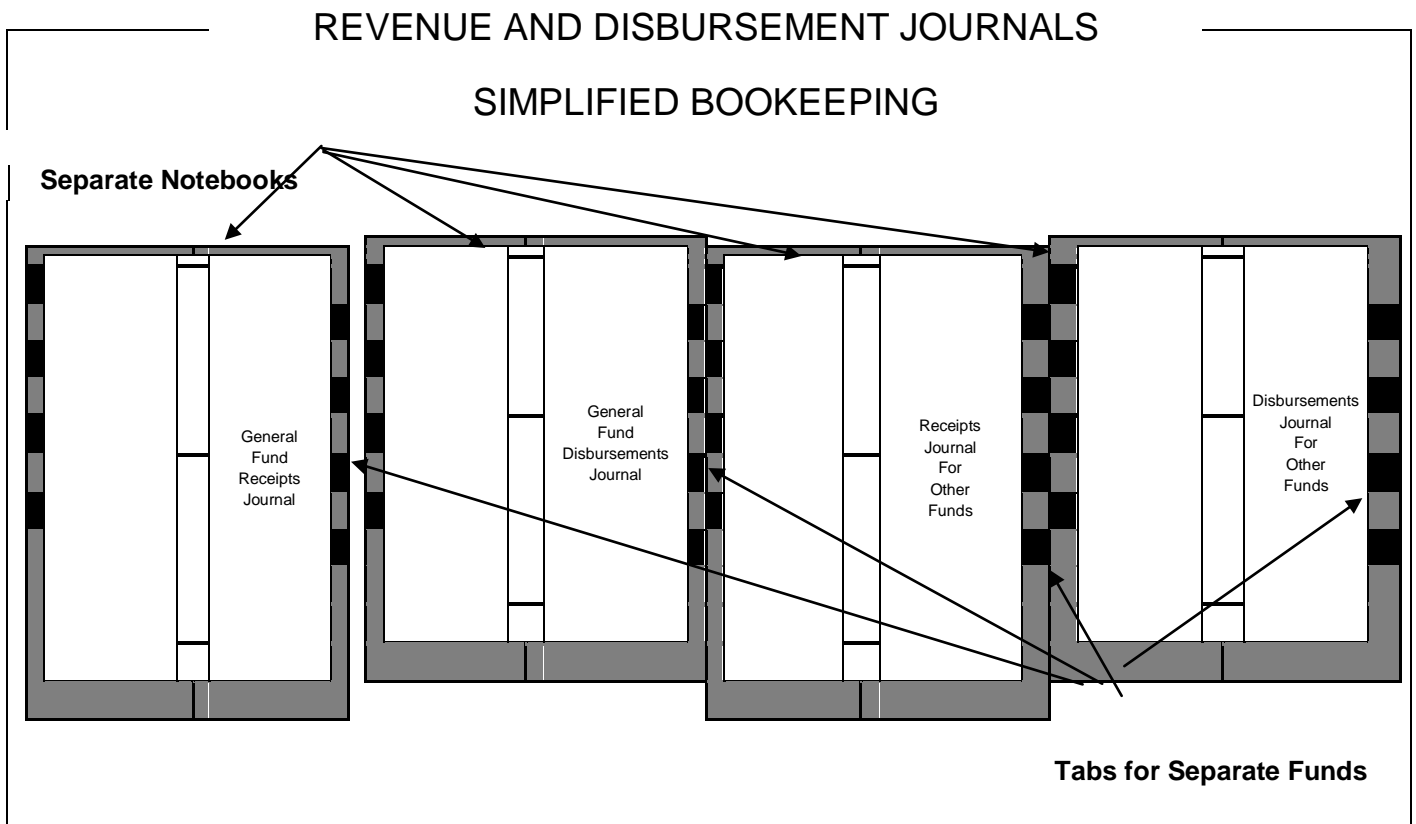
	PAYEE	NET AMT. Dr.		CHK. #	DATE	DISTRIBUTION		
						ACCOUNT #	AMOUNT Dr.	
	<b>BROUGHT FORWARD</b>							
1								1
2								2
3								3

The abbreviations of **Dr.** and **Cr.** on these forms refer to Debit (*Dr.*) and Credit (*Cr.*). They are included so that the forms can be used in Double Entry accounting systems. They may be disregarded in the “Simplified Bookkeeping” method.

The blank space at the top of each form should be used to identify which fund the form is being used for (*i.e. General Fund, Highway Aid Fund, etc.*).

The receipts and disbursement forms for each fund should be kept together, separated from the receipts and disbursements forms for other funds. Usually a separate notebook is used for receipts forms for the General Fund. This is then called the Receipts Journal of the General Fund. The Disbursements Journal of the General Fund would then be a separate notebook used for disbursements forms for this fund.

Since the other funds are not used often, it may be convenient to place all of the receipts forms for these funds in one notebook and the disbursements forms in another, but they should be separated by tabs or index pages so that no mistakes are made in making entries to the individual funds.



There are no legal restrictions on how the forms should be kept, so you may choose the most convenient system. It is recommended, however, that three-ring notebooks be used so that the pages will lay flat.

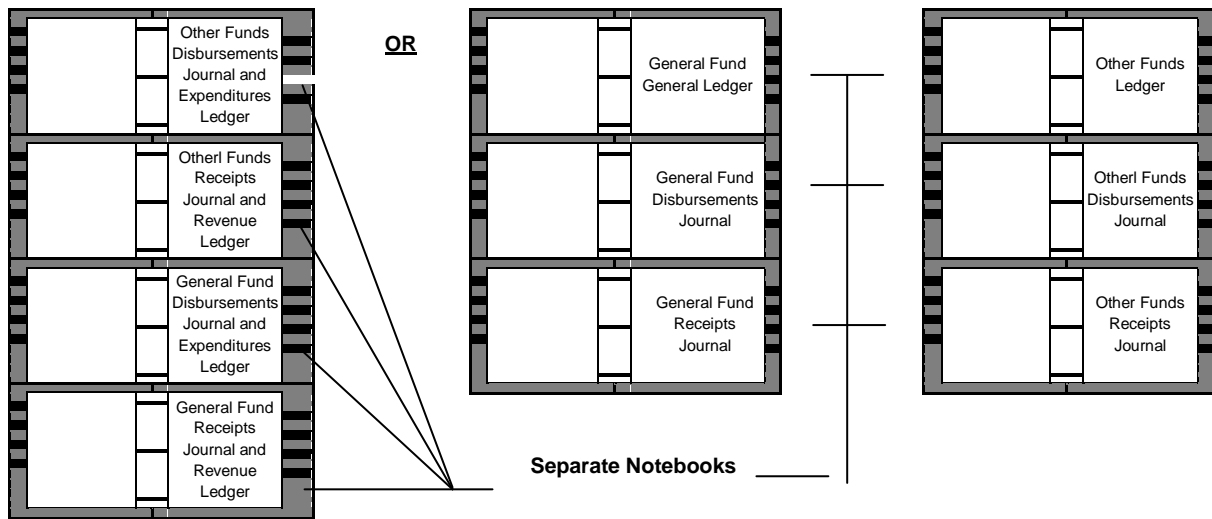
In addition to recording the receipts and disbursements, each Municipality must keep track of the totals since the beginning of the year in each account to facilitate comparison with the budget amounts. A "Ledger" is established consisting of one separate page for each account. On this page, you keep track of the total for that account and the amount budgeted for the account. Since there is a separate page for each account, you only have to record the budget once at the beginning of the year for comparison throughout the year.

Each fund will have the following:

- **a Receipts Journal** - to record all receipts for that fund
- **a Revenue and Other Financing Sources Ledger** - to record the budget and keep track of total revenues and other financing sources
- **a Disbursements Journal** - to record all disbursements
- **an Expenditures and Other Financing Uses Ledger** - to record the budget and keep track of total expenditures and other financing use

You do not need four separate notebooks for each fund. There are several ways you can arrange your books to make it as convenient as possible. Smaller communities may want to combine the Receipts Journal and the Revenue and Other Financing Sources Ledger in one notebook. Larger communities may want to establish one Ledger for both Receipts and Expenditures in each fund. An example of each is shown on the next page. Once again, there are no legal constraints on how many notebooks or what kinds should be used. However, the use of three-ring notebooks has proven to be both effective and efficient.

## JOURNALS AND LEDGERS – SIMPLIFIED BOOKKEEPING



The use of a separate journal for payroll transactions is recommended. It has been found that the simplest means of handling payroll is to establish a completely separate fund with a separate checking account. The gross payroll is transferred to the payroll fund, and individual paychecks are drawn directly from the payroll checking account.

The Receipts and Disbursements Journals and the Ledgers are described in detail below, and examples of how to use the forms are provided.

### 1. Receipts Journal

#### a. Setting Up The Journal:

- To start the General Fund Receipts Journal, take one of the Receipts Forms, fill in the blank at the top so that it reads “General Fund Receipts,” and place the form in the notebook for the Receipts Journal of the General Fund. *(Use the same procedure for each of your funds.)*

#### b. Using The Journal:

- The procedure for using the receipts forms is to record every receipt in date order as it is received. Write the account number and the amount in the last two columns on the same sheet. This completes the “original entry” in the Receipts Journal. Where do you find the account number? You select the proper account number from the Chart of Accounts provided by the Department of Community and Economic Development. The account titles are the same ones used on the Budget and Financial Report Forms.

Example 1:

Assume that John Smith brings in \$10.00 for a Zoning Permit.

The entry in the Receipts Journal would be:

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**GENERAL FUND RECEIPTS**

PAGE

	RECEIVED FROM	NET AMT. Dr.		REC'T. #	DATE		DISTRIBUTION		AMOUNT Cr.	
							ACCOUNT #	X		
	<b>BROUGHT FORWARD</b>									
1	John Smith	10	00	1	June	1	381.30		10 00	1
2										2
3										3

Example 2:

Suppose Mr. Smith gives your \$20.00, \$10.00 of which is for a Building Permit and \$10.00 for a Zoning Permit.

To record this receipt you would use two lines as follows:

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**GENERAL FUND RECEIPTS**

PAGE

	RECEIVED FROM	NET AMT. Dr.		REC'T. #	DATE		DISTRIBUTION		AMOUNT Cr.	
							ACCOUNT #	X		
	<b>BROUGHT FORWARD</b>									
1	John Smith	20	00	2	June	1	381.30		10 00	1
2							363.41		10 00	2
3										3

**Example 3:**

If you have many small receipts of the same kind, such as from the selling of maps, etc., you may make one entry for the day, provided you keep that day's receipts bundled together and properly titled so that the auditors can identify the receipts included in each entry in the Receipts Journal.

For example, the entry below shows the entry of the sale of maps as General Government–Sale of Maps and Publications–Sale of Maps (361.51). The individual receipts for this entry, which add up to \$24.50, have been stapled together and filed.

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GENERAL FUND RECEIPTS											
PAGE											
RECEIVED FROM	NET AMT. Dr.		RECT. #	DATE		DISTRIBUTION					
						ACCOUNT #	X	AMOUNT Cr.			
<b>BROUGHT FORWARD</b>											
1 Sale of Maps	24	50	3	June	1	361.51			24	50	1
2											2
3											3

**c. Recording Bank Deposits:**

- As is the practice in many Municipalities when depositing receipts in the bank, a line of the Receipts Journal may be used to show the deposit. This provides an immediate check on the items included in each bank deposit slip.

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GENERAL FUND RECEIPTS											
PAGE											
RECEIVED FROM	NET AMT. Dr.		RECT. #	DATE		DISTRIBUTION					
						ACCOUNT #	X	AMOUNT Cr.			
<b>BROUGHT FORWARD</b>											
1				June	2	Deposit			147	25	1
2											2
3											3

**d. Posting The Journal:**

- You should now be able to set up and maintain the Receipts Journal. You have seen examples for recording simple receipts such as John Smith's \$10.00 for a Zoning Permit and more difficult receipts such as the receipt of \$20.00 which had to be distributed to two separate accounts. An example of combining receipts and of bank deposits has also been presented. In these examples, you used all of the columns in the Journal except the small column headed by a



check mark. The “check mark” column is used to tell you that you have entered or “posted” the information on that line in the Revenue and Other Financing Sources Ledger. It is in the Ledger that you keep track of total expenditures and the budget for each account. The next section describes how to set up and use the Revenue and Other Financing Sources Ledger and an example of “posting.”

**2. Revenue and Other Financing Sources Ledger**

a. Setting Up The Ledger:

- To set up the ledger for receipts, select all of the pre-printed ledger sheets in this package that have the word “Revenue” in the upper right hand block of the form (*the “Type Acct:” block*). These pre-printed ledger forms have been provided for the most frequently used accounts from the Chart of Accounts. Since each community has different needs, a minimum number of forms have been pre-printed and a number of blank forms have been provided. Each community should select the additional accounts as needed from the Chart of Accounts and fill in the top of the blank ledger forms for each account. As you select the accounts that your Municipality needs, remember to include Other Financing Sources accounts such as Proceeds of General Fixed Asset Dispositions, Interfund Operating Transfers, Proceeds of General Long-Term Debt, etc. You also may need to include some Liability accounts. Other Financing Sources may be found in the 300 block of the Chart of Accounts, and Liabilities in the 200 block. For example, receipts from Tax and Revenue Anticipation Notes are liabilities and would be numbered in the 200s, and Interfund Operating Transfers from other funds are Other Financing Sources and would be numbered in the 300s. Additional pads of blank forms are available from PENNDOT. As an example of how to fill out the ledger forms, assume that you want to set up an account for your contracted services for solid waste collection and disposal. In the Chart of Accounts, you would find the following under Expenditures or Expenses:

ACCOUNT	426	Public Works - Sanitation
CATEGORY	427.00	Solid Waste Collection and Disposal
	427.10	Personal Services
ACCOUNT	427.20	Supplies
TITLE	427.30	Other Services and Charges
	427.50	Contributions, Grants, and Subsidies
	427.60	Capital Construction
	427.70	Capital Purchases
	427.80	Depreciation Expense

**EXPENSE COST OBJECTS**

- .30 & .40 Other Services and Charges
- .31 Professional Services
- .32 Communication

- .33 Transportation
- .34 Advertising, Printing, and Binding
- .35 Insurance and Bonding
- .36 Public Utility Service
- .37 Repairs and Maintenance Services
- .38 Rentals
- .39 Aid to Other Governments
- .40 Court Costs and Investigations
- .41 Judgments and Damages
- .42 Dues, Subscriptions, and Memberships
- .43 Taxes
- .44 Laundry and Other Sanitation Services
- .45 Contracted Services (*not otherwise classified*)
- .46 Etc.

The titles to the left are the titles on the Ledger Form.

The proper entry on the ledger form for this account is:

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<b>LEDGER</b>									
PAGE <span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 80px; height: 15px;"></span>									
<b>FUND:</b>		<b>GENERAL</b>				<b>Type Acct:</b> EXPENDITURE			
<b>Account Category:</b>		Public Works - Sanitation Solid Waste Collection and Disposal							
<b>Account Title:</b>		Other Services and Charges - Contracted Services				<b>Acct #:</b>		427.45	
Date		Amount Dr.		Amount Cr.		Balance		Budget	
	<b>BROUGHT FORWARD</b>								
1									1
2									2
3									3

Follow the same instructions for each additional account you need for your ledger.

Note that the account number should really be 01.427.45. The prefix for the General Fund (01.) was left off. Since the General Fund is the primary fund, the prefix is not used. If no prefix appears, it is understood that the account belongs in the General Fund.

b. Making Entries or "Posting" from the Receipts Journal to the Ledger

- There are several ways to use the ledger forms. The simplest is to record each amount from the right hand column of the Receipts Journal on the proper page of

the ledger. Specifically, two items from the Receipts Journal should be written (*sometimes referred to as posted*) in the ledger: The date and the amount. The page of the Revenue and Other Financing Sources Ledger are entered on is determined by the "Account No." column in the Receipts Journal.

For example, when the entry was made above in the Receipts Journal for John Smith who gave \$10.00 for a Zoning Permit, Account No. 361.30 was written in the column for Account No.

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**GENERAL FUND RECEIPTS**

PAGE \_\_\_\_\_

RECEIVED FROM	NET AMT. Dr.	RECT. #	DATE	DISTRIBUTION		
				ACCOUNT #	X	AMOUNT Cr.
<b>BROUGHT FORWARD</b>						
1 John Smith	10 00	1	June 1	361.30		10 00
2						
3						

Now you should find the ledger page for Account No. 361.30 (*actually 01.361.30*). Enter on that page the date (*June 1*) and the amount to be distributed to that account (*\$10.00*) as follows:

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**LEDGER**

PAGE \_\_\_\_\_

<b>FUND:</b>	GENERAL				<b>Type Acct:</b>	EXPENDITURE
<b>Account Category:</b>	Charges for Services – General Government					
<b>Account Title:</b>	Zoning and Subdivision and Land Development Fees			<b>Acct #:</b>	361.30	
Date		Amount Dr.	Amount Cr.	Balance	Budget	
	<b>BROUGHT FORWARD</b>					
1 June 1			10 00			
2						
3						

After the entry is made, put a check mark in the Receipts Journal in the small column by the Account No. so that you know you have “posted” this entry.

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**GENERAL FUND RECEIPTS**

PAGE \_\_\_\_\_

RECEIVED FROM	NET AMT. Dr.		RECT. #	DATE		DISTRIBUTION		
						ACCOUNT #	<input type="checkbox"/>	AMOUNT Cr.
<b>BROUGHT FORWARD</b>								
1 John Smith	10	00	1	June	1	361.30	<input checked="" type="checkbox"/>	10 00
2								
3								

The second entry discussed above, where Mr. Smith gave the municipality \$20.00, \$10.00 for Zoning Permit and \$10.00 for a Building Permit, requires that you post each line. The \$10.00 for the Zoning Permit would be posted to the Ledger sheet for Account No. 361.30; the \$10.00 for the Building Permit would be posted to the Ledger sheet for Account No. 362.41. This is shown in the following illustration:

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**GENERAL FUND RECEIPTS**

PAGE \_\_\_\_\_

RECEIVED FROM	NET AMT. Dr.		RECT. #	DATE		DISTRIBUTION		
						ACCOUNT #	<input type="checkbox"/>	AMOUNT Cr.
<b>BROUGHT FORWARD</b>	2405	21						
1 John Smith	20	00	1	June	1	361.30	<input checked="" type="checkbox"/>	10 00
2						362.41	<input checked="" type="checkbox"/>	10 00
3								

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**LEDGER**

PAGE

<b>FUND:</b>		GENERAL				<b>Type Acct:</b> REVENUE	
<b>Account Category:</b>		Charges for Services – General Government					
<b>Account Title:</b>		Zoning and Subdivision and Land Development Fees			<b>Acct #:</b>		361.30
<b>Date</b>		<b>Amount Dr.</b>	<b>Amount Cr.</b>	<b>Balance</b>		<b>Budget</b>	
		<b>BROUGHT FORWARD</b>					
1	June 1		10 00				
2							
3							

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**LEDGER**

PAGE

<b>FUND:</b>		GENERAL				<b>Type Acct:</b> REVENUE	
<b>Account Category:</b>		Charges for Services – Public Safety					
<b>Account Title:</b>		Charges for Services – Building Permits			<b>Acct #:</b>		362.41
<b>Date</b>		<b>Amount Dr.</b>	<b>Amount Cr.</b>	<b>Balance</b>		<b>Budget</b>	
		<b>BROUGHT FORWARD</b>					
1	June 1		10 00				
2							
3							

There are two amount columns on the Ledger page: **Amount Dr.** and **Amount Cr.** They are primarily for use with Double Entry Bookkeeping Systems. You should get into the practice of using the proper column. The Receipts form indicates which column should be used for receipts, the right hand column is titled Amount Cr. Thus, the entry should be “posted” to the column titled **Amount Cr.** on the ledger sheet. That completes the entries in all of your books for John Smith’s \$20.00 payment. To review the procedure:

- You received \$20.00 from John Smith for a Zoning Permit and a Building Permit;
- You made a two line entry in your Receipts Journal; and
- You entered the date and amount for each line entry on the proper ledger pages.

c. Using the Ledger

- At least once a month, you should total the receipts on each page of the Revenue and Other Financing Sources Ledger. The total should be placed in the column headed “Balance.”

## LEDGER

PAGE

FUND:		GENERAL				Type Acct: REVENUE			
Account Category:		Real Property Taxes							
Account Title:		Real Estate Taxes – Current Year's Levy				Acct #: 301.01			
Date		Amount Dr.		Amount Cr.		Balance		Budget	
		<b>BROUGHT FORWARD</b>						10,400	00
1	Jan 1			500	00				
2	Jan 15			700	00	1,200	00	9,200	00
3	Feb 10			300	00				
4	Feb 15			600	00				
5	Feb 25			300	00	2,400	00	8,000	00
6									

If you need totals more frequently, you can enter the new total in the Balance column every time you make an entry in the Amount Cr. column. In the illustration the balance for January is \$1,200; the balance for two months, January and February, is \$2,400. The budget column of the Revenue Ledger is used in the most convenient manner for you.

One of the frequently used techniques is shown in the above illustration. The yearly budgeted amount is recorded on the first line. At the end of the month when you are totaling the receipts in this account, the total is subtracted from the budget and the remainder of the budget is entered on the same line as the total received to date. For example, in the figure above, the budget amount for Account No. 301.10 is \$10,400. Since \$1,200 was received in January, that leaves \$9,200 as the remaining portion of the budgeted amount still outstanding at the end of January.

At least once a month you should also check your books for errors. This is done by adding together all of the entries in the Revenue and Other Financing Sources Ledger (*that is, the total or balance from each page*) and checking to see that the total from all of the pages in the Revenue and Other Financing Sources Ledger equals the total amount received and recorded to date in the Receipts Journal. This gives you a "cross check" to be sure you have made all of the entries properly.

### **3. Disbursements Journal**

#### **a. Setting Up The Journal**

- As with the Receipts forms, to set up the General Fund Disbursements Journal, take one of the Disbursements Forms, fill in the blank at the top so that it reads “General Fund Disbursements,” and place the form in the notebook you plan to use for the Disbursements Journal of the General Fund. *(Use the same procedure for each of your funds.*

#### **b. Using The Journal**

- The procedure for recording disbursements is the same as for recording receipts. Use a separate line to record each of the accounts which receive portions of the net amount.

### **4. Expenditures and Other Financing Uses Ledger**

#### **a. Setting Up The Ledger**

- To set up the ledger for Expenditure and Other Financing Use of the General Fund, select all of the ledger sheets that have the word “Expenditure” in the upper right hand block of the form (*the “Type Acct” block*). Place these forms in a separate notebook. Then select the additional accounts as needed from the Chart of Accounts and fill in the top of the blank ledger forms. As you select the accounts that your Municipality needs, remember to include the Other Financing Use accounts such as Interfund Operating Transfers. You also may need to include some Asset accounts. Other Financing Use may be found in the 400 block of the Chart of Accounts, and Assets, in the 100 block. For example, the disbursement to purchase an Investment would be Account No. 120, and an Interfund Operating Transfer to another fund would be Account No. 492.

#### **b. Posting To The Ledger**

- The procedure for completing the ledger forms in the Expenditure Ledger is the same as for the Revenue Ledger. The date and amount of each entry in the Disbursement Journal should be “posted” or written on the page for that account in the Expenditure Ledger. The only difference is that the Amount column on the Expenditure form is titled “Amount Dr.” Therefore, when the amount is posted to the Expenditure Ledger, it should be entered in the “Amount Dr.” column.

### **5. Entering and Posting a Disbursement**

- An example of the Journal entry and Ledger posting for a disbursement is shown below. In this example it is assumed that check number 241 is made out for \$530.00 to Jones Construction for maintenance and repair on the Municipal Building. Looking up that category in the Chart of Accounts, we find the Repairs and Maintenance Services of the General Government Buildings and Plant Account is No. 409.37. Accordingly, in the two right hand columns of the Disbursements Journal, we enter 409.37 and the total amount of \$530.00.

**FUND DISBURSEMENTS**

PAYEE	NET AMT. Dr.		CHK. #	DATE	DISTRIBUTION		AMOUNT Dr.
					ACCOUNT #	X	
<b>BROUGHT FORWARD</b>	45256	26					
1 Jones Construction	530	00	241	June 1	409.37		530 00
2							
3							

To post this entry to the Expenditure and Other Financing Use Ledger, we find the sheet for Account No. 409.37 (preceded by 01. because this is the General Fund). The date (June 1) and amount (\$530.00) are entered on this page as shown below. Note, in this ledger a new balance is computed with every entry, and the remaining budgeted funds are also computed on every line.

**LEDGER**

<b>FUND:</b>		GENERAL			<b>Type Acct:</b> Expenditure				
<b>Account Category:</b>		General Government – General Government Buildings and Plant							
<b>Account Title:</b>		Other Charges for Services – Repairs and Maintenance Services			<b>Acct #:</b>		409.37		
<b>Date</b>		<b>Amount Dr.</b>		<b>Amount Cr.</b>		<b>Balance</b>		<b>Budget</b>	
<b>BROUGHT FORWARD</b>								3,500	00
1	Feb 2	250	00			250	00	3,250	00
2	Mar 25	400	00			650	00	2,850	00
3	June 1	530	00			1,180	00	2,320	00
4									
5									
6									

**6. Exceptions**

The above instructions require each entry in the Journals be posted to the appropriate Ledger. This is not necessary where the volume of transactions is heavy. Instead, the totals for each day or even each week might be posted. The only requirement is that there be an “audit trail”: i.e., it must be possible to trace from each entry in the Ledger back through the Journal to the specific receipts or checks which were made out for that transaction.



## **7. Financial Statements**

Monthly financial statements should be prepared for the municipality. On the statements, it is important to record the current approved budget amount in each revenue and expenditure account. With this information readily available, immediate comparisons can be made between budget estimates and actual revenues or expenditures providing the Municipal Officials with the necessary information for controlling existing programs within approved budget limitations.

A sample summary financial statement for the General Fund on a cash basis, for revenues and expenditures, for elected officials, is presented on the following page. Periodically, a detailed statement should be prepared indicating the composition of the summary items. Note that the expenditure accounts on the suggested form are the same accounts as those provided on the Budget forms. By using this list of accounts in the financial statement, the officials will routinely keep track of the Municipality's performance in comparison with the approved and published budget.

\_\_\_\_\_ MUNICIPALITY  
 SUMMARY STATEMENT OF GENERAL FUND BUDGETED AND ACTUAL REVENUES AND EXPENDITURES  
 FOR THE MONTH ENDING \_\_\_\_\_

	Current Year's Budget	Current Month's Actual	Year-to-Date Actual	Budget Balance
Balance, beginning				
Cash				
Other Assets				
Less: Liabilities				
Reserves				
<b>Balance Available</b>				

Revenues and Other Financing Sources

Taxes				
Licenses and Permits				
Fines and Forfeits				
Interest, Rents, and Royalties				
Intergovernmental Revenues				
Charges for Services				
Miscellaneous Revenue				
Other Financing Sources				
<b>Total Revenues and Other Financing Sources</b>				
<b>Total Available</b>				

Expenditures and Other Financing Uses

General Government				
Public Safety				
Health and Welfare				
Public Works: Sanitation				
Highways				
Other				
Culture - Recreation				
Conservation and Development				
Debt Service				
Miscellaneous Expenditures				
Other Financing Uses				
<b>Total Expenditures and Other Financing Uses</b>				

Balance, ending

Cash				
Other Assets				
Less: Liabilities				
Reserves				
<b>Balance, ending</b>				

## **DOUBLE ENTRY BOOKKEEPING**

Those municipalities already using double entry bookkeeping should not need additional instruction. The Journal forms for Receipts and Disbursements should work effectively for your system.

The Double Entry system also requires a General Journal. No forms for this journal have been provided since standard accounting sheets are readily available in all localities.

In setting up the General Ledger, the enclosed forms contain one page for each of the most commonly used Revenue and Expenditure accounts from the Chart of Accounts. The General Ledger will require selection of additional Revenue and Expenditure accounts that the Municipality needs, as well as, selection of appropriate Asset, Liability, and Fund Equity accounts.

Those Municipalities that have difficulty using the forms should contact their PENNDOT financial consultant. The “Manual of Accounting and Related Financial Procedures for Pennsylvania Municipalities” referenced at the beginning of these instructions also provides helpful information.

For those Municipalities who now wish to change to a double entry accounting system, we recommend that you consult the publications mentioned on page 1 and that you retain the services of an accounting firm or municipal consultant to assist you during the transition.

# SPECIFIC INSTRUCTIONS

## HOLDING A BUDGET HEARING

Since the termination of Federal Revenue Sharing (FRS), there exists no legal requirement to hold a public hearing once all FRS funds have been spent. As a matter of public policy, it is strongly recommended that such a hearing be advertised and held, either on the date the tentative budget is approved to be advertised, or at any other meeting prior to final adoption.

Until all remaining FRS funds have been expended, the requirements for public notice and public hearing remain in effect: At least ten days prior to the budget hearing, the local government must publish, in at least one newspaper of general circulation in the local government's geographic area, a notice of the hearing. The notice must include:

- a) date, time and place of hearing,
- b) right of citizens attending the hearing to provide written or oral or both comments or questions or both regarding the entire budget and the relationship of revenue sharing to the entire budget,
- c) the local government's proposed use of its revenue sharing funds in context with the entire budget,
- d) a summary of the local government's entire proposed budget,
- e) location where and time when the above information with a copy of the entire proposed budget is available for public inspection. A reasonable effort must be made to have senior citizens and their groups participate in the hearings.

Prior to enactment of the budget, the legislative body, or the appropriate committee thereof, conducts the budget hearing.

Within thirty days of adoption of the budget, a summary of the adopted budget showing the intended use of revenue sharing funds must be available for public inspection and notice of its availability must be published in a newspaper of general circulation in the local government's geographical area.

## **CITIES OF THE THIRD CLASS**

In commission cities, each department is required to submit to the council sometime before the last stated meeting in November an estimate of probable receipts and expenditures and the amount each department says it requires for the ensuing year. Mayors and city managers in optional charter cities must require department head to submit requests not later than the month of November.

Budget preparation: In commission cities—assigned to the Director of Accounts and Finance; In Mayor/Council Plan A optional charter cities—to the mayor with the assistance of the administrator, if any, or other officer designated by the Mayor; and in Council/Manager optional charter cities—to the manager.

The budget must be submitted to the Council for first reading at the last stated meeting in November.

After the proposed budget has passed first reading, the city clerk makes it available for public inspection, publishes a notice to that effect in at least one newspaper of general circulation stating the date fixed by council for adoption of the proposed budget ordinance, such date being at least twenty days after publication. The proposed budget ordinance must be available for public inspection for at least ten (10) days after this notice.

On or before December 31, the council must finally adopt the budget.

## **BOROUGHES**

The budget is prepared in any manner designated by council. Boroughs must prepare the budget not less than thirty days before adoption. Notice that the proposed budget is available for inspection must be published by the secretary in a newspaper of general circulation, as defined by the Newspaper Advertising Act of 1929, and the proposed budget must be kept on file with and be made available for public inspection by the secretary for a period of ten (10) days after the notice and prior to adoption.

On or before December 31, the council must finally adopt the budget. Upon completion of the budget, the council shall adopt the real estate tax ordinance.

## **TOWNSHIPS OF THE FIRST CLASS**

At least thirty (30) days prior to adoption, the board of township commissioners must begin preparation of a proposed budget.

The proposed budget must be published or otherwise made available for public inspection at least twenty (20) days prior to the day set for adoption and at least ten (10) days public notice must be given of this date.

On or before December 31, the board must finally adopt the budget.

The commissioners must adopt the real estate tax ordinance in sufficient time to assure delivery of the tax duplicate to the township treasurer within thirty (30) days of the adoption of the budget.

## **TOWNSHIPS OF THE SECOND CLASS**

At least thirty (30) days prior to adoption of the budget, the board of township supervisors must begin preparation of a proposed budget.

After preparation, the board gives public notice by advertising in a newspaper of general circulation that the proposed budget is available for public inspection in a designated place and the proposed budget must remain so available for twenty (20) days after notice and before adoption.

On or before December 31, the board must finally adopt the budget.

The supervisors must adopt the real estate tax resolution in sufficient time to assure delivery of the tax duplicate to the township tax collector within thirty (30) days of the adoption of the budget.