

<h1>Journal Entry Procedure</h1>	Document No.	1
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1. Purpose

To define procedures for county departments and special districts for implementing accounting changes to the general ledger through the journal entry process.

2. Revision History

Date	Rev. No.	Change	Reference Section(s)
5/8/09	0	Original Publication	All

3. Employees Affected

Employees authorized to prepare or approve journal entries.

4. Authority

4.1. Government Code Section 26881

Authorizes the Auditor-Controller, upon order from the Board of Supervisors, to prescribe and exercise general supervision over the accounting forms and methods for all departments, agencies, and districts under the control of the Board of Supervisors.

4.2. Accounting Standards and Procedures for Counties, Section 3.04, 3.05, 3.11 and 3.12

These sections give descriptions and purpose of journals, general ledgers, and journal entries.

4.3. Accounting Standards and Procedures for Counties, Section 7.07

Explanation of Objects and Sub-objects; lists account titles and the usage of each account.

4.4. Accounting Standards and Procedures for Counties, Section 8.16

Defines specific accounting procedures for interfund activities.

5. Policy

Journal entries shall be prepared on forms prescribed by the Auditor-Controller.

6. Definitions

6.1. Journal Entry

Journal Entry forms are documents used to record accounting adjustments, accruals, transfers and other transactions in the County's accounting system (Exhibit A).

6.2. Debit

A debit is an increase to assets or expenditures, or a decrease to liabilities, fund balance, retained earnings, or revenues. Debits are recorded in the left columns of the Journal Entry form.

6.3. Credit

A credit is an increase to liabilities, fund balance, retained earnings, or revenues, or a decrease to assets or expenditures. Credits are recorded in the right columns of the Journal Entry form.

6.4. Fund

A fiscal accounting entity with a self-balancing set of accounts. Transactions are recorded in the General Fund unless they are required to be segregated for the purpose of carrying on specific activities, or attaining certain objectives, in accordance with specific regulations, restrictions or limitations.

6.5. Interfund Activity

Interfund activity is activity between funds of the primary government, including blended component units. Interfund activities are divided into two broad categories: reciprocal and nonreciprocal.

6.5.1. Reciprocal

Reciprocal interfund activity comprises interfund loans and interfund services provided and used.

- Interfund loans represent amounts provided between funds and blended component units of the primary government with a requirement for repayment.
- Interfund services provided and used represent sales and purchases of goods and services between funds and blended component units of the primary government for a price approximating their external exchange value.

6.5.2. Nonreciprocal

Nonreciprocal interfund activity comprises interfund transfers (redefined to include activities previously known as "operating transfers" and "residual equity transfer") and interfund reimbursements.

- Interfund transfers represent flows of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for repayment.
- Interfund reimbursements represent repayments from the funds or blended component units of the primary government responsible for particular expenditures or expenses to the funds or blended component units of the primary government that initially paid for them.

6.6. Intrafund Transfers

Sometimes referred to as Cost Applied, repayments from the budget unit responsible for particular expenditures to the budget unit that initially paid for them within the same fund.

6.7. Operating Transfers

Operating transfers occur when monies are transferred between funds. Examples of operating transfers are:

- Legally authorized transfers from a fund receiving revenue to the fund that is making the expenditures;
- Transfers from the General Fund to a Special Revenue or Capital Projects Fund;
- Operating subsidy transfers from the General or Special Revenue Funds to an Enterprise Fund or Internal Service Fund; and
- Transfers from an Enterprise Fund to finance General Fund expenditures.

6.8. Residual Equity Transfer

Outdated and not longer used per GASB 34.

7. Responsibilities

7.1. Employees are expected to accurately prepare journal entries that comply with the budget and Board of Supervisor policies and include adequate backup documentation.

7.2. The Auditor-Controller reviews all journal entries for compliance and completeness.

8. Procedure

8.1. Use of Journal Entry Form

The Journal Entry form is used to record charges from one fund or agency to other funds or agencies, to move revenues and expenditures from one fund or agency to other funds and agencies, to transfer revenue and expenditures from one fund or agency to other funds and agencies, to record operating transfers

from one fund to another fund, and, to transfer revenues and expenditures between budget units within a fund.

8.2. Preparation of Journal Entry Form

The Journal Entry form must be filled out completely and conform to the following minimum requirements:

- Description field is limited to 30 characters.
- All fields must be completed.
- Total of debit must equal total of credit amounts.
- The preparer must sign in the “Prepared By” section in blue ink.
- The preparer must date the journal entry form..
- Journal entry number must be filled in. A journal entry number is provided by the Auditor-Controller’s Office by phone, email request or when the journal entry is submitted.
- A detailed explanation shall be included on the journal entry form. Additional pages may be attached if necessary.
- Documentation must be attached to the Journal Entry to support the amounts included on the form

8.3. Signature Authority

8.3.1. Authorized Signer

Each journal entry must be signed in the “Prepared By” section by a person listed on the department/agency Authorized Signature List on file with the Auditor-Controller

8.3.2. Intrafund Transfers/Interfund Charges

Some journal entries record intrafund transactions or interfund charges authorized by the final budget. A person authorized to sign for the department making the charge must sign such journal entries.

8.3.3. Form of Authorization

The signature required in 8.3.1 journal entry must be an original. Photocopies will not be accepted. Journal entries that lack authorized signatures in the correct form will be held until proper authorization is received.

8.4. Auditor-Controller Review of Journal Entries

8.4.1. Department/Agency Account Monitoring

The Auditor-Controller’s desk review of journal entries is not a substitute for managements monitoring of departmental accounts. Department heads are responsible for establishing management controls to insure that only appropriate transactions are processes.

8.4.2. Intrafund/Interfund Charges

Only interfund charges based on approved billing rates will be processed.

8.4.3. Equity Accounts

Transactions involving Fund balance or Net Asset accounts are not permitted. The only exceptions are fiduciary funds.

8.5. Due To and Due From Journal Entries

After the June 30th year end when the Treasure-Tax Collector has posted the 4th quarter interest apportionment cash is closed. If additional adjustments are required between funds a Due To/Due From Other Funds entry is required to properly state the balance of each fund. A reversing Due To/Due From Other Funds entry is required in the following fiscal year to properly record cash which shall be submitted at the same time as the original entry.

8.6. Approval of Journal Entries Over \$1,000,000

8.6.1. Journal Entries Over \$1,000,000

If the total of any debit/credit column of a prepared journal entry is \$1,000,000 or greater the journal entry must be reviewed and initialed by the department head of the department that is submitting the journal entry.

8.7. Deadline for Submitting Journal Entries

8.7.1. Monthly Deadline for Submitting Journal Entries

The monthly deadline for submitting journal entries is the last day of the month. Journal Entries submitted to the Auditor-Controller's Office after the last day of the month may not be processed until the following month.

8.7.2. Year End Deadline for Submitting Journal Entries

The year end deadline for submitting journal entries is prescribed in the Budget Instructions for the next fiscal year. The Budget Instructions can be found on the Intranet.

8.8. Corrections of Journal Entries or Claims

If a journal entry records a correction to a previous journal entry or claim a copy of the original document must be attached as back-up.