SECTION 4
ACCOUNTING RECORDS

4.1 PURPOSE

Accounting records policies and procedures are established to record, process, summarize, and report transactions and maintain accountability for assets, liabilities, and fund balances/net assets. The primary objectives of an accounting information system are to provide reliable financial information to management in a timely manner, safeguard assets, determine liabilities, ensure proper revenue recognition, and to control expenditures. Additional objectives of an accounting information system are to measure and report fiscal responsibility and legal compliance.

4.2 GENERAL LEDGER SYSTEM

A general ledger system is used for recording all county financial transactions. In a general ledger system, financial transactions are first classified, recorded, and summarized in journals, then posted to subsidiary ledgers and the general ledger.

4.3 DOUBLE ENTRY ACCOUNTING

In a double entry accounting system, each transaction affects at least two accounts to maintain balanced accounts, the total amount of debits must equal the total amount of credits in any transaction.

4.4 SOURCE DOCUMENTS

Source documents serve as the base information for making entries in the County's accounting records. The County will retain source documents to support all amounts recorded in the accounting records and to comply with the *Records Retention and Disposition for Arizona Counties* and general records retention schedules applicable for counties. The journal entry form contains explanations, attachments, or references to documentary evidence supporting the transaction.

4.5 JOURNALS

A. Journals are used to provide a detailed record of daily financial transactions and to support balances in the general ledger accounts. Transactions are recorded by date.

    1. Special Journals — Special journals are used to record entries of particular types and should be maintained by fund.

    2. Cash Disbursements Journal — Cash disbursements are recorded by fund in a cash disbursements journal.

    3. Cash Receipts Journal — Cash receipts are recorded by fund in cash receipts journal.

4. General Journal — The general journal is used to record the establishment of an asset or liability account, to make closing and reversing entries, and to correct posting errors.

4.6 LEDGERS

A. Ledgers are maintained by account.

1. Subsidiary Ledger — a subsidiary ledger is a group of individual accounts, the sum of the balances of which is equal to the balance of the related control account in the general ledger. The subsidiary ledger contains the detail used to control and monitor accounts such as receivables and payables. Entries in subsidiary ledgers are posted from special journals such as the cash receipts and cash disbursements journals. Transactions should be referenced in the subsidiary ledgers to provide an audit.

2. General Ledger — the general ledger provides a summary of all financial transactions and is the source for preparing annual financial statements. The general ledger is organized by fund according to the Navajo County Chart of Accounts. The general ledger accounts are:

   a. Assets, Liabilities, and Fund Balance/Net Assets — asset and liability accounts are established when assets or liabilities are recognized. The balances in these accounts fluctuate.

   b. Revenues, Expenditures/Expenses, and Other Financing Sources (Uses) — these accounts will be opened at the beginning of each fiscal year and used to record the activity for that year. These accounts are closed to fund balance/net assets at the end of each fiscal year.

4.7 RECONCILATION TO THE COUNTY TREASURER

A. Cash balances are reconciled by fund to the County Treasurer daily, and at fiscal year-end.

B. A record of each fund's cash balance is reconciled to the County Treasurer's records promptly upon receipt of the report.

C. The completed reconciliation includes a description of all differences or reconciling items between the Treasurer's general ledger and the County's financial management system.

D. Reconciling Differences

1. Transactions must be recorded by both the County Treasurer and Finance timely so as not to create reconciling items.

2. Transfers or journal entries may be omitted or recorded incorrectly.

3. Translation errors resulting from transferring data between the treasurer and financial management systems.

E. Year-End Procedures - revenues and expenditures (expenses) of the prior fiscal year should be recorded fiscal period to which they pertain. Revenues and expenditures are recorded using the governmental modified accrual basis of accounting. For the County's government-wide financial statements the full accrual method of accounting is used.

4.8 TRIAL BALANCE

A. A trial balance is prepared for each fund at the end of each reporting period to facilitate preparation of the financial statements.

B. A post-closing trial balance is prepared after all adjusting and closing entries have been recorded to ensure that the accounting records are accurate prior to starting the next fiscal year. The post-closing trial balance consists of only asset, liability, and fund balance/net assets accounts.

4.9 SIGNATURE AUTHORIZATION

A. Internal controls require that all financial transactions are properly approved by an authorized signer or their formal designee. The County relies on internal control signature authority measures to ensure that:

1. Only legitimate and appropriate financial transactions are executed and recorded.

2. Financial transactions are executed as intended and in accordance with Navajo County policy and relevant financial, legal, and contractual requirements.

3. Potential errors are detected prior to execution.

B. Approval: The signatory of an approval or approver of a financial transaction attests to its completeness, accuracy, and validity. System-executed approvals must carry evidence of approval in the form of the unique user identification of the approver. The signature or system approval shall be interpreted as a certification that the document upon which the approval appears (and any attachments) are accurate and complete and comply with Navajo County policies, and applicable laws and regulations.

C. Segregation: Adequate segregation of duties is critical to effective internal control. Segregation of duties provides necessary checks and balances to deter fraud, detect errors and prevent concealment of irregularities. In general, the approval function, the accounting/reconciling function, and the asset custody function should be separated among employees. When these functions cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity. Some examples of segregation of duties are:

1. The person who initiates the purchase of goods or services should not be able to authorize payments.

2. The person who maintains and reconciles accounting reports should not be able to authorize purchase or payments.

3. An employee must not knowingly prepare or approve a business transaction that is incorrect, inappropriate, fraudulent or in violation of Navajo County policy. An employee with knowledge of an improper transaction must immediately report the occurrence to his/her immediate supervisor, elected official, or department director. If circumstances warrant reporting the matter outside the department, the report may be made to County Administration or the Finance Director.

D. The signature authorization form is used by the department head to delegate signature authority for various types of documents to responsible individual(s) within the department. However, the department head continues to retain accountability and responsibility for the delegated transactions.

1. The Signature Authorization Form is required to verify signature authorization on documents sent to Finance for approval and/or processing.

2. Each department is responsible for ensuring that all documents sent to Finance are approved by an authorized signer.

3. Elected officials and department directors should review the Signature Authorization forms whenever an employee changes position or leaves the department to ensure that the department’s signature authority is appropriate. A new form must be filled out each time a signature is added or deleted. When a current update is submitted, the previously filed Signature Authorization Form will become invalid and the new form shall be recognized.

4. A new Signature Authorization Form must be turned into Finance by June 30th each year. This will provide stronger controls on transactions that are approved and processed by the Finance Department and the submitting department. Transactions submitted for the new fiscal year that do not meet this requirement, will be delayed until the Signature Authorization Form is received.